



# IKEA Sustainability Report FY19



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## About this report

This is an IKEA Brand report and it covers the entire IKEA business and value chain. It summarises the performance against the IKEA sustainability strategy, People & Planet Positive, during FY19 and includes information from across the franchise system and the different companies operating under the IKEA Brand. The FY19 IKEA Sustainability Report is issued by Inter IKEA Group. The report is structured as follows:

### Section one

Summarises key progress during FY19 against the commitments in the IKEA sustainability strategy.

### Section two

Takes a complete value chain perspective – from materials to product end-of-life – to demonstrate how the IKEA business works at all steps of the value-chain (and even beyond) to reach our sustainability ambitions. This section includes more details and activities during FY19.

The financial year 2019 (FY19) is the period from 1 September 2018 to 31 August 2019.

# The IKEA business in FY19

 **211,000**  
IKEA co-workers

 **9,500**  
More than 9,500 products in the IKEA range


 **433**  
IKEA Stores in more than 50 markets

 **43**  
IKEA Industry production units  
in 9 countries

**2,000**  
More than 2,000 new products

**12** New IKEA stores opened  
around the world

 **2.8 billion**  
visits to IKEA websites

 **1 billion**  
More than 1 billion visits to IKEA stores

 **1,000**  
Nearly 1,000 home furnishing  
suppliers in more than 50 countries

**9** markets introduced e-commerce  
and customers in most IKEA  
markets can now shop online

**43%** increase in  
e-commerce sales

 **41.3 billion**  
EUR 41.3 billion IKEA retail sales

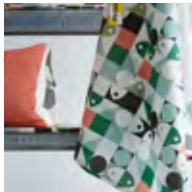
# Sustainability highlights FY19



**A break in the trend for the IKEA climate footprint:** The climate footprint of the IKEA value chain decreased by 4.3% and is now equal to the level of baseline FY16, while the IKEA business continued to grow. Read more, [page 28](#).



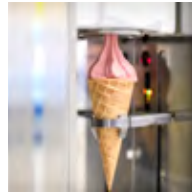
**Sourcing responsibly:** 91% (84% FY18) of wood used for IKEA products is now from more sustainable sources<sup>1</sup> (MSS). Read more, [page 48](#).



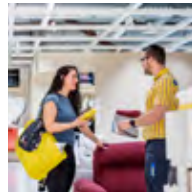
**Developing collections for people and the planet:** Using material innovation and design to tackle ocean plastic pollution (see MUSSELBLOMMA, [page 52](#)) and air pollution (see FÖRÄNDRING, [page 43](#)).



**Making renewable energy affordable for more people:** Customers in seven markets generate their own renewable energy with support from IKEA Home Solar. Through Home Solar, customers saved on average EUR 400 per year on their energy bills. Read more, [page 95](#).



**Offering more plant-based food:** After the success of the veggie hot dog (almost 1 out of every 10 hot dogs sold in an IKEA bistro is a veggie hot dog!), vegan strawberry soft ice was introduced in April 2019 and a plant-based version of the classic IKEA meatball will be launched in August 2020. Read more, [page 102](#).



**Transforming into a circular business:** Testing new models of product ownership, which offer furniture as a service in Switzerland, Netherlands, Poland and Sweden. Read more, [page 100](#).



**Developing a circular product range:** 80% of the IKEA home furnishing range is now assessed according to the IKEA circular product design principles. Read more, [page 22](#).



**Using more recycled materials:** The share of recycled polyester in textile products has reached 59% (compared to 24% in FY18) – on our way to the goal of 100% by the end of 2020. Read more, [page 52](#).



**Promoting decent work:** Updating the IKEA supplier code of conduct (IWAY), ensuring that it's relevant and up-to-date for our suppliers to meet or even go beyond our requirements. Read more, [page 109](#).



**Collaboration with social entrepreneurs:** Launch of the first programmes not directly linked to the IKEA business to support even more marginalised people around the world – for example the accelerator programme in partnership with Ashoka. Read more, [page 106](#).



**Investing to drive change:** After the end of FY19, Inter IKEA Group announced the decision to invest EUR 200 million to accelerate the transformation to become a climate positive business by 2030. Read more, [page 28](#).

<sup>1</sup> More sustainable sources for wood includes FSC® certified or recycled wood.

# Sustainability challenges



**Addressing unsustainable consumption:**

Enable more people to live better everyday lives within the limits of the planet.

**Remaining affordable:** IKEA products are for the many people, so we need to continue to ensure that the IKEA offer remains accessible to those with thin wallets.

**Limiting climate change to 1.5°C:** Decoupling our climate footprint from growth takes time. Even if we see a positive break in the trend this year, we need to reduce the IKEA climate footprint, in absolute terms, the coming years before we can say that we are heading in the right direction. Read more, [page 23](#).

**Sourcing recycled materials:** There is a shortage of clean, recycled materials, such as plastics and textiles, and we are working to increase global availability. This is an important element of minimising environmental impact and moving towards a circular economy. Read more, [page 39](#).

**Improving working conditions:**

As decent working conditions are fundamental to doing good business, we are continuously strengthening our efforts to improve the conditions throughout our supply chains. Read more, [page 109](#).

**Including vulnerable groups in society:** To create better possibilities for inclusion in areas of the world that need it the most, we are working with partners who employ marginalised groups. Read more, [page 106](#).

# About this report



FY19<sup>1</sup> is the second IKEA sustainability report since the relaunch of the sustainability strategy, People & Planet Positive, in 2018. The strategy covers the entire IKEA value chain and franchise system, with ambitions leading to 2030. This sustainability report gives an overview of the progress against the IKEA sustainability strategy. It includes both key activities from FY19 as well as an update on the ongoing work to further assess the total footprint from the IKEA value chain, our impact and our work to set baselines in order to better measure the progress towards 2030.

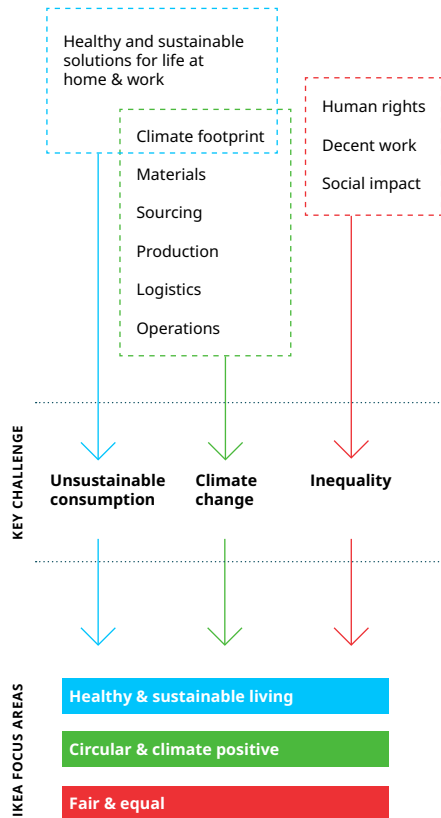
We now, for example, have a comprehensive view of the total IKEA climate impact, as well as parameters on how to measure circularity. We are still in a development phase for how to better measure social impact and healthy and sustainable living. This does not, however, prevent us from leading activities and developing new solutions in these areas.

The objective of this document is to be transparent about our journey even though not all new performance indicators and ways of measuring are complete. During the next two years, the aim is to have a new performance framework process in place in order to enable reporting for the next decade leading up to 2030. By working together with different stakeholders, we are gaining an increasingly clearer picture of our journey ahead.

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<sup>1</sup> The financial year 2019 (FY19) of the IKEA business is from 1 September 2018 to 31 August 2019.

## Materiality: Choosing our focus areas



**Our strategic priorities presented in the People & Planet Positive strategy were selected by taking a materiality approach. Material topics are considered the most important sustainability issues in terms of the ability of the IKEA business to have an impact as a global home furnishing and food business.**

We also looked at what stakeholders expected from us and where they could see us making the biggest positive changes. Our approach considered the impact of the IKEA business on global sustainability issues as well as the impact of these issues on the IKEA business.

During the strategy development, stakeholders such as NGOs, employees, suppliers, potential customers and strategic partners participated in the process. We conducted workshops and surveys, and reviewed risk assessment reports, as well as scientific reports and home-visit results. We also integrated the UN Sustainable Development Goals for 2030 into the strategy development process.

As an outcome, we clustered the identified material topics into three major challenges critical to the IKEA business: *climate change, unsustainable consumption and inequality.*

The IKEA sustainability strategy organises our efforts to tackle these challenges and to become people and planet positive around three focus areas:

- Healthy & sustainable living
- Circular & climate positive
- Fair & equal

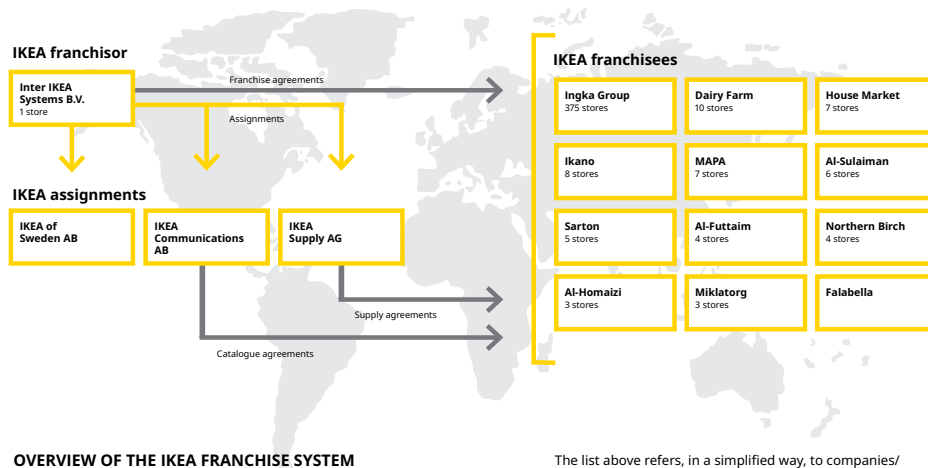
During FY19, we continued the process of identifying where the IKEA business has the largest impact and ability to influence within these focus areas. Our strength is in working with a total value-chain perspective. For example, today the IKEA businesses has better baseline data in relation to our total climate footprint, making it clearer which actions to prioritise to reach our goals (see the climate footprint FY19, [page 29](#)). Still the focuses vary across the IKEA business; for example, parts of the business are investing heavily in the transition to renewable energy and access to electric vehicles, whereas other parts are investing in innovation and the development of new materials,

forest management practices and product development.

This report aims to inform people about our key achievements on the material topics in 2019.

*This is a simplified visual overview of identified topics.*

# One brand – many companies



## OVERVIEW OF THE IKEA FRANCHISE SYSTEM

© Inter IKEA Systems B.V. 2020

The list above refers, in a simplified way, to companies/ groups of companies operating IKEA retail businesses in one or more markets. The listed names do not represent the legal company name of the franchisee companies that have entered into franchise agreements with Inter IKEA Systems B.V. Store numbers are correct as per **31 August 2019**. In addition to the stores listed above, IKEA franchisees also operate several test locations.

The FY19 Sustainability Report is issued by Inter IKEA Group, consisting of Inter IKEA Holding B.V. and all its subsidiaries. Inter IKEA Group is the group of companies that connects IKEA franchisees with range development and suppliers, and aligns the overall IKEA strategic direction, all to create a better everyday life for the many people. The Inter IKEA Group consists of three core businesses.

- Franchise consists of Inter IKEA Systems B.V. and its subsidiaries. Inter IKEA Systems licenses the IKEA retail system and trademarks to IKEA franchisees worldwide.
- Range & Supply is responsible for developing and supplying the IKEA range.
- Industry manufactures IKEA home furnishing products, producing around 12% of the total range.

IKEA is a franchise business. That means many people and companies with different owners work under one IKEA Brand, dedicated to one IKEA vision: to create a better everyday life for the many people. Franchising is a system that encourages everyone to contribute and

collaborate. The franchisor is responsible to continuously develop the IKEA Concept and ensure its implementation in new and existing markets. Franchisees provide valuable input based on consumer and market insights. At the end of FY19, 12 different groups of companies had the right to own and operate IKEA sales channels in more than 50 markets around the world. For tax and compliance-related reporting, please refer to company-specific reports issued by Inter IKEA Group and IKEA franchisees. Inter IKEA Group publishes its reports on [newsroom.ikea.com](https://www.newsroom.ikea.com).

The franchisee Ingka Group operates around 90% of IKEA stores worldwide. For more information about the Ingka Group, see the [Ingka Group Annual & Sustainability Report FY19](#).

For more information on the IKEA business, see [About.IKEA.com](https://www.about.ikea.com).



## Introduction letter

# Making sustainable living affordable

**We are always guided by our vision to *create a better everyday life for the many people*. This drive to constantly improve is at the heart of everything we do.**

In FY19, we continued our journey to transform the IKEA business to become people and planet positive. This is a transformational change and it means rethinking every aspect of how we do business. In this report, we will present our progress towards our ambitions and focus areas.

FY19 was a successful year. Retail sales grew by 6.5% compared to FY18, and total retail sales, which includes sales of IKEA products, food and services to IKEA customers, amounted to EUR 41.3 billion. 12 new IKEA stores opened around the world, and nine markets introduced e-commerce. Around 2.8 billion people visited the IKEA website, and e-commerce sales grew by 43%. An

important milestone in FY19, is the break in the trend for the climate footprint of the IKEA value chain, which decreased by 4.3% and is now equal to the level of baseline FY16, while the IKEA business continued to grow.

As a global home furnishing and food business, our focus is to make IKEA products more affordable and accessible for many more of the many people, and at the same time, to create a positive impact for people, society and the planet. Our ambition is to make healthy and sustainable living a desirable choice that is affordable for as many people as possible. Sustainable living cannot be a luxury for the few, and is essential for the world's population to thrive within the limits of the planet.

FY19 was a successful and eventful year, with many challenges and achievements. There is an increasing awareness about the sustainability challenges facing society, and an urgency to act. This can be seen in consumer surveys, through youth manifestations globally and among our

employees. We can also see an increased interest in sharing economies as well as in plant-based food – positive signs for the future.

However, we still see negative trends when it comes to rising inequalities, climate change, biodiversity loss and increasing amounts of waste from human activity.<sup>1</sup> There were also multiple reports during FY19 that show the direct impact on people's everyday lives of, for example, severe air pollution in India, ocean pollution from plastics, forest fires due to land-use changes and severe temperatures. People around the world have been forced to leave their homes due to conflicts, poverty and environmental challenges.

We will play an active part in turning challenges into new solutions and creating a positive impact. To achieve our ambitions we need to make large changes. We have committed to transform our business to be circular and climate positive by 2030. And entering 2020, we now have one decade



<sup>1</sup> UN 2019 status report- Future is Now

left to make important movements to reach the shared sustainable development goals. This is a short time considering the big movements needed and the high ambitions ahead.

Reflecting on where we were last year, we are moving forward in line with our climate agenda, and now have clear examples along the whole value chain, such as: today, 91% of all the wood used in IKEA products comes from sources defined as more sustainable.<sup>1</sup> We are on our way to replacing all virgin polyester textile with recycled polyester, and have taken steps towards phasing out single-use plastic products. We have introduced more plant-based food options, such as the vegan soft ice, and are testing a new refurbishing service in some markets. In the transformation to 100% renewable energy, we are now using 57% renewable energy in retail and 46% in the production of IKEA products. A breakthrough in FY19 was the trial of sustainable biofuel used in a container vessel shipment – a collaboration with many partners.

As part of our work to become climate positive, we have joined forces with World

Wide Fund for Nature (WWF) and other companies to establish a global definition of climate positive. Today, climate positive is used in many ways, and it is essential to agree on a global definition that is grounded both in science and transparency. Together with WWF, IKEA hosted a session on this theme at COP25 in Madrid, Spain, the world's biggest conference on tackling climate change.

**To speed up action, Inter IKEA Group has decided to invest EUR 200 million, focusing on two portfolios: one to transform the IKEA supply chain into using renewable energy, and one to remove CO<sub>2</sub> from the atmosphere through reforestation, restoration of degraded forests and better forest management practices.**

We can't achieve all the big changes we want to see alone. Working together, leading by example, and finding better ways to get things done are the IKEA ways of working.

Therefore, we are committed to working together in a collaborative way with many stakeholders, including NGOs, governments, other businesses, customers and co-workers. We are also teaming up with social entrepreneurs who use business as a way to reduce poverty, empower women and tackle social and environmental challenges in their communities.

By relying on our own culture of entrepreneurship, always moving forward and not waiting for perfection, we can, and must, all work together to achieve breakthrough improvements.

**Torbjörn Lööf**  
CEO Inter IKEA Group

**Lena Pripp-Kovac**  
Chief Sustainability Officer, Inter IKEA Group



<sup>1</sup> More sustainable sources for wood includes FSC certified or recycled wood.

Healthy & sustainable living - Circular & climate positive - Fair & equal

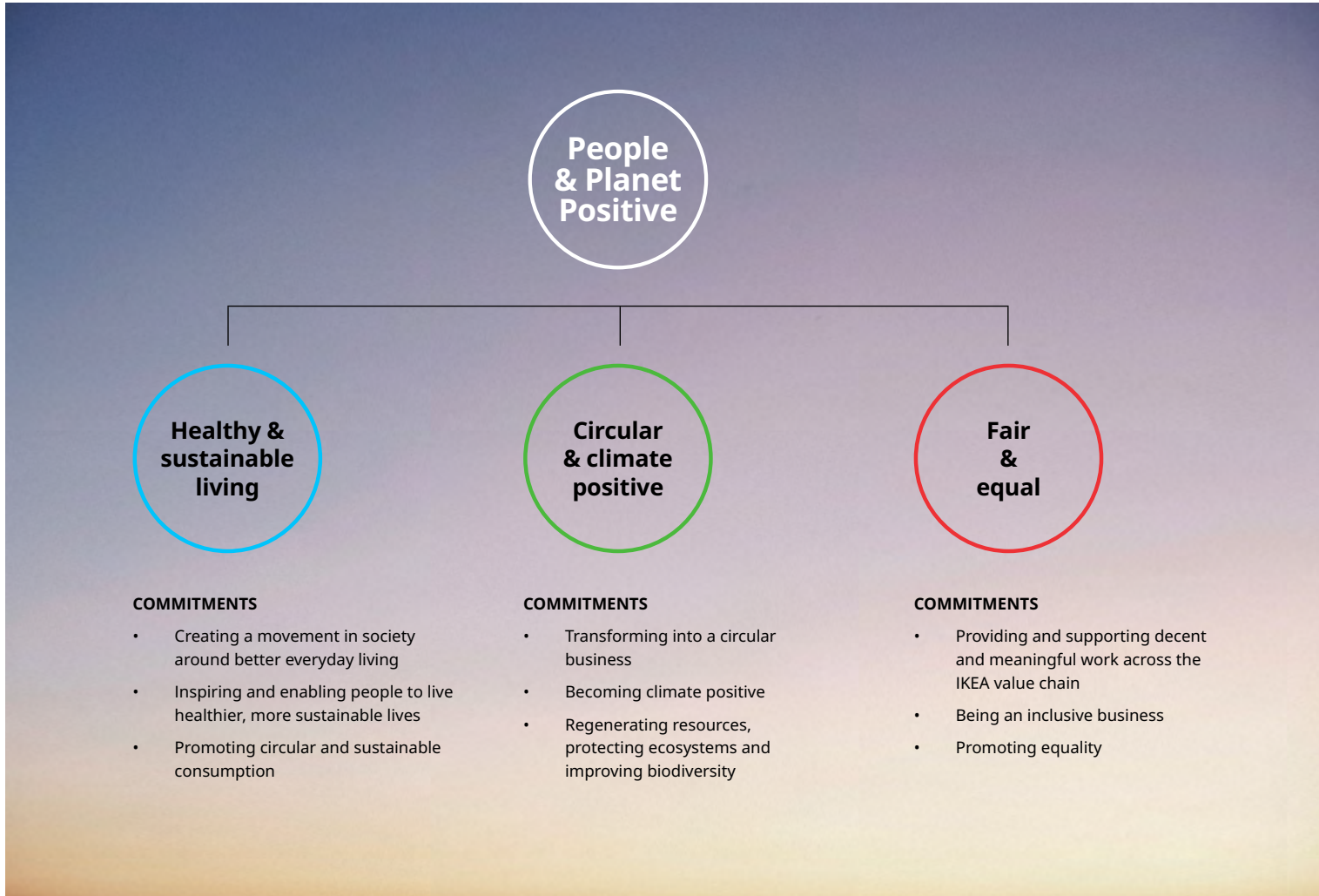
A photograph of a man and a woman kissing on a staircase. The woman is wearing a yellow jacket and blue jeans, and the man is wearing a dark jacket and blue jeans. They are both smiling and looking at each other. The staircase has a wooden handrail and white balusters.

# Becoming People & Planet Positive

*Progress in FY19*

The IKEA vision is to create a better everyday life for the many people. A better everyday life includes a healthier, less wasteful and more sustainable way of living that's affordable for the many. Making more from less and finding new, creative ways to deal with limited resources are part of the IKEA way of working. This is more important than ever as society faces huge challenges.

Healthy & sustainable living - Circular & climate positive - Fair & equal



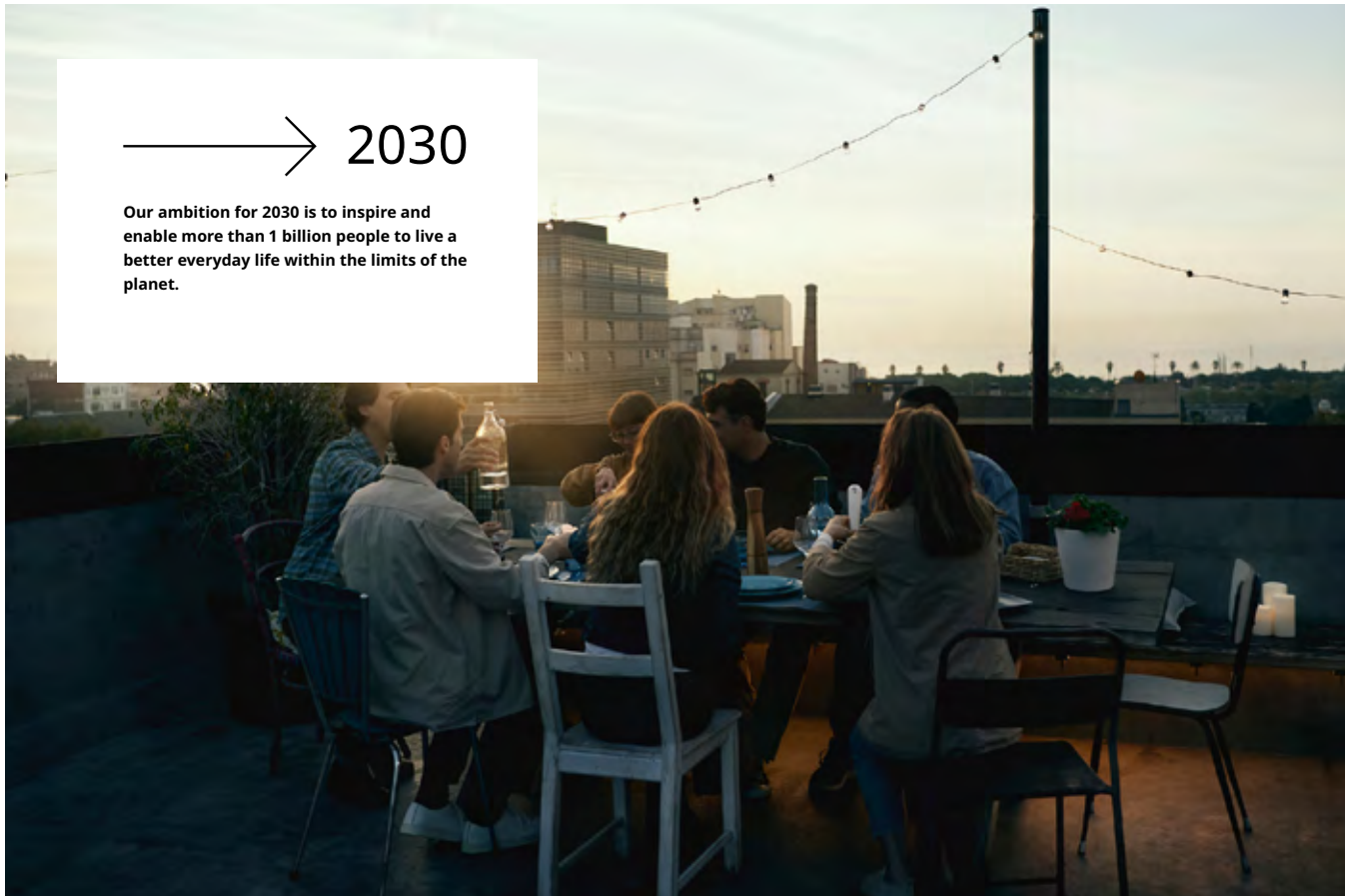
**The IKEA sustainability strategy, People & Planet Positive, outlines how the IKEA business will transform into a sustainable business that has a positive impact on people throughout the IKEA value chain, and for the planet, while we continue to grow.**

It defines a common sustainability agenda and ambitions for everyone in the IKEA franchise system and value chain, building on the success of the IKEA business to date and our ambition to contribute to achieving the [UN Sustainable Development Goals \(SDGs\)](#).

In the following sections you can read about our ambitions, commitments and strategic goals and how we are measuring, or will measure, our progress within each of our sustainability focus areas. In the second half of the report you will find more insights and details about the impact we have within each part of the IKEA value chain.

Read the full IKEA People & Planet Positive strategy [here](#).

# Healthy & sustainable living



→ 2030

Our ambition for 2030 is to inspire and enable more than 1 billion people to live a better everyday life within the limits of the planet.

**At IKEA, we are committed to making healthy and sustainable living accessible, affordable and attractive for the many people. In FY19, we welcomed 1 billion visits to 433 IKEA stores in more than 50 countries and 2.8 billion visits to the IKEA website. At the same time, 680 million people experienced the IKEA Food offer, either in our restaurants, Swedish food markets or bistros. We have a big opportunity to make a positive difference. We also believe it's possible to live a better life within the limits of the planet, and we know that people want to live in this way.**

According to a global consumer study on healthy and sustainable living completed during FY19<sup>1</sup>, a majority say that living in a way that is good for people and the environment is a large priority. The biggest barrier reported in this research is that this way of life is perceived to be too expensive.

Read more on [page 91](#).

<sup>1</sup> Conducted by GlobeScan – [https://globescan.com/wp-content/uploads/2019/09/Healthy\\_Sustainable\\_Living\\_2019\\_GlobeScan\\_Highlights.pdf](https://globescan.com/wp-content/uploads/2019/09/Healthy_Sustainable_Living_2019_GlobeScan_Highlights.pdf)

## Healthy & sustainable living

# Our commitments

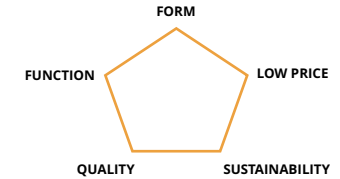
The IKEA business will lead the way in making healthy and sustainable living a desirable and affordable choice. Today, people with thin wallets have the hardest time affording these kinds of products and services. IKEA has a real possibility to change that.

Our three commitments are:

- **Inspiring and enabling people to live healthier, more sustainable lives**
- **Promoting circular and sustainable consumption**
- **Creating a movement in society around better everyday living**

We will share knowledge and ideas, and offer affordable solutions that enable many more people to reduce their climate impact – use and generate renewable energy, be energy and water efficient, purify the air in their homes, minimise waste and improve their health and wellbeing. It should be convenient for people to bring home, care for and pass on IKEA products in sustainable and circular ways.

All IKEA products will be developed using the IKEA democratic design approach and circular product design principles. Throughout the IKEA business, we will work to prolong the life of products and materials and thereby support a circular economy. Transforming into a circular and climate-positive business also means offering products made of more sustainable materials. The ambition is to only use renewable and recycled materials. In addition, we will offer more plant-based and healthy meals that are delicious and affordable.



### Democratic Design

Every IKEA product is designed according to the five dimensions of Democratic Design. In the IKEA transition to becoming circular, we have also implemented circular product design principles to guide our product design and development teams. Read more, [page 22](#).

**FORM:** Products that make customers feel good while making the world a more beautiful place.

**FUNCTION:** Products that work well and make everyday life easier and more meaningful.

**QUALITY:** High-quality and long-lasting products that weather the wear and tear of everyday life.

**SUSTAINABILITY:** Products made in ways that are good for people and the planet, and which can enable people to live healthier and more sustainable lives at home.

**LOW PRICE:** Products that are affordable and accessible to the many people.

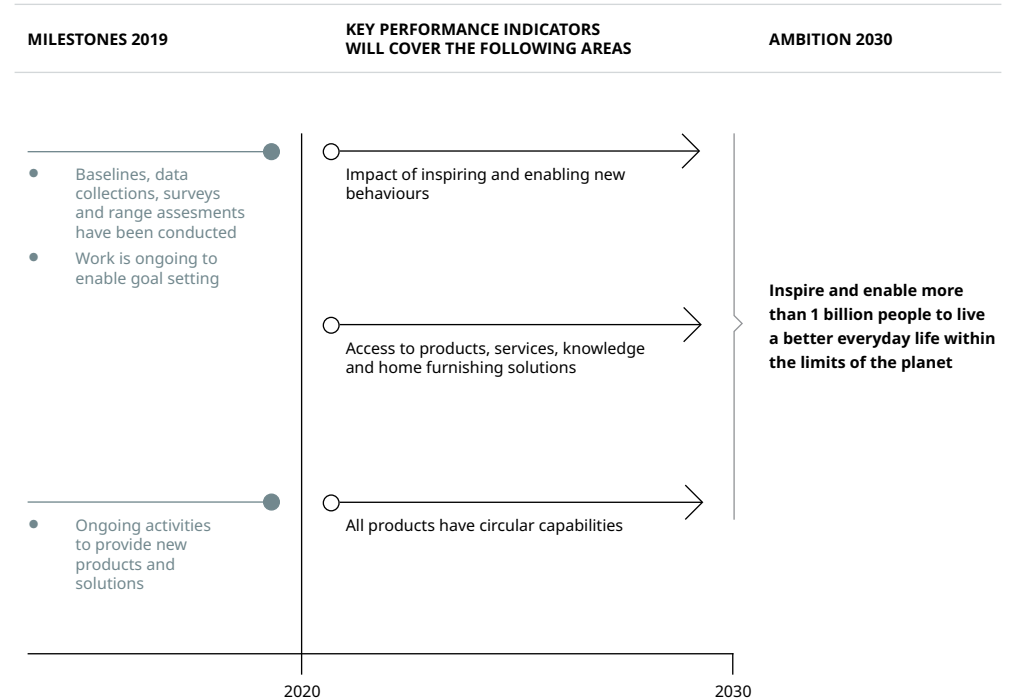
Healthy & sustainable living - Circular & climate positive - Fair & equal

## Healthy & sustainable living

# Measuring our progress

Measuring progress in a credible way involves everything from measuring the sustainability performance of the products we offer, to tracking the changes in people's attitudes and behaviours. It means going beyond the sales figures to really understand the impact we have on people's lives and the planet. We will consider the use of products at home, the materials in them, and how we inspire and enable a new mindset for healthy and sustainable living. This will enable a bigger shift in society and across the IKEA business.

We are in the process of developing a measurement framework to track progress in a new way.



*Simplified overview of some the key movements we have made during the year.*

### Progress and key activities in FY19

- The quantity of healthier foods sold has increased to 11% and the quantity of plant based foods sold increased to 16% by the end of FY19. Our ambition is that by the end of FY22, 1 out of every 5 meals and snacks sold will be healthier, according to the IKEA Balanced Meal Norm. Read more about the IKEA Balanced Meal Norm, [page 102](#).
- Continued to develop the IKEA range, for example using recycled materials in the kitchen range BODARP.
- Progress towards the goal to remove single-use plastic products from the IKEA range by 2020. Read more, [page 54](#).
- Significant reduction of the climate impact from IKEA hobs and bulbs by starting to phase out gas hobs, promoting induction hobs and improving the energy efficiency of bulbs.
- Contributing to better awareness in society about the barriers and enablers of living in a way that is good for people and the planet by participating and sharing insights from global consumer research on healthy and sustainable living.<sup>1</sup>

For more new products and solutions and engagement activities see [page 91](#).



*The BODARP kitchen door is manufactured in factories using renewable electricity with a foil made from recycled PET bottles.*

<sup>1</sup>Conducted by GlobeScan – <https://globescan.com/healthy-sustainable-living-report-2019/>



# Circular & climate positive



**In this section we describe our ambitions for transforming into a circular business where nothing goes to waste, how we will contribute to limiting global temperature increases to 1.5°C by the end of the century, and what we are doing to regenerate resources, protect ecosystems and improve biodiversity.**

**Our three commitments are:**

Transforming into a circular business, [page 18](#)

Becoming climate positive, [page 23](#)

Regenerating resources, protecting ecosystems and improving biodiversity, [page 30](#)

## Transforming into a circular business



→ 2030

The IKEA ambition for 2030 is to become a circular business built on renewable energy and regenerative resources; decoupling material use from our growth. We aim to end our dependency on virgin fossil materials and fuels. Transforming into a circular business impacts every aspect of the IKEA business: from how and where we meet IKEA customers, how and what products and services we develop, to how we source materials and develop the IKEA supply chain. This will enable us to prolong the life of products and materials by working with reuse, refurbishment, remanufacturing and recycling.

To reach more of the many people with affordable products and solutions for a better everyday life, we continue to set ambitious business growth goals. At the same time, we must decouple growth from resource use and transform into a circular business.

## Transforming into a circular business

# Strategic goals

We are committed to transforming into a circular business. We track our progress against strategic goals to secure that we enable the IKEA business to become circular.

- **Finding solutions for customers to acquire, care for and pass on products.** It's about exploring opportunities and people's needs to acquire things, to retain and restore value in things they love, and prolonging the life of products by passing them on when no longer wanted. Establishing and promoting systems and services to enable a circular society.
- **Aiming to only use renewable or recycled materials.** It's about seeing IKEA products as raw materials for the future and eliminating waste across the entire value-chain using responsibly-sourced renewable and recycled materials. It also includes using resources in a smarter way, turning waste into resources and taking the lead in transforming secondary materials into clean and safe resources.

- **Designing every product from the very beginning to be repurposed, repaired, reused, resold or eventually recycled.**

Key enablers as stated in the IKEA sustainability strategy, People & Planet Positive, are advocacy, collaboration and working together with others. This is also true for the circular transformation journey.



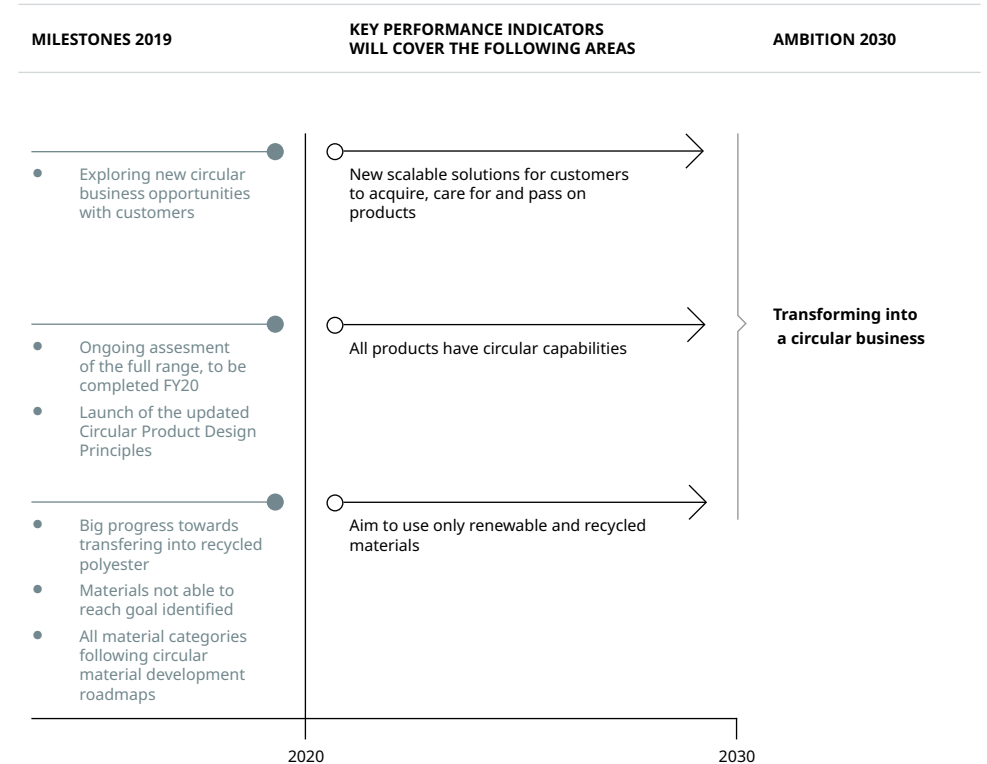
## Transforming into a circular business

# Measuring our progress

We continue to explore new ways of measuring our progress. To reach the circular strategic goals, the following performance indicators have been identified (see table to the right):

### Progress and key activities in FY19

- In Switzerland, Netherlands, Poland and Sweden, IKEA retailers are testing new models of product ownership, collectively referred to as "furniture as a service". The aim is to learn about product maintenance and preparation for repeated reuse. Read more in *Life at home & consumption*, [page 100](#).
- The IKEA business has also begun to test refurbishment. The first test took place in late FY19, involving sofas collected from customers through product claims and takebacks. The sofas were then refurbished and resold. This first test was limited in size. With more practical knowledge we will be able to conduct further tests and learn how to scale the model. The aim is to offer even more affordable home furnishing through the sales of refurbished products.



*Simplified overview of some the key movements we have made during the year.*


Healthy & sustainable living - Circular & climate positive - Fair & equal

- More than 60% of the IKEA product range is based on renewable materials, like wood and cotton, and more than 10% contains recycled materials. These are the same numbers reported in FY18, yet many actions have been taken during FY19 on specific material levels, which we expect will deliver progress. Some areas are particularly challenging, for instance, inorganic materials like carbon steel, sand (used in ceramics and glass), and float glass. These are materials that we are especially focusing on to find new solutions.
- One of the main movements during FY19 was in recycled polyester (rPET). By the end of FY19, the overall share of polyester in textile products being recycled reached 59% (compared with 24% in FY18 and 10% in FY17). Through innovations and new designs, the ambition is to only use recycled polyester by the end of 2020 in our production. rPET is used in products including rugs, curtains, roller blinds, bedding, pillows, quilts, sofa covers, as well as storage boxes and bags.
- In the second half of FY19, we conducted a series of product assessments to see how well the product offer fulfils the new circular product design principles. This resulted in an assessment of 80% of our furniture offer, and we are starting to see the overarching themes for standardising circular design and opportunities to transform our range to become circular. These assessments are setting the baseline for the future measurement of our progress towards our goal to design all products to be circular by 2030.



**Circular assessment of MÖRBYLÅNGA dining table**

The right combination of materials and the possibility for easy reassembly makes the MÖRBYLÅNGA dining table one of our first circular products. Through the circular products assessments, we have carefully looked at furniture products we already sell today, such as MÖRBYLÅNGA. While opportunities for improving the circularity of products exists, we can see that the design and the material used in MÖRBYLÅNGA is good enough to be part of a circular society already today. Not all dining tables achieved the same circular score. Our approach of the product assessment has enabled a direct comparison between individual products and product groups.



## *Transitioning to a circular business affects how we design our products*

*Circular products will be designed from the very beginning to be reused, refurbished, remanufactured, and recycled – extending their lifespan for as long as possible. They will also be material banks for the future, meaning we can take them apart when they are no longer working or wanted and reuse the parts and the materials.*

The circular product design principles have been updated during FY19, and include the following:

### **RENEWABLE OR RECYCLED MATERIALS**

Choosing the right materials from the beginning

### **STANDARDISATION**

Enabling care, repair, upgradability, refurbishment, remanufacturing, and eventually recycling of products over an extended period of time

### **CARE**

Extending the life of products through maintenance and prevention

### **REPAIR**

Products that are easy to repair when something goes wrong

### **ADAPTABILITY**

Products that can fulfil evolving customer needs

### **DISASSEMBLY AND REASSEMBLY**

Making reuse, refurbishment, and remanufacturing easier and more efficient

### **REMANUFACTURING**


Utilising existing materials and parts in production of new products

### **RECYCLABILITY**

Choosing materials and designing how they are combined to enable recycling

We also consider the product lifespan based on whether a product will be used only once or multiple times. And, we cannot forget emotional connection. Together with great functionality, an emotional connection is the reason for people to maintain, repair, and not throw away a product. By addressing ways for customers to make that connection, they are much more likely to sell, refurbish or give away products they no longer want, rather than throw them away.

## Becoming climate positive



→ 2030

The IKEA commitment for 2030 is to become climate positive by reducing more greenhouse gas emissions in absolute terms than the IKEA value chain emits, while growing the IKEA business.<sup>1</sup> This is how we contribute to limiting the global temperature increase to 1.5°C by the end of the century.

The ambition is to achieve this without purchasing carbon offset certificates. Instead, the IKEA business is addressing the root cause of our impact on climate change.

**The IKEA climate footprint in FY19 is estimated to be 24.9 million tonnes CO<sub>2</sub> eq – accounting for 0.1% of the world’s greenhouse gas (GHG) emissions.<sup>2</sup> This includes the entire IKEA value chain: extracting and processing raw materials, manufacturing and transporting products, IKEA stores, customer travel to stores, product use in customers’ homes and product end-of-life. We have a responsibility, and the possibility, to make a positive impact at each stage of the value chain.**

<sup>1</sup> The IKEA goal is to reduce GHG emissions from the total value chain (scope 1, 2 and 3) in line with the IPCC 1.5°C report (pathway 2) by drastically reducing greenhouse gas emissions and storing carbon in land, plants and products. The IPCC 1.5°C report is a special report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty. Read more about the IPCC 1.5°C report and pathway 2 [here](#).

<sup>2</sup> Global greenhouse gas emissions (incl. land use change and forestry) – world total, 2016 (latest available data), <https://www.climatewatchdata.org/ghg-emissions>

Healthy & sustainable living - Circular & climate positive - Fair & equal

The largest portion of the IKEA climate footprint comes from raw materials extraction and processing (see [page 38](#)), and IKEA product use in customers' homes (see [page 93](#)), which includes the energy consumption of lighting and white goods over the lifetime of a product.

CLIMATE FOOTPRINT AT EACH STAGE OF THE VALUE CHAIN (% of CO<sub>2</sub> eq)

			HOW THE IKEA BUSINESS WILL BECOME CLIMATE POSITIVE BY 2030
Materials	42%		Designing products to enable repurpose, repair, reuse, recycle, <a href="#">page 22</a> Using renewable and recycled materials, <a href="#">page 39</a> Developing a bio-based glue for boards, <a href="#">page 41</a>
Food ingredients	4%		A plant-based alternative to the iconic meatball, <a href="#">page 103</a> Securing more sustainable feed for animals, <a href="#">page 60</a> Sourcing ingredients from more sustainable sources, <a href="#">page 57</a>
Production	11%		Reaching an absolute reduction through renewable electricity, <a href="#">page 65</a> Preparing for one of the world's largest PV installations, <a href="#">page 65</a> Replacing natural gas with biogas at IKEA suppliers, <a href="#">page 65</a>
Product transport	5%		Developing sustainable biofuel for shipping, <a href="#">page 76</a> Transports using only rail or biofuel in Sweden, <a href="#">page 76</a>
Retail & other own operations	3%		Reaching 100% renewable electricity by FY25, <a href="#">page 79</a> Retrofitting buildings with renewable energy solutions, <a href="#">page 80</a>
Customer travel & home deliveries	11%		Enabling customers to travel to and from IKEA in a sustainable way, <a href="#">page 88</a> Achieving 100% electric home deliveries in Shanghai, <a href="#">page 90</a>
Product use at home	20%		Enabling customers to use renewable energy at home, <a href="#">page 95</a> Significantly improving the energy efficiency of lighting and appliances, <a href="#">page 93</a> Enabling customers to save energy, <a href="#">page 95</a>
Product end-of-life	4%		Designing our products and services to enable a second life for products, <a href="#">page 101</a> Eliminating waste throughout our own operations, <a href="#">page 82</a>



## Becoming climate positive

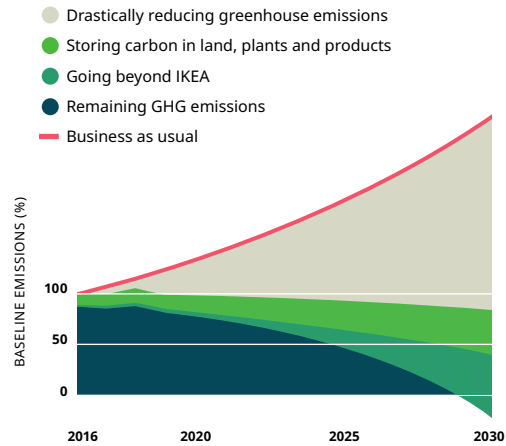
# Our commitments

Our commitment is to become climate positive. We will do this by:

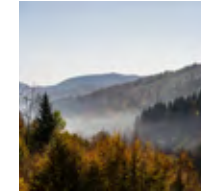
- Drastically reducing greenhouse gas emissions in absolute terms from all parts of the IKEA value chain:** To succeed, there are three main change drivers that we address: The first is to enable sustainable consumption and transform into a circular business by inspiring and enabling people to live better lives within the limits of the planet. The second is that we strive towards 100% renewable energy and a phase-out of fossil fuels. We will improve energy efficiency and other related costs in the IKEA business operations, the supply chain and towards IKEA customers through the products and services we offer. The third is to use more sustainable materials and food ingredients, e.g. with ambition to only use renewable or recycled materials in our products by 2030 and continuing to source raw materials, for both home furnishing and food products, from more sustainable sources, certified by third parties such as Forest Stewardship Council® (FSC®).

- Storing carbon in land, plants and products:** Exploring and improving ways to remove CO<sub>2</sub> from the atmosphere and storing it in forests, agriculture and products. We will ensure that carbon remains stored in IKEA products longer through the circular economy. We will explore and improve ways to store carbon through even better forest management and agricultural practices.
- Going beyond the IKEA value chain:** Addressing a footprint larger than the IKEA value chain. For example, by collaborating with our customers, suppliers and partners to reduce their total GHG emissions. We mainly do this in two ways. The first is by enabling our customers to generate renewable energy at home through solar panels and other renewable energy services. The second is that we support and partner with our almost 1,000 direct home furnishing suppliers to reduce the total footprint of their factories, not just the manufacturing for the IKEA business. This will enable us to together address a footprint around four times larger than that from the production of IKEA products.

THE IKEA PATHWAY TO BECOME CLIMATE POSITIVE



The graph shows the contributors to becoming climate positive and reducing more GHG emissions than the IKEA value chain emits, while growing the IKEA business. Although the GHG emissions will only reduce by 15% in absolute terms, it stands for the largest relative improvement and is the main driver for decoupling the IKEA climate footprint from growth. The remaining contributors to reaching climate positive will be in storing carbon in land, plants and products.



### The IKEA contribution to limiting climate change to 1.5°C

Together, the contributions from “drastically reducing greenhouse gas emissions” and “storing carbon in land, plants and products” should lead to halving the greenhouse gas emissions from the IKEA value chain by 2030 (scope 1, 2 & 3) compared to 2016 – in line with what is required to limit climate change to 1.5°C.<sup>1</sup>

<sup>1</sup> IPCC – Special Report: Global Warming of 1.5 °C (pathway 2)

## Becoming climate positive

# Strategic goals

To become climate positive and meet our people and planet positive commitments, the goals and performance indicators have been identified below. Our goals are in line with science, and externally validated through initiatives such as Science Based Targets initiative (SBTi)<sup>1</sup>, Exponential Road Map<sup>2</sup> and the Cool Food Pledge.<sup>3</sup>

### Goals to drastically reduce greenhouse gas emissions

The overall goal is by 2030 to reduce the absolute greenhouse gas emissions from the IKEA value chain by at least 15% compared to 2016, while still growing the IKEA business. Accounting for the estimated growth over the same period, this is equivalent to cutting the average climate footprint per product by 70%.<sup>4</sup> In addition, sub-goals are set for specific parts of the IKEA value chain, which include the following:

**Retail and other own operations:** By 2030, reduce the absolute greenhouse gas emissions from retail and other own operations by 80% compared to 2016.<sup>5</sup>

- By 2025, consume 100% renewable electricity in retail and other own operations.<sup>5</sup>

**Food ingredients:** By 2030, aim for at least a 25% absolute reduction in food-related GHG emissions or a 38% relative reduction in food-related GHG emissions per calorie, compared to 2016.<sup>6</sup>

**Product transport:** By 2030, reduce the absolute greenhouse gas emissions from product transport by 15% compared to 2017.

**Production:** By 2030, reduce the absolute greenhouse gas emissions from production by 80% compared to 2016.

- Strive towards 100% renewable energy (electricity, heating, cooling and other fuels) in production by 2030.
- By 2025, at the latest, phase out all coal and oil-based fuels used on-site in production, where feasible, significantly reducing climate footprint and improving air quality.

**Customer travel and home deliveries:** By 2030, reduce the greenhouse gas emissions from customer and co-worker travel and customer deliveries by 50% in relative terms per person compared to 2016:<sup>7</sup>

- By 2025, aim for 100% of transport for customer deliveries and services to use electric vehicles (EV) or other zero-emission solutions.
- By 2025, all owned/leased/shared vehicles in our fleet to be EV or other zero-emission options.
- By 2020, provide access to EV charging stations in all IKEA touchpoints.

<sup>1</sup> Science-based Target Initiative, <https://sciencebasedtargets.org/>

<sup>2</sup> Exponential Road Map, <https://exponentialroadmap.org/>

<sup>3</sup> World Resources Institute: Cool Food Pledge, <https://www.wri.org/our-work/project/cool-food-pledge>

<sup>4</sup> Based on an estimation of the growth until FY30 made in FY16

<sup>5</sup> Scope: Inter IKEA Group and the IKEA retail business of Ingka Group (scope 1 & 2)

<sup>6</sup> IKEA commitment to the Cool Food Pledge, <https://www.wri.org/news/2019/09/release-companies-serving-800-million-meals-give-menus-climate-friendly-makeover>

<sup>7</sup> Scope: Inter IKEA Group and the IKEA retail business of Ingka Group

### Goals for storing carbon in land, plants and products

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There is currently a lack of a global accounting standard for how to measure the impact on climate from carbon removals and storage. Inter IKEA Group is contributing to this work by co-funding and engaging in a global project led by World Resources Institute (WRI) and World Business Council for Sustainability Development (WBCSD) to extend the Greenhouse Gas Protocol and provide an accounting and reporting standard as well as guidance, for carbon removals, land use and bioenergy. This will support the Paris Agreement goal of balancing emissions and removals globally. Expected delivery of the project is by 2021. Once developed, the IKEA business will set a strategic goal and disclose the annual progress.

### Going beyond IKEA

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During spring 2020, the methodology for how to measure this will be finalised, and be part of the next IKEA Sustainability Report.



## Becoming climate positive

# Measuring our progress

### Progress and key activities in FY19

- **Break in the trend:** FY19 marks an important year and a break in the trend as it is the first year since baseline FY16 that the climate footprint of the IKEA value chain has not increased compared to the previous year. It has, instead, decreased in absolute terms by 4.3% since FY18. It is now the same as in FY16, while the IKEA business continued to grow. This hopefully marks the start of a decoupling of growth from our impact on the planet. See [page 29](#).

The main drivers behind the decreased climate footprint in FY19, and the break in the trend, include a significant increase of renewable electricity in the manufacturing of IKEA products, especially at IKEA Industry, as well as large improvements in energy efficiency of the IKEA lighting and appliances range.

The main increases in the climate footprint in FY19 were in retail operations, materials and food. The footprint in materials increased as sales grew, but we are yet to

see the impact of material directions (see [page 40](#)), which is a long-term change. A key movement going forward is to inspire even more customers to choose more sustainable options.

To sustain the break in trend, and also achieve a reduction in absolute terms, it is critical to push short-term reductions within e.g. production and product use, so that these are larger than the expected increase in footprint from more long-term developments, such as materials. It is also key to inspire IKEA customers to choose plant-based options in our restaurants, bistros and Swedish food markets – a range that will be further strengthened by the plant ball in August 2020. Read more on [page 102](#).

- **First ocean container using biofuel:** The first ever ocean container vessel using sustainable biofuel set sail through development by the IKEA business together with partners CMA CGM Group and the GoodShipping Program. Read more, [page 76](#).
- **Announcement of EUR 200 million investment to speed up action** to transform direct suppliers into using renewable energy, and to remove CO<sub>2</sub> from the atmosphere through reforestation, restoration of degraded forests and better forest management practices. Read more [here](#).
- **Global definition of climate positive initiated:** Together with WWF and other partners, work started to establish a global definition of climate positive. Read more, [page 114](#).
- **Initiation of a project to set a global accounting standard for removing and storing carbon**, see previous page.

Healthy & sustainable living - Circular & climate positive - Fair & equal

**IKEA CLIMATE FOOTPRINT - PERFORMANCE VS BASELINE**  
(Million tonnes CO<sub>2</sub> eq)

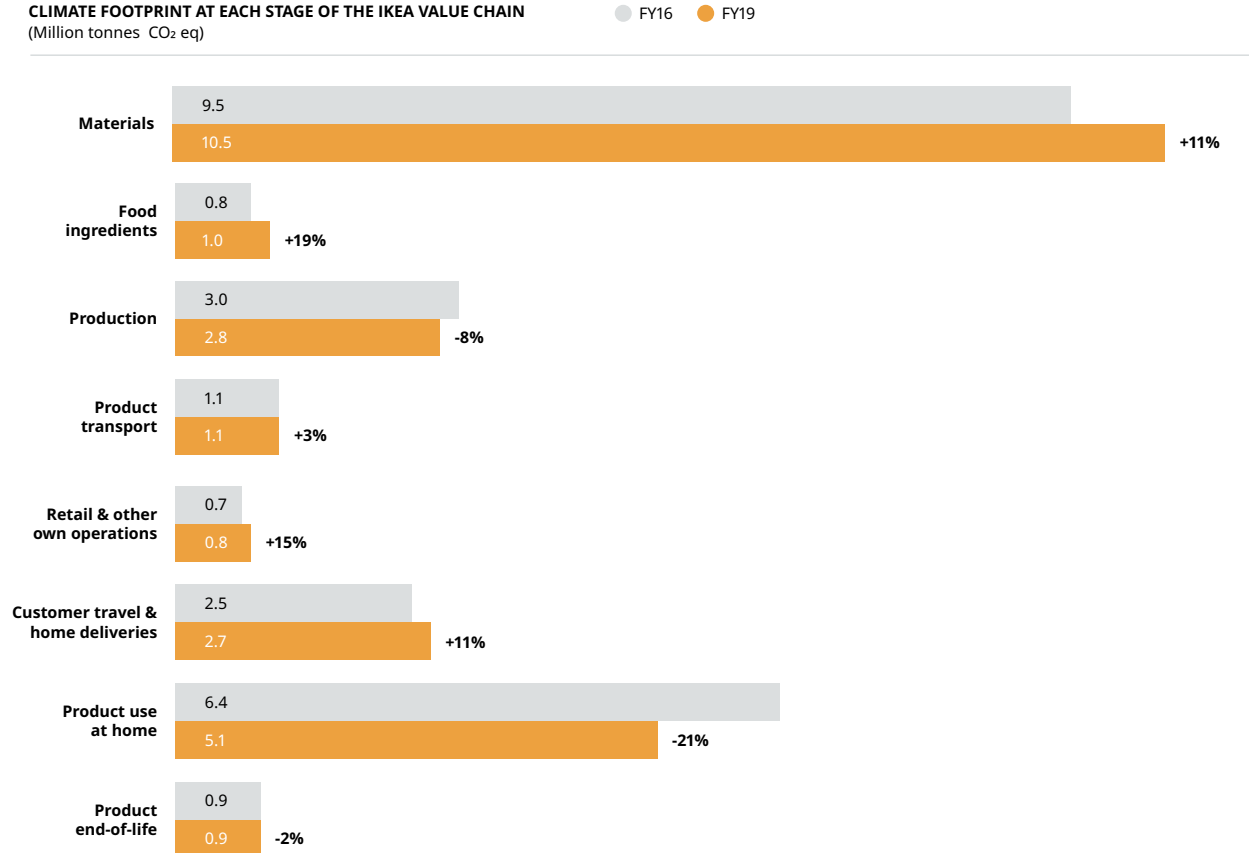


**Goal FY30** (21.2 million tonnes CO<sub>2</sub> eq) **-15%**  
Reduce by at least 15% in absolute terms compared to FY16

**Break in the trend:** In FY19, retail sales grew by 6.5% compared to FY18 and at the same time the climate footprint from the value chain decreased by 4.3% in absolute terms, down to the FY16 baseline level.

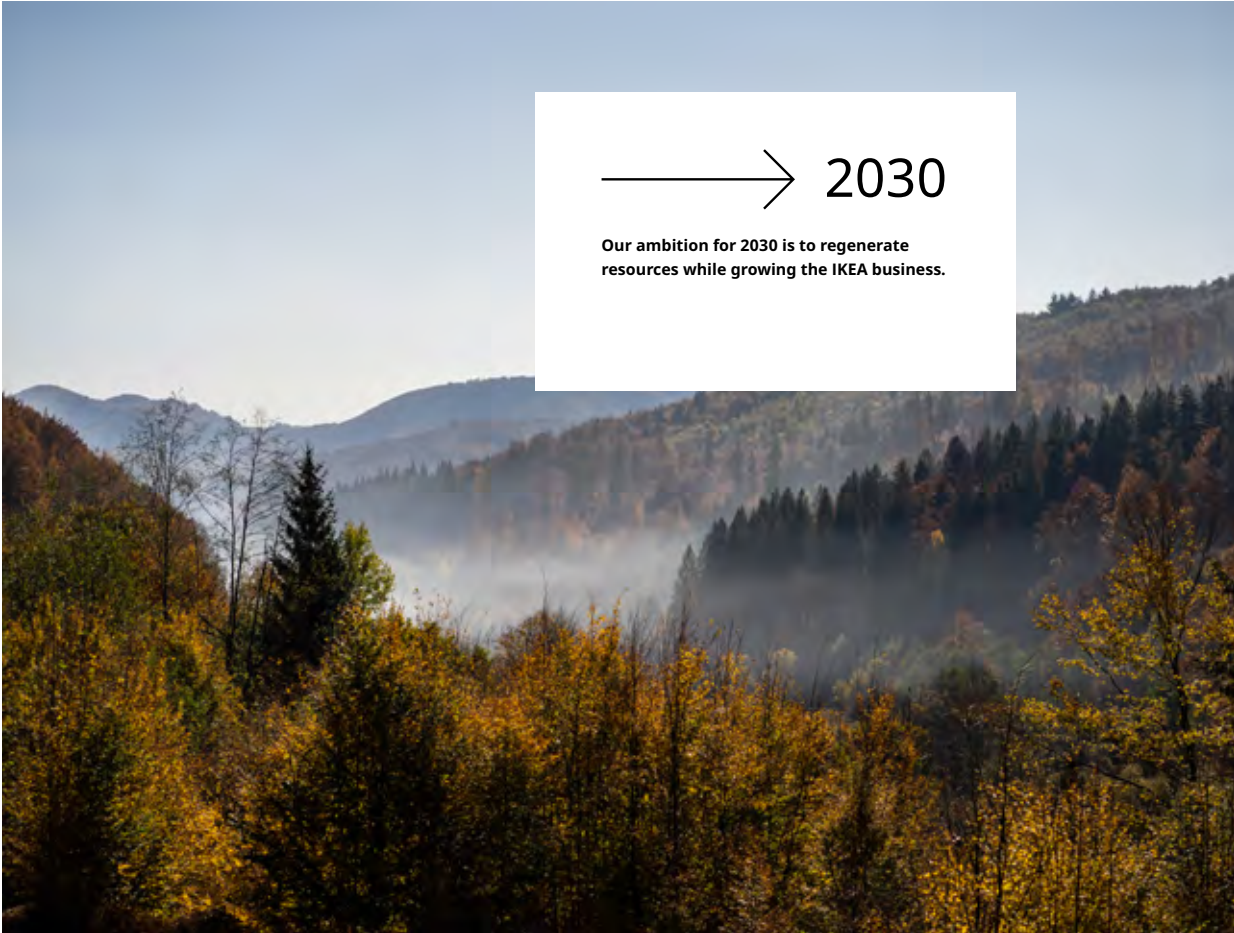
Timeframe	Business growth (% EUR)	Climate footprint change (% tonnes CO <sub>2</sub> eq)
FY18 - FY19	+6.5%	-4.3%
FY16 - FY19	+13%	-0.1%

**CLIMATE FOOTPRINT AT EACH STAGE OF THE IKEA VALUE CHAIN**  
(Million tonnes CO<sub>2</sub> eq)



While the total climate footprint decreased during FY19, the performance varies across the value chain, see staple chart.

## Regenerating resources, protecting ecosystems and improving biodiversity



→ 2030

Our ambition for 2030 is to regenerate resources while growing the IKEA business.

The IKEA business will become more resource efficient across the IKEA value chain, and transition to a circular business. We are dependent on materials for our home furnishing solutions and food products and we will always work to find new ways to make more from less and strive for responsible and sustainable sources, ensuring that we have a positive impact.

## Regenerating resources, protecting ecosystems and improving biodiversity

# Our commitments

We are committed to regenerating resources, protecting ecosystems and improving biodiversity.

We will continue to secure and develop responsible sourcing standards that include environmental, social and animal welfare criteria. Forestry will always be a key focus area for the IKEA business, since wood is one of our main materials. Prioritised activities are becoming forest positive and promoting sustainable forest management. We will use innovative approaches to forest management, protection, restoration and regeneration. We will continue to source wood, cotton and food from more sustainable sources as well as broadening our focus to address a wider range of commodities. We will lead regenerative projects on degraded land, deforested areas and agriculturally cultivated areas.

Our ambition is to become water positive<sup>1</sup> by leading and developing water stewardship programmes to improve the water quality and availability for people and ecosystems where IKEA is present or has influence. Read more, [page 44](#).



**When it comes to sustainable sourcing of wood**, the IKEA business target is that by the end of 2020 all wood used in IKEA products will come from more sustainable sources, which is defined as FSC certified or recycled wood. In countries where forests are at risk or there is history of bad forestry practices, the target of 100% wood from more sustainable sources was already met in 2017.

<sup>1</sup> We are working to become water positive by being good water stewards and helping to increase the availability of clean water in our own operations and our supply chain. Working to use water efficiently and ensure that the water we discharge is at least as clean as when it was extracted. We are also helping customers to reduce their use of water by developing and promoting innovative and affordable products. And we collaborate with others to create the conditions that provide sustainable clean water supplies for people and communities.

Healthy & sustainable living - Circular & climate positive - Fair & equal

## Regenerating resources, protecting ecosystems and improving biodiversity

# Measuring our progress

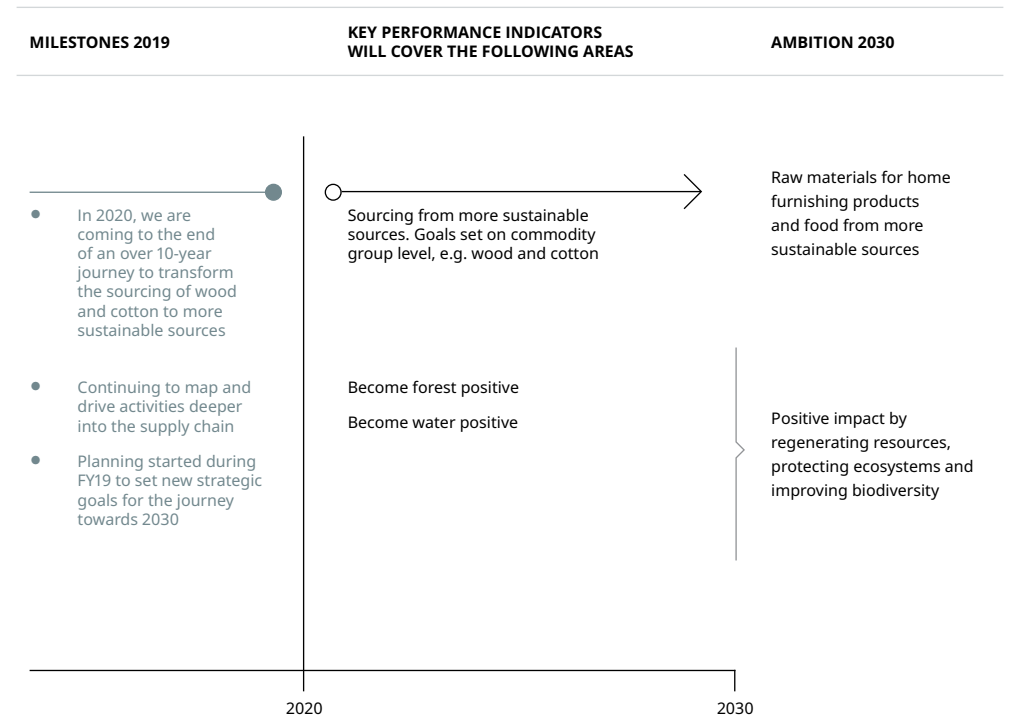
The following group of indicators has been identified (see table to the right), we will further develop the goals for our next 10-year period during FY20-21.

### Progress and key activities in FY19

We are continuing our journey towards 100% more sustainably-sourced wood (MSS) – Forest Stewardship Council (FSC) certification and/or recycled – by 2020. We are currently at 91% (all high-risk countries have been 100% MSS since 2017). Since FY16, all the cotton used to make IKEA products has come from more sustainable<sup>1</sup> and recycled sources. Wood and cotton were, by volume, our largest commodities during FY19.

Within the food range sourcing we continue to maintain the following commitments:

- All seafood should be certified by the Aquaculture Stewardship Council (ASC) and the Marine Stewardship Council (MSC).
- All palm oil must be Roundtable on Sustainable Palm Oil (RSPO) certified.



Simplified overview of some the key movements we have made during the year.

<sup>1</sup> More sustainable sources for cotton include cotton grown to the Better Cotton Standard; by farmers working towards Better Cotton, recycled cotton and more sustainable cotton from the USA (such as the e3 Cotton Programme).



Healthy & sustainable living - Circular & climate positive - Fair & equal

- Coffee and cocoa should have UTZ certification.
- All tea should come from more sustainable sources, i.e. be UTZ, Rainforest Alliance and Fairtrade certified.
- In addition, several of our products are certified towards the EU Organic standards.

Materials and sourcing with complex supply chains contribute to a large part of the sustainability agenda. During FY19, we expanded the work to include more commodities – both home furnishing solutions and food. Having long-term relationships with suppliers – today on average 11 years - and working with integrated supply chains in relation to materials enables the IKEA business to work with strategic commitments and development. We have had a more than 10-year journey working with, for example, the forest transformation into more sustainable sourcing. In FY19 we planned for forest positive and water positive strategic goals from 2020-2030.

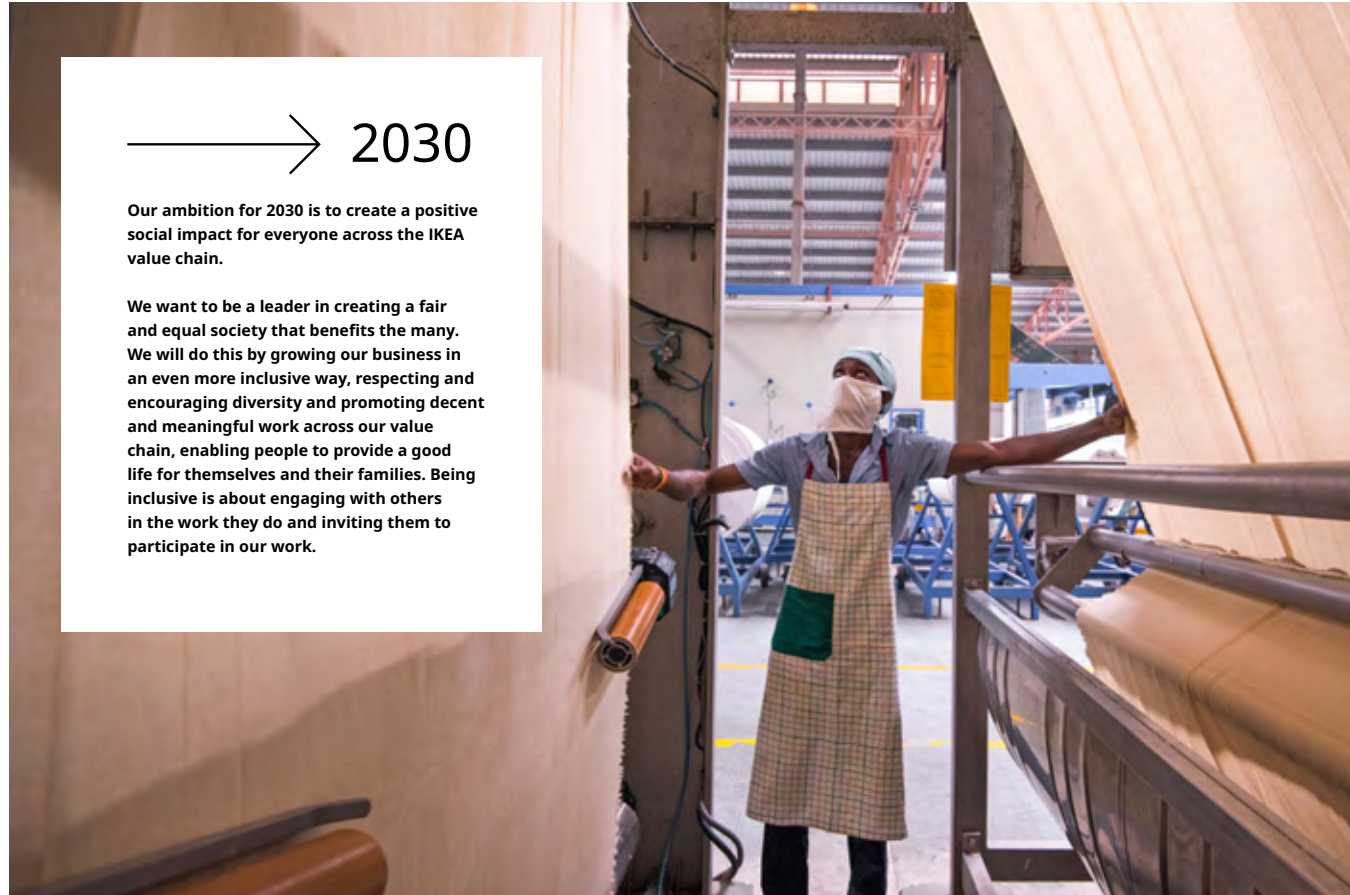


# Fair & equal

→ 2030

Our ambition for 2030 is to create a positive social impact for everyone across the IKEA value chain.

We want to be a leader in creating a fair and equal society that benefits the many. We will do this by growing our business in an even more inclusive way, respecting and encouraging diversity and promoting decent and meaningful work across our value chain, enabling people to provide a good life for themselves and their families. Being inclusive is about engaging with others in the work they do and inviting them to participate in our work.



**The IKEA value chain touches millions of lives around the world. We are committed to respecting and supporting human rights throughout the value chain with a special focus on the rights of children, decent work and inclusive workplaces that support diversity and equality. Fairness and equality are fundamental to reaching our vision. We want to benefit the many, be inclusive and put people at the heart of our business.**

## Fair & equal

# Our commitments



### The IKEA people strategy

The IKEA People and Sustainability Strategies are united in the ambition to have a positive impact on people throughout the IKEA value chain. Themes such as decent work, inclusion and equality are the basis for actions both in and outside of IKEA own operations and supply chains. The Responsible Wage Practices and Human Rights Baseline Assessment are examples of initiatives that go across the entire IKEA value chain and are integrated into both People and Sustainability Strategies.

We are committed to respecting and supporting human rights in all areas of the IKEA business with a focus on integrating children's rights into everything that we do. We base this commitment on the business responsibilities described in the United Nations Guiding Principles on Business and Human Rights (UNGPs) and the Children's Rights and Business Principles (CRBPs).

We have committed to:

### Providing and supporting decent and meaningful work across the value chain

- Always ensuring that workplaces are safe and contribute to the healthy development of people. Read more, [page 70](#).
- Ensuring access to competence and skills development, enabling people to grow and reach their full potential. Read more, [page 71](#).
- Providing and supporting stable, regular and predictable employment. Read more, [page 72](#).
- Ensuring that we - together with others - define what constitutes a fair income and

make it possible for everyone in the IKEA value chain to have a fair income. Read more, [page 72](#).

- Ensuring that everyone in the IKEA value chain has a voice and is engaged and empowered to play an active role in their workplace. Read more, [page 71](#).

### Being an inclusive business

- Growing the IKEA business providing opportunities for the many.
- Continuing to build a diverse, inclusive workplace and empowering and supporting people to be themselves at work. Read more, [page 86](#).
- Making gender equality a reality. Read more, [page 84](#).
- Ensuring that children's rights are integrated into everything that we do. Read more, [page 36](#).
- Providing and promoting learning and working opportunities for young people.
- Ensuring that the IKEA value chain is made

up of diverse business partnerships that drive innovation, business growth and social impact. Read more, [page 106](#).

- Engaging in our communities to create a positive impact on livelihoods and contribute to an inclusive local economy. Read more, [page 87](#).

### Promoting equality

- We will stand up for our ambitions, values and beliefs, advocating for change and playing an active role to support it. Read more, [page 84-87](#).
- We will engage with others, sharing knowledge and being transparent. Read more, [page 113](#).

## Fair & equal

# Measuring our progress



### Children's rights

Integrating children's rights into our business is a continuous journey. We look thoroughly at our entire value chain to understand how all activities impact the rights of children, directly and indirectly. Children are among the most vulnerable members of society and often lack a public voice. We are committed to ensuring children's rights across the IKEA business.

Across all IKEA companies, there are different goals and activities that contribute towards the overall IKEA commitment to create a fair and equal world. The aim is to establish a more systematic way to follow up and to measure progress across the business.

### Progress and key activities FY19

We continued our journey to work to create a positive social impact, including progress and activities across our value chain:

- During FY19, IWAY, the IKEA supplier code of conduct, our long-standing programme that communicates and ensures the minimum requirements on environmental, social and working conditions with IKEA suppliers, was updated to fit future expectations and prepare for our ambitions for tomorrow. Read more, [page 109](#).
- There is naturally a higher risk of injury at a manufacturing industry, like IKEA Industry, compared to other parts of the IKEA business. However, in FY19, there were

fewer co-worker injuries at work at IKEA Industry than in any previous year. Read more, [page 70](#).

- The IKEA commitment to diversity means that we see the potential in everyone – including those who are struggling to access the labour market. In FY19, stores in nine IKEA retail markets<sup>1</sup> ran initiatives to support refugees' skills development and help them to find work. In addition, there are initiatives to support refugees with skills for employment initiatives. Read more, [page 87](#).
- Work for equality continues. The current development for gender equality is presented on [page 84](#).
- Working to secure good working conditions within the transport sector in Europe. Read more, [page 77](#).
- Continue to work to ensure the rights of migrant workers. Read more, [page 72](#).
- IKEA Social Entrepreneurship continued to develop existing business partnerships

with social entrepreneurs, and FY19 saw the launch of the first programmes not directly linked to the IKEA business. Read more, [page 106](#).

<sup>1</sup> Through the Retail business of Ingka Group

# Our impact throughout the IKEA value chain

*In this section of the report we will illustrate how we are making progress on our People & Planet Positive strategy in the different steps of the IKEA value chain. Details and examples are provided for each step, ranging from sourcing of raw materials, producing and transporting our products, to making healthier and more sustainable options affordable for the many through our home furnishing and food range.*

To reach the ambitions and goals set out in the IKEA People & Planet Positive strategy, it's necessary to take a full value chain approach and to analyse our impact from material extraction to product end-of-life and every step along the way. We work with sustainability in a holistic way, considering environmental as well as social dimensions and how the IKEA business impacts these areas.

# Materials & sourcing



**The IKEA business aims to assess materials as holistically as possible, taking into account all relevant aspects, including climate footprint, water use, biodiversity impact, land use, and human rights impact, among others. The largest part of the IKEA environmental impact comes from the extraction and processing of materials used in IKEA products.**

Of course, there are many impacts to consider when it comes to materials. The best alternatives are materials that do not require any new material extraction. That's why eliminating wasteful consumption and transforming into a circular business where we prolong the life of products and materials is so crucial. We are committed to developing circular capabilities in all our home furnishing products and the ambition is to only use renewable and recycled materials by 2030.

## Renewable, recycled and recyclable materials: key to circular products



**Today, more than 60% of the IKEA product range is based on renewable materials like wood and cotton, and more than 10% contains recycled materials.**

The amount of IKEA product range based on renewable and recycled materials is similar to the numbers reported in FY18, as it takes time to explore new materials and technology innovations. Looking for renewable or recycled sources of inorganic materials such as metals, ceramics, and certain types of glass, is proving to be particularly challenging. We are now working to address these issues.

Some of the issues we are currently addressing include:

- Working towards converting all polyester to 100% recycled polyester in textile products by the end of 2020, since the carbon footprint of recycled polyester is half of that of virgin polyester. See Textiles, [page 52](#).
- Using less material by switching to stronger materials. One such solution is laminated veneer lumber (LVL), which uses 30% less material compared to conventional solid wood.

When assessing the global availability of recycled materials, such as plastic, textiles and wood, we have found that recycling rates differ between countries and materials, with paper and metal

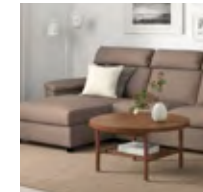
being the most highly recycled materials. Two-thirds of waste is municipal, and a quarter of waste comes from the US and China combined. We are continuing the journey to better understand what is needed to source recycled materials by exploring new ways of sourcing. Read more, [page 46](#).

### Material as a key element in circular product development

To better understand how to reach our goal of 100% circular products by 2030, we have begun the process of assessing our products against the circular capabilities as described in the circular product design principles (see [page 22](#)). Having completed the assessments of 80% of our furniture offer during FY19, we are already starting to see commonalities in how to enable these capabilities in our products.

We see that working with standardisation and design-platform thinking in measurements and components, as well as availability of spare parts, and use of easily-separable, renewable or recycled materials, greatly increases the possibility for reuse, adaptation, repair, and refurbishment. This in turn gives products the

possibility to be used much longer, as they adapt to the use and changes in daily life. The concept of long-lasting products can therefore be greatly extended, opening up new possibilities for a more sustainable, long-term resource use. The first indications from the assessment show promising results and indicate that today we have products with some circular capabilities. The remainder of our offer will be assessed in FY20.



**VIMLE, GRUNDLID, LIDHULT** sofas are built on a standardised platform that enables reuse through modularity. Removable covers and standardised parts enable easy care and adaptability to people's changing needs. Refurbishment can be achieved through easy disassembly and reassembly, enabling materials to stay in use longer, before they are recycled.

## Material directions

*Because materials have a big impact and include complex supply chains, specific material directions on how to meet our 2030 goals have either been, or are being, developed for each of the main materials used in our products. The roadmaps to reaching the renewable or recycled materials are complete for all material categories.*

The material directions include sustainability goals, but also cover other strategic IKEA goals such as affordability and quality. The directions enable us to break down the impact of the main materials, set short and long-term actions to address these and to understand how the potential of each material can contribute to the overall strategic IKEA goals.

Examples of specific actions include converting to recycled materials, converting material suppliers to 100% renewable energy, increasing the use of lightweight constructions and increasing plant-based food options. Some of these actions will be sourcing decisions or direct material improvements, while others will be changes in the product design.

We are using materials in better ways – bamboo, for example – is a type of material that we are using more of as it is renewable, grows quickly and doesn't require fertilisers, pesticides or irrigation. The handmade KNIXHULT, which is made from parts of bamboo that are usually thrown away, is a good example from FY18. We now have a new lamp made of bamboo called MISTERHULT launching during FY20.

Overall in the production, we are striving to minimise waste regardless of the material used.

### Recycled material sources from the informal waste handling sector

There is a need to significantly increase the sourcing of recycled materials around the world. In some countries, streams of recycled materials are handled by the informal economy, which carries a variety of social risks, such as poor working conditions, severe health and safety risks, child labour and social exclusion.

Recognising the vulnerability of people involved in informal waste management, as well as their contribution to reducing waste and pollution, the IKEA business is committed to finding ways to secure that we source our recycled materials inclusively and bring positive developments to informal waste management set-ups.

In FY19, together with external expertise, we conducted a risk assessment of a potential plastic processing unit in Indonesia. The company has a great potential to expand and to contribute to more waste being recycled in Indonesia. The research focused on the situation for workers in the supply chain and will guide the development of a plan for how to address positive development and grow the recycling business.



## Climate footprint of materials

One of the main impacts to the IKEA climate footprint comes from the energy used along the supply chain for extracting materials (e.g. steel mills where iron ore is turned into steel and petrochemical processes creating the plastic materials used in IKEA products) and then processing into a finished material (e.g. turning wooden logs into particle board).

The climate footprint depends both on how much of each material we use, as well as the climate footprint of each material. For example, around 80% (by weight) of the materials used to make IKEA products are wooden, wood based, paper or other natural fibres. Those, however, only make up 37% of the material climate footprint. Plastic and metal materials on the other hand, are used less in IKEA products – metals constitute only 8% (by weight) – but together account for around 42% of the footprint. See next page.

From FY16 to FY19, the climate footprint of materials increased by 11%, just slightly below the increase in the growth in sales. Reducing the climate footprint of materials is a long-term development agenda, which requires a combination of improving existing materials,

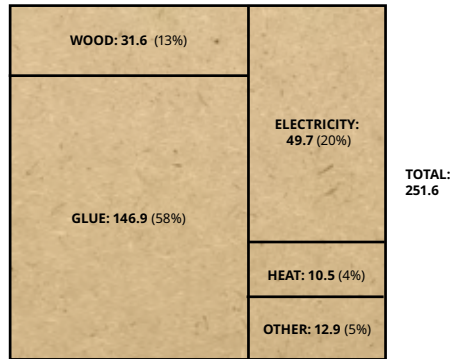
developing new materials and a more conscious material selection in the product development. We are therefore integrating climate roadmaps into every material direction, including goals and a portfolio of projects that will reduce the climate footprint. This includes movements towards using 100% recycled or renewable materials, and more responsibly-sourced materials – eliminating the risk of deforestation and other negative land use change.

One example of a high-impact movement we are making is to replace fossil-based glue with renewable glue. Today, fossil-based glue represents 6% of the total IKEA climate footprint. In FY19, we continued to explore scalable bio-based alternatives. Testing results to replace fossil-based with bio-based alternatives in layered glue and bamboo products look promising, and further trials are required during FY20. Through the material directions, we can also identify improvements at our material suppliers such as working with board suppliers to convert to renewable electricity. If we manage to find a bio-based glue with minimal climate footprint and achieve 100% renewable electricity in board production, we can reduce the climate

footprint of our particle boards by almost 80%. Particle boards are used in IKEA products such as BILLY bookcase, METHOD kitchen system and PAX wardrobe system. Since this is the largest material used in IKEA products – 34% of total material weight or 11% of the climate footprint – this will have a major impact.<sup>1</sup>

In addition to reducing the impact IKEA materials have on the climate, we also need to address how climate change impacts our materials and the IKEA business. Too much or too little water, for example, or sudden heat or cold waves impact the sourcing and availability of materials and food. Many of these changes can be unexpected and come very suddenly, leading to not only environmental, but also social and economic impact due to sudden losses of crops. Cotton is one of the most critical materials to address. During FY19, several projects with WWF in India and Pakistan to develop weather-resilient cotton production systems have been conducted (see Cotton, [page 50](#)).

**CLIMATE FOOTPRINT OF PARTICLE BOARD**  
(kg CO<sub>2</sub> eq/m<sup>3</sup>)



1 m<sup>3</sup>

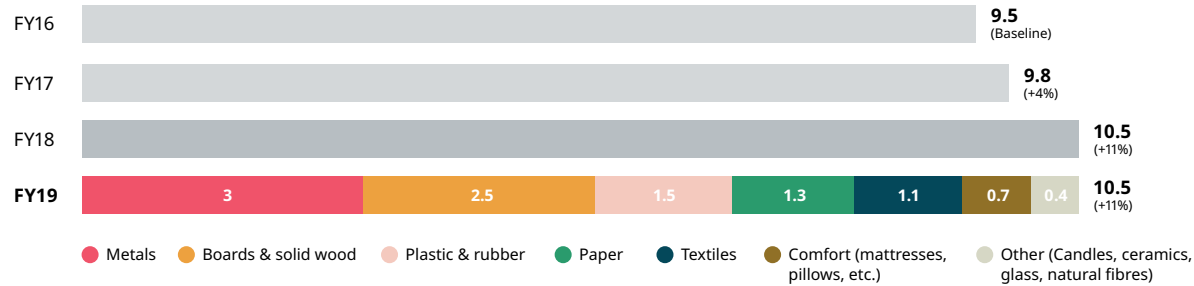
Partideboard - Standard (over 600 kg/m<sup>3</sup>)

*Breakdown of the climate footprint of a particle board (sector average) from raw material extraction until it reaches the IKEA home furnishing supplier, which converts the board into a furniture product, such as a BILLY bookcase. It includes forest operations such as logging, glue used in the board and the electricity and heating needed in the production of the particle board, while transports are included in "other".*

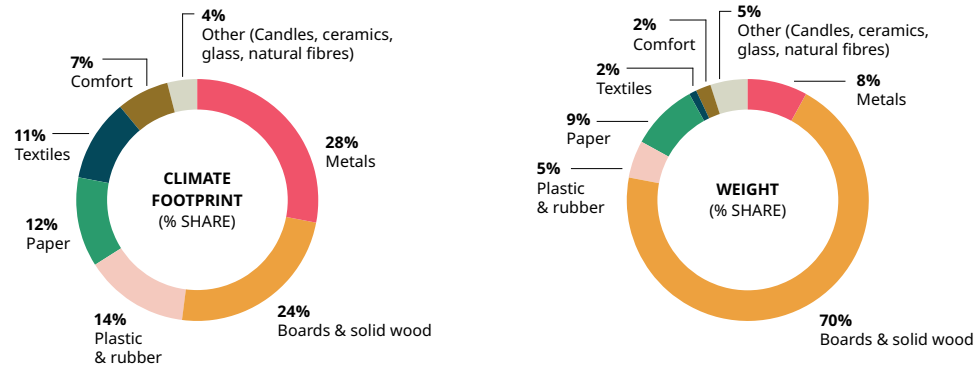
<sup>1</sup> Note! Particle board is one of many board types used in IKEA product. The scope for the bio-based glue is for all boards, not just particle board.

Materials & sourcing - Production - Product transport - IKEA retail - Customer travel & home deliveries - Life at home & consumption - IKEA & social entrepreneurs - IWAY

CLIMATE FOOTPRINT **MATERIALS** (Million tonnes CO<sub>2</sub> eq)



MATERIALS BREAKDOWN FY19 - MATERIAL FOOTPRINT VS MATERIAL WEIGHT (% Share)



Progress and breakdown of the climate footprint of materials. Although boards and solid wood are the largest materials, metals have a higher climate footprint since they are more energy intensive to produce.

## Materials for clean air

*Air pollution is rated as the single largest health risk, according to the World Health Organization. Nine out of ten people live in places where air pollution exceeds safe levels.<sup>1</sup>*

We are committed to reducing emissions of air pollutants across our value chain, and to helping people purify the air in their homes. We know that there is no single solution to solve air pollution and we are always in search of new ways to contribute to a world of clean air.

### Rice straw: Contributing to cleaner air and turning waste into products

39 million tonnes of rice straw are burned every year in northern India alone. The burning of rice straw is one of the root causes of air pollution in New Delhi.<sup>2</sup> During October and November each year, smoke from the rice fields surrounds the capital as farmers burn rice straw, a rice harvesting residue, to make space for wheat crops. In 2018, the Better Air Now Initiative was launched to find ways to use rice straw as a new material to make IKEA products and provide an alternative for farmers to stop the burning. We are still exploring this possibility and an example of this is a product collection that will be available in some markets next year.



**The FÖRÄNDRING collection made from rice straw will be in IKEA stores in 2020,** initially in India, Germany, Sweden, Poland and Spain. FÖRÄNDRING means change in Swedish. The name reflects our goal to contribute to a positive change in the air quality in northern India, for the many people breathing it, and for the farmers being supported to stop burning and practice more sustainable farming. IKEA designers Akanksha Deo and Iina Vuorivirta have chosen the shades of black and blue in the collection; colours that represent the smog and the blue skies. It illustrates the present situation, and the hopes for a more optimistic future, with a crisp and clear blue sky. The long-term ambition is to spread the learnings from the initiative to other crop burning regions of the world.

<sup>1</sup> <https://www.who.int/news-room/detail/02-05-2018-9-out-of-10-people-worldwide-breathe-polluted-air-but-more-countries-are-taking-action>

<sup>2</sup> <http://berkeleyearth.org/air-pollution-and-cigarette-equivalence/>

## Becoming water positive

**The IKEA business aims to become water positive by being good water stewards and improving the quality and availability of water throughout the IKEA value chain.**

We strive to use water efficiently and ensure that the water we discharge is at least as clean as when it was extracted. We are also enabling customers to reduce their use of water by developing and promoting innovative and affordable products. Read more, [page 97](#).

The focus during FY19 has been on further data collection for all parts of the IKEA value chain regarding water. The results show that the IKEA business has home furnishing direct suppliers and stores in many locations that are considered high and extremely high water stressed areas. IKEA direct suppliers and customers are exposed to future water shortages in more than 40 countries.

As seen in the table, materials and production stand for more than 85% of the water used.

There are ongoing activities in all parts of the value chain to reduce water consumption and improve water quality. Product use and food ingredients are new data collection points and estimations for FY19.

### Water use

The analysis of the IKEA water use from different IKEA material groups shows, as expected, that textiles is the most water intensive material. Textiles represent more than 50% of the estimated total blue water<sup>1</sup> used for material sourcing in FY19. Therefore, a majority of IKEA water projects are connected to textile production.

To improve the availability of clean water, the focus is on reducing the water use of suppliers, the impact of water use in river basins and awareness-building activities. Additional water parameters in relation to water quality are under development to meet the IKEA water positive ambitions by 2030.

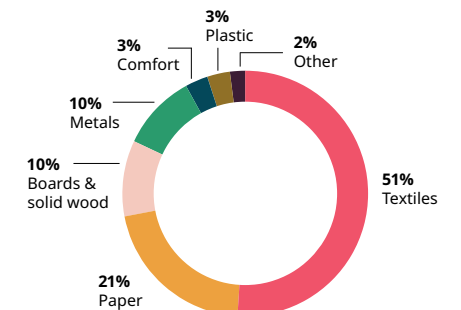
**WATER USE ACROSS THE VALUE CHAIN**  
(Thousand m<sup>3</sup>)



- Materials (544,103)
- Product use at home (113,969)
- Food ingredients (78,766)
- Production (36,963)
- Retail operations (7,386)

*The retail data for FY17 only includes data from Ingka Group. The retail data for FY18 and FY19 includes all IKEA franchisees.*

**% BLUE WATER<sup>1</sup> CONSUMPTION (FY19)**



<sup>1</sup> Blue water is fresh surface and groundwater, in other words, the water in freshwater lakes, rivers and aquifers.

## Water stewardship

Overuse and insufficient treatment are today reducing availability and degrading surface and ground water in many places in the world.

Our ambition is to become water positive by reducing, reusing, purifying and making water available throughout our value chain.

The IKEA approach to water stewardship is guided by the WWF Five Water Stewardship steps:

- **Create awareness of the water situation.** Understanding global water challenges, such as dependence on freshwater and exposure to water-related risks.
- **Knowledge of impact.** Understanding the impact of the IKEA value chain on river basins and water sources.
- **Internal actions.** Taking action to optimise water use and report on water quality and quantity.

- **Collective actions.** Working with others to share knowledge and find common solutions.
- **Influence governance.** Using the reach of the IKEA business to advocate more sustainable water management via multiple platforms.



### Collective action water projects

Together with WWF, we are engaged in two river-basin projects, one in Turkey and one in India. The projects are collective action projects with individual goals to improve the water quality and water availability on a long-term basis.

## Responsible sourcing



**All of the cotton and 91% of the wood we use is from more sustainable sources.<sup>1</sup>**

**We are always working to improve the responsible and sustainable sourcing agenda for raw materials – developing standards that include environmental, social and animal welfare criteria.**

We have made good progress on the materials we use the most in relation to volumes – cotton and wood. All of the cotton and 91% of the wood we use is from more sustainable sources.<sup>1</sup> We are also focusing on becoming forest positive. This involves promoting responsible forestry beyond the IKEA supply chain.

In FY19, the IKEA business continued its journey towards more sustainable sources of materials. We assessed more supply chains, including rice straw, areca palm and berries, with the ambition to understand how we can have a positive impact, not only environmental but also social, on the entire chain all the way back to the raw material source.

We have created four main raw material groups to organise responsible sourcing in a better and more manageable way:

- Forestry
- Agriculture
- Plant & animal
- Inorganic & virgin fossil
- Recycled

We continue to establish traceability as well as carry out development projects. By working with these raw material groups, we are able to better understand the sourcing patterns and complexities, and find aligned ways of working across all materials, ensuring we take the same level of responsibility across supply chains.



<sup>1</sup> More sustainable sources for wood includes FSC certified or recycled wood. More sustainable sources for cotton includes cotton grown to the Better Cotton Standard; by farmers working towards Better Cotton, recycled cotton and more sustainable cotton from the USA (such as the e3 Cotton Programme).



*Rattan: ensuring the traceability of an important renewable material*

Rattan is used across a wide range of IKEA products. Starting in 2018, IWAY Forestry “Must” requirements on rattan were first implemented along all tiers of IKEA rattan supply chains in Indonesia and Vietnam.

This was the first step to further improve compliance, traceability and sustainability. We have also integrated natural fibres into the IWAY Forestry Section. During FY19, we defined requirements for suppliers and provided training to supply chain partners. The implementation phase, which includes reporting the rattan’s origin and auditing the compliance against our forestry requirements, has now begun.

Challenges were expected; for instance, we discovered a certain lack of knowledge of rattan species. We are addressing the challenges and are taking necessary actions. As an example, policy dialogue with the Vietnam government contributed to new regulations on traceability requirements for rattan from natural forests, which supported local rattan harvesters. Several value-chain studies were also conducted, revealing the complexity of the chains and identifying areas for improvement. Studies on rattan yield along tiers were also conducted, providing reference calculations for verification. Today, rattan is one of the commodities in the framework of the WWF and IKEA partnership. Through the work of WWF in Laos, Vietnam, Cambodia and Indonesia, knowledge and competence in rattan forest and supply chain management is spread to various actors.

**Tracing rattan DNA through the supply chain**

The IKEA business is partnering for research on rattan species identification with the Royal Botanic Gardens, Kew. Preliminary results suggest that it is possible to extract and identify DNA from the samples collected

through the supply chain, from a fresh-cut cane to ready furniture.

The idea behind this partnership is for Kew to develop a DNA library and methodology that will be available for other laboratories to potentially use to identify other species. This is a good example of how we go beyond our own needs to become forest positive. Through this work we are improving the understanding of an increasingly important material, which also faces big challenges within the supply chain. By making publicly available the knowledge that we gather during the project, we are contributing to improving the traceability and responsible sourcing of rattan.



**During FY19, we also worked together with the Centre for Child Rights and Corporate Social Responsibility (CCR CSR) to investigate the root cause to the risk of child labour in the rattan and sea grass supply chain. This work will continue in FY20, expanding the scope to include child labour and homeworkers.**

## Wood: becoming forest positive



**Wood is renewable, recyclable, durable and beautiful. Wood is the material that is used the most within the IKEA home furnishing business. We use approximately 21 million m<sup>3</sup> of roundwood equivalent (RWE) in FY19. This includes wood used in home furnishing products, packaging and the catalogue.**

In FY19, the amount of wood we used in home furnishing products decreased by 0.4 million m<sup>3</sup> RWE. We have increased the share of recycled content in board material by 5 percentage points – from 23% to 28%.

Our ambition is to become forest positive by 2030 by promoting sustainable forest management to eliminate forest degradation and deforestation - using innovative approaches to forest management, protection, restoration and regeneration. At the same time, forestry is a key part of the climate positive agenda. We design our products to make smart use of resources and cut the wood to minimise waste, making more from less.

All of the wood used in IKEA products is sourced in compliance with the forestry section of the IKEA IWAY Standard, which sets out the minimum environmental and social standards expected from our suppliers, including compliance with local laws.

In FY19, we reached 91% more sustainably-sourced wood (MSS) (Forest Stewardship Council certified (FSC) and/or recycled). The main challenge to reaching 100% is the limited availability of FSC certified wood in certain

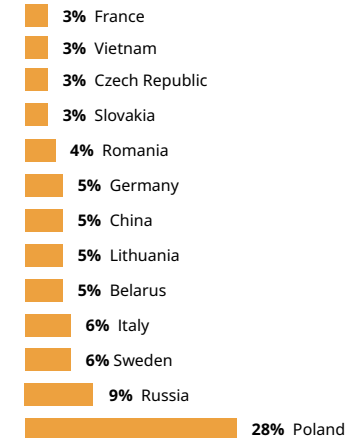
countries. However, the remaining 9% is still covered by our internal due diligence system where we work with auditing and traceability. In all high-risk countries (accounting for around 30% of the wood we source), we have been 100% MSS since 2017. Nearly all of our suppliers are FSC Chain of Custody certified and we encourage the remainder to obtain certification. We audit suppliers based on the forestry section of IKEA IWAY standard.

The wood used in IKEA furniture mainly comes from Poland, Russia, Sweden, Italy and Lithuania.

Considering our size, we can also make a difference by contributing beyond our own needs. We aim to transform the industry and make responsible forestry the norm. Forests sustain ecosystems and biodiversity and provide shelter and livelihoods to millions of people. In FY19, we started to investigate a possible new project to work with forest regeneration on degraded land.

Wood also has the potential to remove and store carbon from the atmosphere. We can achieve this through better forest practices or within our wood-based products by prolonging their lives. Today there is no global standard

### WOOD SOURCES - FY19 (%)



### TOTAL WOOD IN IKEA PRODUCTS (Million m<sup>3</sup> RWE)

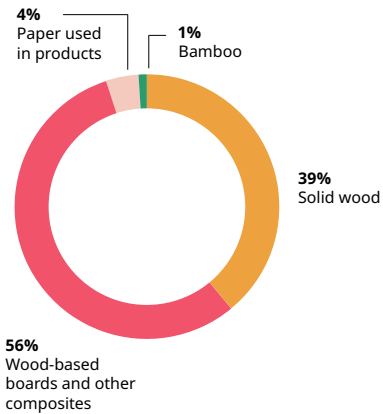


*The figure FY19 refers to the wood used in the home furnishing products and packaging. Packaging is included in the figure for the first time in FY19.*



Materials & sourcing - Production - Product transport - IKEA retail - Customer travel & home deliveries - Life at home & consumption - IKEA & social entrepreneurs - IWAY

**TYPES OF WOOD SOURCES - FY19 (%)**



**WOOD FROM MORE SUSTAINABLE SOURCES (% Wood sourced)**



for measuring this. We are therefore part of a global project to develop such a standard and to include the GHG Protocol<sup>1</sup>, led by World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD). Because it is a complex topic, which includes areas such as GWP<sub>bio</sub><sup>2</sup> and indirect land use change, the project is not expected to be finalised until the end of 2021. When finalised, we will accurately calculate and report the positive impact on the climate of practices and projects, such as our short-rotation plantations of poplar in Slovakia for use in the IKEA Industry board factory there.

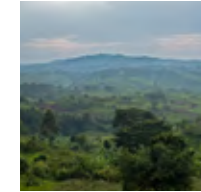
The main challenge to our MSS goal is in Eastern Europe, particularly Czech Republic and Slovakia, where adoption of the FSC certification is not very high. Consequently, we don't meet the MSS goals in these regions. The challenge is to work with stakeholders in these countries to convince them to obtain FSC certification connected to their forest management. There is progress with private and church forest owners in both countries, but state forest owners are more challenging. During FY19, the Slovakian state forest began to make tangible progress towards FSC certification.

In FY19, we started mapping potential projects to promote responsible forest management in Russia – an example of going beyond our own supply

chain. Two projects were mapped, developed and moved into the implementation phase. The first project was set to help decision makers to make optimal forest management decisions based on a simulation tool. The tool allows forest managers to look at the social, environmental and economic scenarios based on different factors. The second project focuses on making FSC certification more accessible for small and medium-sized lease holders in Russia.

**Paper and packaging**

The largest quantity of paper-based materials used across the IKEA business is in our packaging materials. We are committed to sourcing these materials sustainably. Around 75% of our paper-based packaging is made from recycled material, and we want to ensure that any virgin wood fibre we use is FSC certified. We have transformed the majority of our corrugated packaging to meet the criteria for more sustainable sources and we have started to track our performance for packaging from more sustainable sources by requesting regular reports from our suppliers. Our target is to source 100% of our paper-based packaging from more sustainable sources by 2020.



**WORKING WITH SMALLHOLDERS – a more inclusive approach**

During FY19, we finalised the second phase of the partnership with Rainforest Alliance in Indonesia to work on a criterion for small forest holders. The learnings from this project are included in the FSC led process called “New Approaches”. The New Approaches project aims to secure inclusivity and to make sure the standard is more friendly and fully applicable for all small forest holders. The standard has now been drafted for Asia Pacific and is currently being piloted in a number of different Southeast Asian countries, including working with some external IKEA suppliers.

<sup>1</sup> <http://ghgprotocol.org/about-us>  
<sup>2</sup> Global Warming Potential of Biogenetic CO<sub>2</sub>

## Cotton: from more sustainable sources



Since FY16, all the cotton used to make IKEA products has come from sources defined as more sustainable and from recycled sources, which contributes to improving farmers' livelihoods, yields and incomes, and reduces the negative environmental impact.

Since FY16, all the cotton used to make IKEA products has come from sources defined as more sustainable and recycled sources, which contributes to improving farmers' livelihoods, yields and incomes, and reduces the negative environmental impact. The total volume of cotton lint consumed in IKEA products across all product categories in FY19 was 142,600 tonnes. This accounted for approximately 0.69% of global cotton production last year.

We are a founding member of the Better Cotton Initiative (BCI), whose ambition is to make global cotton production better for the people who produce it, the environment it grows in, and the sector's future. We support BCI's aim to make 30% of the world's cotton production Better Cotton by 2020, and we want to go beyond Better Cotton's baseline requirements. The main ambition with moving towards more sustainable cotton was to phase out all conventional cotton, promoting large-scale changes within the industry. This work is still ongoing and will make the Better Cotton Initiative even stronger.

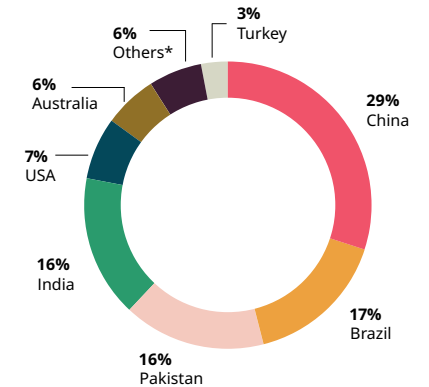
We train our suppliers and sub-suppliers on requirements for sustainable cotton, and methods to meet them, and audit throughout the cotton value chain. In FY19, almost 50 man-

days were invested in training and forums for IKEA co-workers, suppliers and sub-suppliers across various geographies to strengthen the cotton from more sustainable sources (CMSS) requirements in our supply chains.

### FY19 – IKEA cotton projects

- Weather-resilient cotton production system in Jalna, Maharashtra, India (with WWF):** This project focused on helping farmers learn and adopt more efficient water-saving techniques by using technologies like cloud computing (CC), and artificial intelligence (AI). The project is currently in the process of generating field level data about the performance of various prevailing cotton seed varieties in the Jalna district of Maharashtra state in western India.
- Agro-forestry project in Warangal, Telengana, India:** A project focused on conservation of wetlands and enhancing ecosystem services by treating catchment with agroforestry systems. This helps ensure sustainable cultivation of crops, including cotton, through the implementation of

COUNTRY OF ORIGIN FOR COTTON FOR FRESH/VIRGIN COTTON (100% CMSS)



global sustainability standards like BCI & FSC. Key achievements include significant expansion in terms of scope in FY19, going from covering 28 to 52 wetlands, a rise of almost 65% in coverage. The participation of farmers has also increased proportionally, with more than 500 farmers added this year.

- Climate Resilient Crop Production (CRCP) project:** 4,000 farmers in Pakistan were trained on climate-smart crop production practices to make the crops resilient by enhancing the adaptive capacities of farmers. Data analysis for this cropping year indicates an overall decrease of 23% in emission of greenhouse gases (GHGs) and 0.2% increase in soil organic matter of project farmers as compared to the control group (the farmers who did not receive the training).
- Agroforestry project in Pakistan:** Through this agroforestry project, more than 90,000 new trees have been planted in Pakistan under linear as well as block plantation layouts. Farming communities established 20 block plantation sites on an area of 24 hectares. Rural women have successfully

established 150 micro nurseries<sup>1</sup> with the technical support of the agroforestry project.

- Improving Employment practices in the Turkish cotton sector:** In association with the Fair Labour Association & İyi Pamuk Uygulamaları Derneği (IPUD), we have participated in a programme called ‘Improving Employment practices in the Turkish cotton sector’ in Turkey. This is a multi-stakeholder initiative designed to address the various social issues in the cotton supply chains, particularly around improving the employment practices in cotton growing regions of Turkey.<sup>2</sup>
- Supplier Review Data Base (SRDB):** In FY19, we introduced a new technology-based management solution system called Supplier Review Data Base (SRDB) to enhance the traceability of CMSS supply chains. All the audits are performed and recorded in this system which will help to track the progress made in the supply chain end-to-end.



*A cotton farmer from the (CRCP) project manually adding compost (natural recycled farmyard manure) to the soil to enrich soil health.*

<sup>1</sup> Micro nurseries are where saplings or small plants are grown in situ directly from the seeds under controlled agro-climatic conditions to ensure good health and overall quality of the plantations.

<sup>2</sup> <http://www.fairlabor.org/impact/case-studies/study/improving-employment-practices-turkish-cotton-sector>

## Textiles: exploring recycled and renewable alternatives



**We conducted a large-scale study together with H&M Group to better understand how collected recyclable textiles measure against existing chemical standards.**

### Recycled textiles

Finding clean and reliable sources of recycled materials is a prerequisite to reach our circular goals. However, closing the recycling loop for materials such as textiles, presents several industry challenges, such as lack of knowledge about the chemical content within recyclable textile. Therefore, we conducted a large-scale study together with H&M Group to better understand how collected recyclable textiles measure against existing chemical standards. With a focus on cotton-rich post-consumer textiles, 166 samples have been tested for 8 different groups of substances, resulting in more than 8,000 tests. The results from the study have been shared with the industry and policy makers. Other brands have been publicly invited to add to the data and knowledgebase.

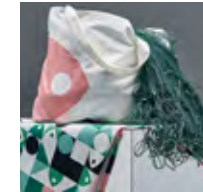
### Recycled polyester (rPET)

By the end of FY19, the overall share of sourced polyester for textile products being recycled reached 59% (compared with 24% in FY18 and 10% in FY17). Through innovations and new designs, the ambition is to only use recycled polyester by the end of 2020. The current recycled rate is equivalent to more than 5.5

billion collected and recycled PET bottles used in the textile product range. rPET is used in products including rugs, curtains, roller blinds, bedding, pillows, quilts, sofa covers, as well as storage boxes and bags.

### TreeToTextile

The TreeToTextile's process takes renewable forest raw material and regenerates the cellulose into a textile fibre. This production process uses less energy and chemicals, allowing for a much more sustainable and cost-efficient process compared to conventional technologies and fibres. TreeToTextile AB is a joint venture between Inter IKEA Group, H&M Group, innovator Lars Stigsson, and paper and board company Stora Enso with the aim of developing new textile fibres in a sustainable and affordable way. The technology has been tested in a pilot line in Sweden and will now be scaled up with the construction of a demonstration plant at one of Stora Enso's Nordic facilities. The fibres are planned to be used in IKEA and H&M Group products, but the aim is that the entire industry should benefit from this sustainable fibre since it can be used in conventional supply chains.



### Recycled ocean plastic

In FY19 we started sourcing plastic collected by fishermen in the Mediterranean Sea. The plastic is being used in the MUSSELBLOMMA collection. Read more about the MUSSELBLOMMA collection [here](#). And for every kilo of PET plastic waste that can be used to make the polyester fabric, another 9 kilo of other litter is also taken out of the ocean.

## Chemicals: safety, always the first priority



**Chemicals are used to add colours and texture to materials and glue parts together, and can provide a protective layer to make products last longer. At IKEA, safety is always the priority when using chemicals.**

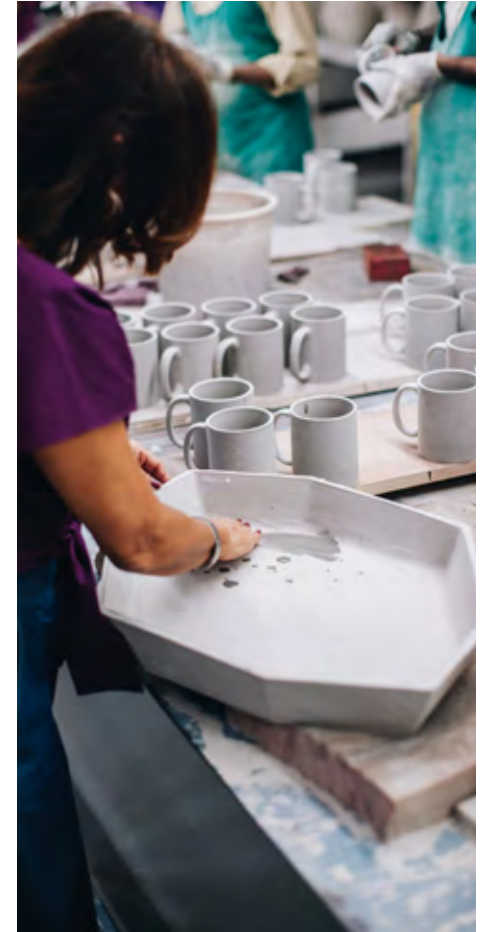
All chemicals used in making IKEA products should be safe for customers, co-workers and the environment, and take into account the lifecycle of the product. For many years, the IKEA business has engaged in research on chemical safety. Our chemical standards often go beyond legal requirements, phasing out chemicals that are suspected of being harmful in advance of legislation. For example, in FY19 we finalised the phase-out of benzophenone in our surface coatings and plastic (polymeric) materials.

Chemical safety is also key as we transition to a circular business and use more recycled and secondary materials in IKEA products. We do not accept that recycling happens at the expense of chemical safety, and we will ensure a toxic-free circulation of chemicals. To achieve this, we conduct chemical risk assessments before a product containing recycled material is introduced to the IKEA range.

The IKEA Chemical Strategy is updated regularly to reflect changing demands and new evidence. We want to create safe and healthy products through five strategic objectives:

- Increasing information on chemical content in products.
- Assessing all IKEA products for chemical safety.
- Phasing out substances that could cause harm.
- Ensuring suppliers share IKEA values on chemical safety and compliance.
- Increasing awareness among co-workers, consumers, and key stakeholders.

We continuously work together with various authorities globally to increase the chemical safety in general and to secure that good regulations are in place to protect consumers. In addition, we work with NGOs, business associations, standardisation committees and other companies to share best practices of safe and healthy products. Read more, [page 116](#).



## Plastic: transitioning to more sustainable materials



**Our aim is that by 2030, all plastic material used in our home furnishing products should be based on renewable and/or recycled materials.**

Step-by-step, we are phasing out virgin fossil plastic from our product range. By the end of FY19, 40% of the IKEA plastic products were based on recycled and/or renewable materials (compared with 24% in FY16).

Plastic is today part of our society and most people's daily lives. Approximately 40% of our products are made with some type of plastic. It can be a good material if sourced, produced, used and handled at end-of-life in the right way. It's a strong, durable, lightweight, versatile and affordable material.

Today there is a growing global demand for recycled and renewable plastic. The supply is still, however, at an immature development and expansion phase, where setbacks and capacity constraints are common. We will need new types of materials with improved recyclability, as well as increased content of renewable and/or recyclable materials. We are currently involved in a number of innovation-led projects.

In most cases, individual products are not based on 100% recycled and/or renewable materials. More often, recycled and renewable materials are part of the content in a final product. The main priority is therefore to increase the total volume of plastic from renewable or recycled

sources according to the material roadmaps.

We offer several products made of recycled plastic, including KUGGIS storage box, TROLLBO pendant lamp, SKRUTT desk pad, TOMAT spray bottle and GIGANTISK trashcan. New products from FY19 based on renewable materials include TALRIKA dinnerware and HEROISK children's eating products. These are based on PLA (polylactic acid) plastic made from renewable sources (industrial corn).

### Phasing out single-use plastic products

There is a global movement to tackle plastic waste. We have committed to remove all single-use plastic products from the IKEA home furnishing range globally by January 2020. During 2019, the products SODA and SÖTVATTEN drinking straws, FÖRNYBAR freezer bags, ISIGA ice-cube bags and FÖRSLUTAS garbage bags were phased out.

A new range of disposables was introduced in all IKEA restaurants, bistros and cafés at the end of 2019. The biggest challenge to removing single-use plastic from the range of disposables is the inner coating of the drinking cups. For food

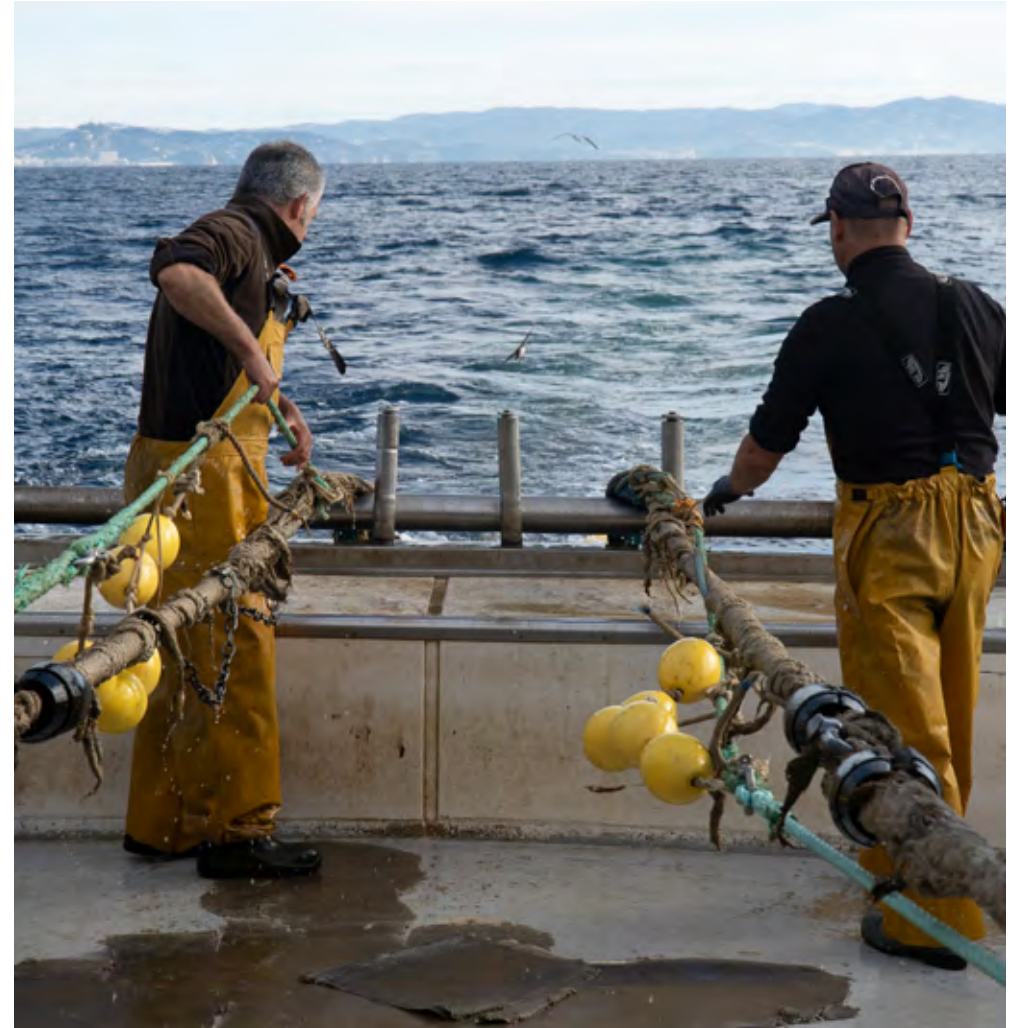
safety reasons, all drinking cups need to have a thin layer of plastic coating to prevent liquid from leaking or soaking through the paper. It's a challenge we will continue to tackle together with our partners and suppliers. We have replaced the virgin fossil-based plastic coated paper cups with cups that have a plastic coating made from sugar cane, which is a renewable material source. We are following developments in innovation closely to identify a plastic-free alternative as soon as possible. When the most optimal solutions are not yet available, we continue to investigate to further develop the agenda one step at a time.



## Ocean plastic

We are determined to be one of the leaders in solving the challenge of plastic in the oceans (ocean plastic), which is one of the reasons why we have committed to eliminating single-use plastic from our product range and food services operations by 2020. In FY18, we investigated the causes and impacts of ocean plastic and the role the IKEA business can play. In FY19, we joined NextWave, a coalition of companies exploring ways to intercept plastic, before it enters waterways and oceans, and turn it into a valuable commodity. This will help stem the flow of plastic into the ocean while increasing the supply of recycled material. In FY19, we also began sourcing plastic collected by fishermen in the Mediterranean Sea. And for every kilo of PET plastic waste that can be used to make the polyester fabric, another 9 kilo of other litter is also taken out of the ocean.

For more information about plastic applications in textiles, for example in polyester, see [page 52](#).



## Foam: increased focus on recycled and renewables



### More sustainable foam

The IKEA business is looking into developing comfort solutions made from recycled or renewable materials. In total, the IKEA business will include around 8% recycled or renewable content in our foams by the end of FY20, with a target to increase this to 35% by FY25. We are also reviewing how foam is used as a comfort material, including increasing the share of recycled and renewable content in the foam.

### Recycled foam

We have been developing recycled foam content for several years, with a focus on pre-consumer material. We are now extending this to include post-consumer end-of-life material. This supports the recycled material and circular agenda, by developing solutions to take products and materials that would normally go to landfill or incineration and turning them back into a useable raw material. In FY19, a very small share of the foam content was from recycled materials. The aim is to increase this to at least 20% by FY25.

### Renewable foam

Since 2015, we have been developing and implementing renewable content in our foam. The renewable content comes from soy oil, sourced in North America, which is converted into a polyol and can be a direct replacement for fossil polyol in the final foam. Roll-out is ongoing for Europe during FY20-21 with our producers who have backward integration for their foam production.





Materials & sourcing - Production - Product transport - IKEA retail - Customer travel & home deliveries - Life at home & consumption - IKEA & social entrepreneurs - IWAY

## Food ingredients: more plant-based ingredients



We are working towards more sustainable food systems. Our focus is on developing a climate-positive food business, serving co-workers and customers responsibly-sourced food, and creating opportunities for the business to be circular.

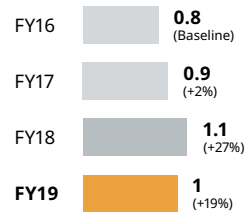
We recognise that food system challenges must be solved collaboratively. We are committed to engaging our suppliers and collaborating across industries, with other businesses and through multi-stakeholder engagement initiatives, to support the development of more sustainable farming and production of livestock and crops.

Meat production is land and resource intensive and is a main contributor to global greenhouse gas emissions. As part of our ambition, we will continue to introduce more plant-based food into the range. Our veggie hot dog, for example, has a climate footprint seven times smaller than that of its meat-based counterpart.



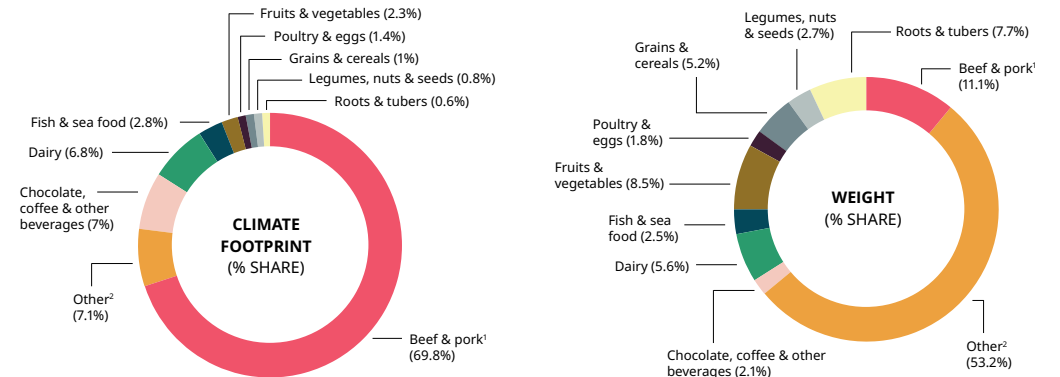
**By the end of FY22, we aim to increase the quantity of plant-based products sold at IKEA restaurants, cafés and bistros to 20% in relevant product areas.**

CLIMATE FOOTPRINT **FOOD INGREDIENTS**  
(Million tonnes CO<sub>2</sub> eq)



**Goal FY30**  
Aim for at least a 25% absolute reduction in food-related GHG emissions or a 38% relative reduction in food-related GHG emissions per calorie, compared to 2016.

FOOD INGREDIENTS BREAKDOWN FY19- FOOTPRINT VS WEIGHT (% Share)



Breakdown of the climate footprint of food ingredients. The largest footprint comes from beef & pork, chocolate, coffee and dairy – which shows the importance of plant-based options, as well as sourcing from more sustainable sources to eliminate risk of deforestation.

<sup>1</sup> Includes other ruminant meat

<sup>2</sup> Includes water (37.2%, 0.2%), sugar & sweeteners (10.2%, 1.5%), additives, fats & oils and salts



**More plant-based options on the menu results in more guests choosing these alternatives.**

The climate footprint for food ingredients has increased mainly due to sales growth. Food grew by 19.4% in terms of sales while the climate footprint grew by 19.1% between FY19 and baseline FY16. However, climate footprint intensity decreased from 4 kg CO<sub>2</sub> eq/kg in FY16 to 3.66 kg CO<sub>2</sub> eq/kg in FY19. In addition, the climate footprint decreased in absolute terms from FY18 to FY19 by 5.8%, while sales increased by 4.8%.

In order to reach our goal to serve more plant-based food, we need to continue to develop new options and alternatives with reduced climate impact and look into how we can make these a first choice for our guests and customers. More plant-based options on the menu results in more guests choosing these alternatives. We have learnt that not only the look, taste and feel of plant-based food is an important factor for customers' decision, but also how we name and describe our products.

During FY19, we made important plant-based additions to our food range. The plant-based options all have a significantly lower impact on climate change than the meat or dairy-based options. Read more about plant-based food in the Life at home & Consumption chapter, [page 102](#).

We continue to maintain the following commitments:

- All seafood should be certified by the Aquaculture Stewardship Council (ASC) and the Marine Stewardship Council (MSC). In FY19, around 91.2% of fish and seafood is either MSC or ASC certified.
- All palm oil must be Roundtable on Sustainable Palm Oil (RSPO) certified.
- Coffee and cocoa should be UTZ certified.
- All tea should come from more sustainable sources, i.e. be UTZ, Rainforest Alliance and Fairtrade certified.
- In addition, several of our products are certified according to EU Organic standards.

In line with IKEA Food, Better Programmes (read more, [page 60](#)), by 2025 our goal is to ensure that the animal feed used for animals in the IKEA value chain is more sustainable and does not contribute to deforestation or critical natural ecosystem and high conservation value (HCV) area loss.



Most of the soy we use is in animal feed where we face three main challenges:

- Segregated, certified soy is not yet available in every country.
- Identifying the amount of soy used throughout food supply chains is challenging and often relies on high-level estimations.
- In more complex supply chains, such as pork, beef and dairy, where it is more challenging to trace the soy in animal feed, it can be difficult to influence the feed used by farmers.

Despite these challenges, we have taken steps to address the animal feed supply chains in a stepwise approach. We have developed plans for the soy in feed for all species in the supply chain. Over the last year, we have been reviewing our sourcing policy and implementation plans for sustainable soy across the business and have established internal working groups for better alignment and stronger governance. During FY19:

- we have reached and maintained 100% certified soy in feed for our global salmon supply chain,
- we purchased certified soy credits equivalent to 100% of the soy in feed for our entire chicken range. IKEA Food has gone

beyond to ensure that the purchase of RTRS credits supports regions in Brazil with the highest risk for deforestation (the Maranhão and Piauí regions).

In FY19, one third of the food range served and sold at IKEA stores globally was sourced by Inter IKEA. The remainder was individually sourced by IKEA franchisees. When sourcing our prioritised commodities, such as soy, palm oil, coffee, fish and seafood, we focus on human rights, environmental impact and animal welfare. We have started to go beyond our direct suppliers to ensure that the feed for the animals we source is sustainably produced too.



#### **Sourcing coffee from smallholder farmers**

In FY19, we continued our partnership in Uganda with KAWACOM, and our supplier Ahold Coffee Company, sourcing coffee from smallholder farmers in the White Nile region. At the end of FY19, 14,500 coffee farmers were involved in the initiative.

## Animal welfare: continuing to secure better standards



**We continue to work towards the goal that by 2025, sourcing of the major animal products in our food supply chain should be compliant with IKEA Food Better Programmes.<sup>1</sup>**

IKEA Food Better Programmes<sup>1</sup> are species-specific and frame our vision for more sustainable animal agriculture with a key focus on animal welfare, public health and environmental management at the farm level.

- **Better Chicken<sup>2</sup>:** in FY19, 15% of the global chicken meatballs were sourced in accordance with our 2020 criteria, and we will continue implementation with the expectation that 80% of our markets will fulfil the criteria by the end of 2020.
- **Better Pig:** We are currently finalising our criteria for the Better Pig Programme by gathering and analysing information from suppliers, NGOs and certification bodies. Our aim is to publish a Better Pig roadmap in 2020.

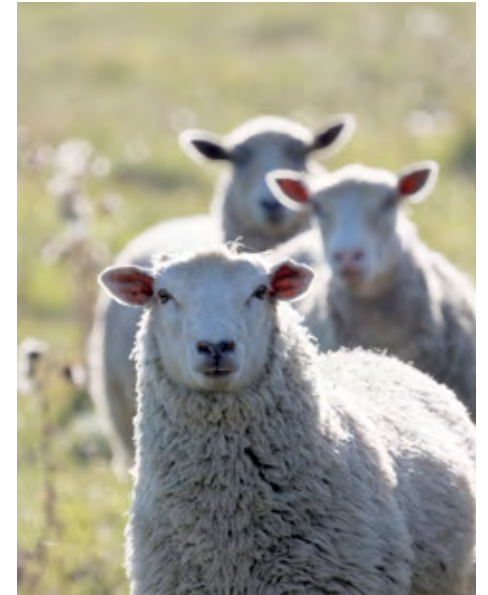
To support the successful implementation of the programmes we have placed an emphasis on developing internal competence through classroom sessions; global on-farm sessions; and the development of support materials via both internal and external experts. In addition,

as founding members of the Global Coalition for Animal Welfare, we continue to actively support collective industry-wide improvements in animal-based supply chains.”

### Leather and sheepskin

- Continuing with a step-by-step approach, following Brazil in 2018 we continued to extend traceability beyond slaughterhouses to direct farms in Bosnia and Croatia in 2019. In 2020 we will focus on Argentina and Russia.
- We also carried out a pilot audit together with FAI Farms<sup>3</sup> at slaughterhouses and farms in Bosnia/Croatia to assess the new IWAY 6.0 Animal welfare section.
- We developed and introduced the Animal Protection Traceability System (APTS) in all leather supply chains. Implementation was finalised by the end of December 2019 for Cattle & Goat leather and is planned to be finalised at the end of FY20 for sheepskin.
- We reviewed and updated specifications

for leather to include all hides. Sheepskins were previously managed differently, but now we will have one approach for all types of leather with the aim to achieve full traceability to direct farm by FY22.



<sup>1</sup> <https://newsroom.inter.ikea.com/about-us/ikea-food-better-programmes-support-shift-towards-better-animal-welfare-and-a-more-sustainable-food-/s/74a1c21-e4a8-4828-ba7b-cbb9d6e7b517>

<sup>2</sup> <https://newsroom.inter.ikea.com/news/ikea-announces-better-chicken-programme-for-more-sustainable-agriculture/s/e316a656-8bb2-42a9-942b-5fe5fd742b10>

<sup>3</sup> FAI Farms <http://www.fai farms.com/>

## Palm oil: from more sustainable sources



**In FY19, we used 32,000 tonnes of palm oil – mostly in candles – with 9% in IKEA food products. We are committed to responsible sourcing and are always looking for new and more sustainable materials.**

Palm oil from Roundtable on Sustainable Palm Oil (RSPO) certified, segregated sources is classified as being more sustainable. We support the strengthening of the RSPO Principles and Criteria in relation to deforestation, development on peat and human rights. The majority of our palm oil – 99% in FY19 – comes from more sustainable sources. This includes 100% of the palm oil in IKEA candles, and 91% of the palm oil in food products. Although the percentage of segregated palm in food has increased, it continues to be challenging to secure the remainder from segregated sources and requires a focus on the sourcing of food at the market level. Palm oil can be used as an ingredient in a large variety of food products, but often in very small quantities, making it difficult to map. We purchase certificates for this small percentage, which generates a premium for suppliers working with RSPO standards, even if the palm oil itself is not segregated.

We aim to ensure fully traceable supply chains for the palm oil in IKEA products. We are working with an external partner to test batches of candles, investigate the reliability of the chain of custody systems and verify traceability.

Furthermore, we are mapping our supply chains and completing on-the-ground human rights assessments.

During FY18, RSPO strengthened its criteria to reflect human rights challenges in palm oil supply chains. We welcome this update, as well as RSPO's upcoming guidelines on improving conditions for smallholders who are key to the sustainable production of palm oil. In FY19, we supported projects that focused on smallholder inclusion and human rights in addition to our ongoing ambition to eliminate deforestation.



### Rapeseed in candles

In FY19, rapeseed oil candles were introduced in both Europe and North America. The rapeseed grown in Northern Europe and processed in Sweden does not compete with food production and is grown on already existing agricultural land. In terms of climate footprint, it has at least 30% lower impact compared to that of palm oil waxes. While growing rapeseed requires more land, the largest gain today is minimising the risk of deforestation when compared to palm oil.



### **Metal: moving towards more recycled content**

To increase the amount of recycled content in metal used for the IKEA home furnishing range, we have mapped the global capacities of recycled content for steel and aluminium. The global need for recycled steel will be higher than the availability, mainly due to the increase in demand and the long lifetimes of steel products. Work is now being finalised to develop a strategy for how to stretch this and enable more recycled content than the global average.



### **Conflict minerals: joining the Responsible Minerals Initiative**

Conflict minerals are natural resources extracted in conflict zones. They are often sold to perpetuate and finance armed conflicts in some regions, in particular the Democratic Republic of the Congo and adjoining countries. The most commonly mined conflict minerals are tantalum, tin, tungsten and gold (the 3TG). The 3TG minerals are mainly used in the production of electric and electronic goods and components, as well as in the production process of some other products. These minerals are indirectly sourced by the IKEA business in relatively small volumes and are present in electrical products and products that contain digital functions. During FY19 we continued to secure responsible sourcing of conflict minerals such as 3TG and cobalt. We became a member of the Responsible Minerals Initiative (RMI) to understand and learn about the best practices to secure traceability. RMI's resources will be used to upskill our supplier base, enabling them to work proactively with this topic.



### **Latex: only FSC certified natural latex by FY20**

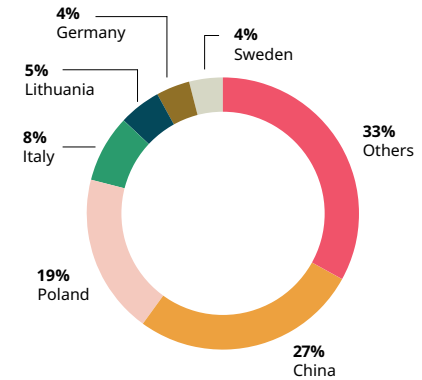
Materials mapping during FY19 has established a full picture of all sources of latex in IKEA products. We have begun to set up supply chains to use FSC Latex from FY20 onwards. We have been utilising the expertise of the IKEA forestry team to develop sourcing of FSC Latex in Thailand. Our focus going forward is to work with smallholders to develop additional FSC capacities of latex.

# Production



In this section we present data about the climate footprint and energy and water use from IKEA manufacturing suppliers and IKEA Industry. We also include how we are working to create an inclusive, safe and meaningful employment and be a great place to work across the value chain.

**TOP HOME FURNISHING PURCHASING COUNTRIES - PURCHASING VALUE**  
(% of total - FY19)



***Our largest home furnishing sourcing region is Europe.** IKEA suppliers are an essential part of our business. Working with suppliers close to our customers and raw material sources improves transport efficiency.*

Materials & sourcing - **Production** - Product transport - IKEA retail - Customer travel & home deliveries - Life at home & consumption - IKEA & social entrepreneurs - IWAY

## Reducing the climate footprint of production by 80%

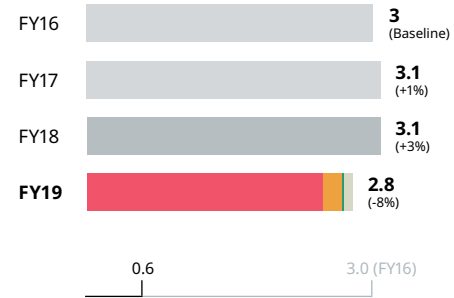


**Moving towards 100% renewable energy and phasing out coal and oil-based fuels**

By 2030, our goal is to reduce the absolute greenhouse gas emissions from production by 80% compared to FY16. To lead by example, our own manufacturing operations at IKEA Industry<sup>1</sup>, which manufacture around 12% of the IKEA range, has set a goal to reach this already by FY25. To make these ambitious goals a reality, sub-goals are set to strive towards 100% renewable energy by FY30, as well as at latest FY25, phase out coal and oil-based fuels used on-site – the most climate footprint-intensive fuels – in the manufacturing of IKEA products.

FY19 marks the first year when the climate footprint from production decreased in absolute terms when compared to baseline FY16 – achieving a reduction by 8%. This is the result of efforts in the wooden furniture production by Category Area (CA) Flatline (board-based furniture) and IKEA Industry, which produce both furniture and the boards used in the products. In three years, CA Flatline has reduced its climate footprint by 30%, while IKEA Industry has reduced its footprint by 52%. The main cause of this reduction is an increase in renewable energy used, mainly in electricity consumption in markets with a high climate footprint, such as Poland.

CLIMATE FOOTPRINT **PRODUCTION**  
(Million tonnes CO<sub>2</sub> eq)



**Goal FY30**  
Reduce by 80% in absolute terms compared to FY16

- Home furnishing suppliers<sup>2</sup> (2.6)
- IKEA Industry operations (0.2)
- IKEA Components operations (0.001)
- Food suppliers (0.07)
- Catalogue & print suppliers (0.04)
- Component suppliers (0.1)

*Progress of the production climate footprint. Compared to baseline FY16, an absolute reduction of 8% was achieved in FY19 – mainly driven by increasing the renewable electricity consumption in countries with a high climate footprint, such as Poland.*

<sup>1</sup> IKEA Industry operates production units including forestry, sawmills, and production of board material, wood components and ready-made furniture.

<sup>2</sup> Excluding IKEA Industry and IKEA Components operations



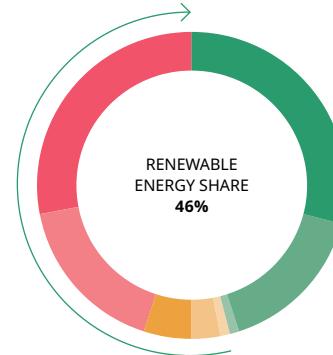
## Reaching 100% renewable energy



Energy needs and available energy sources differ depending on the products suppliers are manufacturing. This means that we need to work together in order to save energy and to convert to 100% renewable energy. For example, a supplier using only electricity can eliminate the climate footprint if it starts to purchase renewable electricity, while a supplier using a lot of heat might require both investments and policies to convert from coal to renewable options, such as biomass.

We have developed roadmaps detailing the main movements for each part of production and some high-impact suppliers. The potential to reach 100% renewable energy is very much country specific, depending on policy and regulations. Local initiatives are also set up to support the suppliers based on their local prerequisites. One such project in China supports IKEA suppliers to install on-site photovoltaic panels. So far over 30% of our suppliers have made these installations and the number is expected to reach 50% within the next three years. In addition, several of our suppliers across the world have secured 100% renewable energy, such as a Swedish component supplier which converted from natural gas to biogas, reducing its climate footprint by more than 90%.

PRODUCTION: ENERGY BREAKDOWN OF SUPPLIERS - MWh



**NON-RENEWABLE**

- Natural gas (3,186,310 MWh)
- Electricity, purchased from grid - non-renewable (1,939,637 MWh)
- Coal & coal-based fuels (627,118 MWh)
- Oil & oil-based fuels (344,646 MWh)
- Other fuels for heating (157,028 MWh)

**RENEWABLE**

- Biofuels (3,261,745 MWh)
- Electricity, purchased from grid - renewable (1,826,648 MWh)
- Electricity, generated on-site (107,371 MWh)

*By 2025, at the latest, phase out all coal and oil-based fuels used on-site in production, where feasible – significantly reducing the climate footprint and improving air quality.*

*Striving towards 100% renewable energy (electricity, heating, cooling and other fuels) in production by 2030, where feasible.*

Materials & sourcing - **Production** - Product transport - IKEA retail - Customer travel & home deliveries - Life at home & consumption - IKEA & social entrepreneurs - IWAY

The large reductions in GHG emissions by IKEA Industry were achieved by setting climate change as a top priority in its business plan and focusing on both renewable energy and further improvements in energy efficiency. The primary decrease comes from converting to 100% renewable electricity in Poland – the main production country for IKEA Industry. Investing in replacing natural gas boilers with biomass boilers is another, as well as increasing on-site generation of renewable electricity through photovoltaic panels. Today, IKEA Industry uses 85.7% renewable energy, with 83.9% of the electricity consumption being renewable and 89.9% of its heating demand.

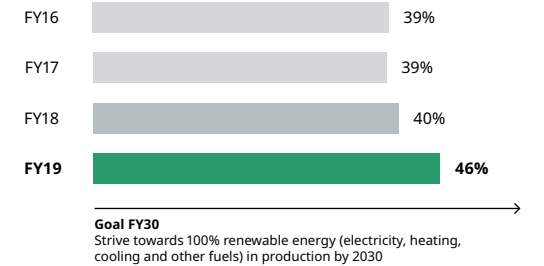
In FY19, a pre-project for a major solar panel installation was conducted at one of the largest IKEA Industry sites in Poland, a country where electricity traditionally has had a large climate footprint due to the high use of coal. This installation is estimated to be one of the world's largest such installations dedicated to on-site consumption of electricity. To make the final steps towards reaching the goal of 100% renewable energy by FY25, the main challenges for IKEA Industry are the sourcing of renewable electricity in Russia and China, replacing the natural gas consumption in Lithuania, and phasing out fossil fuels used for internal transports.

In addition to investing in renewable energy, it is important to continue to emphasise energy efficiency. IKEA Industry therefore has a dedicated team in place to support the factories, and a newly-developed tool is used to follow up on implemented savings.

### Phasing out coal and oil

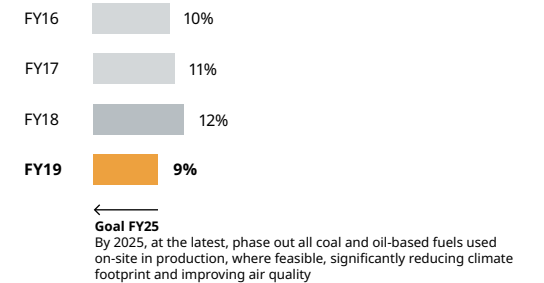
Apart from striving towards 100% renewable energy, it is important to also phase out the worst fossil fuels – coal and oil-based fuels. Phasing out coal is a larger challenge than phasing out oil. The largest coal consumption today comes from the production of textiles, as well as glass, tableware and decorations. Within some sectors there are available solutions, such as replacing coal-based ceramic furnaces by natural gas-driven – and later replacing natural gas with biogas. However, in some countries, policy, regulations and limited accessibility to renewable fuels make the necessary movements difficult to achieve, such as in India, Pakistan, Turkey and Indonesia. In such countries, it is important to not only find the right technical solution, but also influence policy and legislation, including subsidies for coal.

#### RENEWABLE ENERGY SHARE (%)



*The renewable energy share for energy consumption in production (incl. electricity, heating, cooling and internal transport). After little progress FY16-18, it took a large step forward as key suppliers and IKEA Industry sites converted to using 100% renewable electricity.*

#### SHARE OF COAL AND OIL-BASED FUELS USED ON SITE (%)



*The share of coal and oil-based fuels used on-site has reduced slightly, but efforts must be made in the coming years to reach the sub-goal to phase out by FY25. This requires special attention to textile, ceramic and glass production.*

## Supplier sustainability index

The Supplier Sustainability Index (SSI) tool is used for the collection of information and data. We use our Supplier Sustainability Index to track the impact of our supplier development and identify opportunities to work with suppliers to improve performance, beyond our supplier code of conduct (IWAY). The information and data collected is used to determine the footprint in the IKEA Sustainability report and the KPI Supplier Sustainability Index. The SSI measures a supplier's individual development level in sustainability based on the pre-conditions of its operations and serves as a base for a supplier action plan. Its purpose is to inspire, guide and increase awareness and knowledge at the supplier as well as to promote important sustainability topics such as the sourcing and procurement of energy, water, chemicals and materials; manufacturing processes and resource use; non-utilised resources including waste, chemicals, materials and water; and strategy and management systems.

In FY19, we updated the Index and made it more user-friendly and digital. The SSI includes about 200 questions which each gives a score that is summed up in an index. The SSI performance among suppliers improved by 7% to 63.9% and 59.4% compared to FY18.



## Reducing waste at IKEA industry



**The ambition is to eliminate waste from the IKEA business and value chain by applying the principles of the circular economy.**

IKEA Industry units use mainly wood. Excluding wood, IKEA Industry generated 44,572 tonnes of general waste in FY19 and recycled 83.3%, while 14.5% was sent for energy recovery and 2.2% to landfill.

The focus is on preventing waste, and IKEA Industry is exploring how to reduce waste, working across units to better understand what waste is generated and how to prevent it. This involves working with suppliers on the packaging materials they use.

In FY19, IKEA Industry initiated a project with material suppliers to reduce packaging waste. One good example of this comes from the IKEA Industry production unit in Nantong, China, which uses a re-use flow of wooden boxes for packaging components and has reduced material amounts in packaging by optimising container material thickness. The main challenge is to reduce the total amount of waste while increasing production volumes.

Read more about how we work to reduce waste at IKEA stores, [page 82](#).

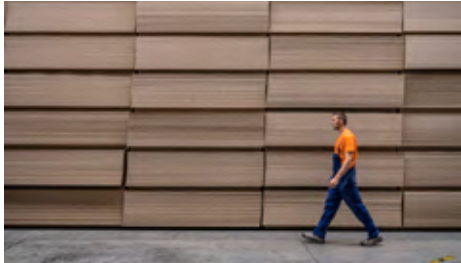


### **IKEA Industry – Investment in wood recycling production line**

During FY19, IKEA Industry made a EUR 12 million investment to develop the production line and build a recycled wood cleaning line in Hultsfred, Sweden. The recycled wood line will enable IKEA Industry to produce chipboard using recycled wood material. By using recycled wood, IKEA Industry helps to reduce the waste of usable materials, contributing to a circular economy and the transformation into a circular IKEA business.

When the recycling wood plant is up and running there will be a potential to turn more than 200,000 tonnes of recycled wood from wooden furniture, pallets, boxes, etc., into chipboard. This amount is equivalent to reducing the number of trees used by 590,000. 50% of the board produced by IKEA Industry Hultsfred will be from recycled wood when the facility is operational.

## Water use in production



### Water stewardship in the supply chain

Becoming good water stewards is not just about improving water-efficiency in IKEA operations, it's also about working across the whole value chain, supporting direct suppliers to become good water stewards and sharing good examples.

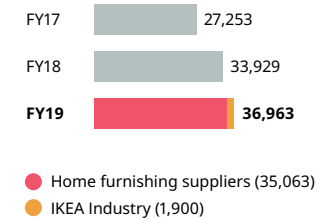
IKEA representatives work together with our home furnishing suppliers across their entire factory to influence the total water consumption and water treatment. Together we address a water volume around four times larger than that used for the manufacturing of IKEA products. More than 200 IKEA home furnishing suppliers are located in high and extremely high water-stressed areas in more than 20 countries.

Two examples of how we aim to move the water agenda forward are the yearly audits of more than 250 wastewater treatment plants and regional sustainability water meetings for suppliers. In addition, operational water risk assessments were performed for our main supplier groups during FY19 and will continue during FY20.

### IKEA Industry

The water usage in production of IKEA products at IKEA Industry is estimated to be around 5% of the total water by home furnishing suppliers. During FY19, IKEA Industry used almost 1,900,000 m<sup>3</sup> of water, which is the same level as FY18. One of the IKEA Industry ambitions is to reduce the use of high-quality, drinking water. IKEA Industry is now using 53% drinking water, 42% ground water and 5% drainage water. Studies have been performed to determine where and how much water could be saved with improved ways of working and technical installations.

#### WATER USE IN PRODUCTION (Thousand m<sup>3</sup>)



## Health, safety and well-being in production



IKEA sustainability teams work closely with suppliers to develop health and safety systems and processes in the supply chain, focusing on worker health and safety, emergencies and fire prevention, and chemicals. The requirements for suppliers are clarified in the IWAY code of conduct. Read more about IWAY on [page 109](#).

### Health and safety at IKEA Industry

There is naturally a higher risk of injury at IKEA Industry operations due to machinery, heavy traffic and chemicals handling. However, in FY19, there were fewer co-worker injuries at work than in any previous year. Even though safety is always a top priority, co-workers still get injured. That's why we continue to work to improve our culture of safety.

Although it is too soon to talk about a breakthrough in our negative trend in safety, it is clear that FY19 can be reported as a year with fewer co-worker injuries at work than the previous year, for which we are very happy.

#### IKEA INDUSTRY LTA - LOST TIME ACCIDENT\* TREND



\* Accidents requiring minimum 1 day sick leave.

#### IKEA INDUSTRY LTAF - LOST TIME ACCIDENT FREQUENCY\*



\* Per million hours worked

#### IKEA INDUSTRY REPORTED INCIDENTS\* (Thousands)



\* Unsafe conditions, unsafe acts and near misses, that could have led to an accident.



## *How IKEA Industry is working to change heavy or repetitive manufacturing work*

**Change is happening faster than ever. Digitalisation, new technologies and climate change are the main drivers transforming how companies operate. This means new opportunities and higher demands on companies and co-workers, especially in manufacturing.**

Over the years, many IKEA Industry units have found that it is becoming more difficult to recruit for manual and heavy jobs within manufacturing. Turnover has also been relatively high for these types of jobs.

IKEA Industry aims to take the lead in creating world-class manufacturing that offers a great place to work. This means, in part, that we must strive to reduce the amount of repetitive and heavy work tasks. Automation is one way to achieve this, and will enable more stimulating and rewarding work tasks, making work more meaningful and challenging. IKEA Industry is developing co-workers with new skills.

IKEA Industry is taking steps through Manufacturing System of the Future (MSF), where the workplace is developed for better job content, better ergonomics, and more variation for co-workers.

IKEA Industry also has a platform for continuous improvements via the IKEA Production System (IPS). Both IPS and the IKEA Industry People Plan outline how co-workers are enabled and given better possibilities to take responsibility in different dimensions. IKEA Industry, for example, has developed a concept of working in autonomous teams, where teams are at the core to enable many more to participate in continuous development. The team foundation strives to make co-workers feel included, valued, respected and heard.

## An engaged and empowered value chain



We believe that we can create an inclusive, safe and meaningful employment and be a great place to work across the value chain. We stand up for those people working in our value chain who are not usually heard, including migrant and homeworkers employed in our supply chain.

### Responsible wage practices

With one common IKEA approach to responsible wage practise, we look to strengthen old, and integrate new, ways of working that focus on inclusiveness, equality and the employment; with wage levels, wage routines, openness, accessibility and social dialogues setting a base for how we attract, retain and reward competence and performance. In FY19, IKEA initiated new work with responsible wage practises and established a working group to develop a one IKEA approach and common ways of working with the topic, end-to-end across the total value chain.

Progress in FY19: A common IKEA responsible-wage-practise framework is under development to guide IKEA companies and partners in wage

practise self-assessment and in delivering concrete plans that are aligned with the overall IKEA ambitions. The framework is built on the knowledge from earlier assessments in retail markets, the supply chain and IKEA Industry. Based on the framework, a methodology to support IKEA companies and their suppliers to assess themselves and create concrete action plans is also being developed.

### Responsible recruitment

People look to other areas of the world for jobs that provide income and a chance for a better life for themselves and their families. Unfortunately, this can mean that they are made to pay high costs during the process, many of which are unnecessary and hidden. We are aware that eliminating this globally will take time and requires a collective effort. That's why we are a founding member of the Leadership Group for Responsible Recruitment<sup>1</sup> and we support the Employer Pays Principle, which states that no worker should pay for a job and that the costs of recruitment should be borne by the employer. Through the collective efforts of the leadership

group and throughout the IKEA value chain, we focus on three areas:

- Creating demand for responsible recruitment by developing and sharing tools and insight to support implementation.
- Creating a supply of ethically-sourced labour by supporting systems to identify ethical recruitment agencies.
- Improving protection of migrant workers through improved regulation.

Over the past few years, together with the International Organization for Migration, we have done extensive work within our supply chain to map the recruitment process of migrant workers from their home villages to places of employment in receiving countries. This has provided a wealth of information about both the challenges and opportunities for change. One of the highlights of this research is the need to change the business model of large parts of the recruitment industry from a worker pays model to one where customers (industry) pay for professional recruitment services.

<sup>1</sup> <https://www.ihrb.org/employerpays/leadership-group-for-responsible-recruitment>



The International Organization for Migration (IOM) is developing “IRIS” - the International Recruitment Integrity System, a voluntary certification scheme for labour recruiters (also known as recruitment agencies) that ensures that responsible recruitment practices are implemented. IRIS defines a benchmark for responsible recruitment, through the IRIS Standard requirements, and a compliance and monitoring mechanism.

As a member of the IRIS Advisory Committee, the IKEA business<sup>1</sup> has been actively supporting IRIS. The three main objectives of the Advisory Committee are to:

- provide strategic and technical advice on the development and implementation of IRIS,
- support the IRIS objectives for the promotion of ethical recruitment practices,
- share best practices and advances in stakeholder efforts to promote ethical recruitment.

The IKEA business welcomes the development and roll-out of IRIS and the implementation of the certification scheme by recruitment agencies operating for suppliers in the IKEA value chain who recruit migrant workers.



#### Key stakeholders and activities in Taiwan

The IKEA purchasing organisation in Taiwan is one of the members of the Euro Chamber of Commerce Taiwan (ECCT), working to raise awareness and also bring the reality of responsible recruitment and employer pay policy to ECCT members. They also engage with organisations such as the Chung-Hua Institution for Economic Research to increase awareness about responsible recruitment and the employer pay principle to other brands doing business in Taiwan, and are an active participant in The Leadership Group for Responsible Recruitment initiatives in the region.

In FY19, IKEA began a project in Thailand to map the recruitment of workers from Cambodia and Myanmar to suppliers in Thailand. The purpose of the project is to increase the knowledge of the process and to understand how it can be improved. One goal is to identify all fees that may be charged to the workers, which can then be either eliminated or taken by the employer as part of a responsible recruitment process. Other factors will be considered including how to increase the capacity for ethical recruitment, possible changes needed in regulation, awareness building with business partners and appropriate training for workers on their rights and expectations.

<sup>1</sup> Through the membership of Inter IKEA Group

## Homeworker agenda

We want to ensure that people in the IKEA supply chain have a voice and are engaged and empowered to play an active role in their workplaces. We want to stand up for those working in our value chain who are not usually heard – including marginalised groups employed by companies operating under the IKEA Brand, for example migrants and homeworkers employed in our supply chain.

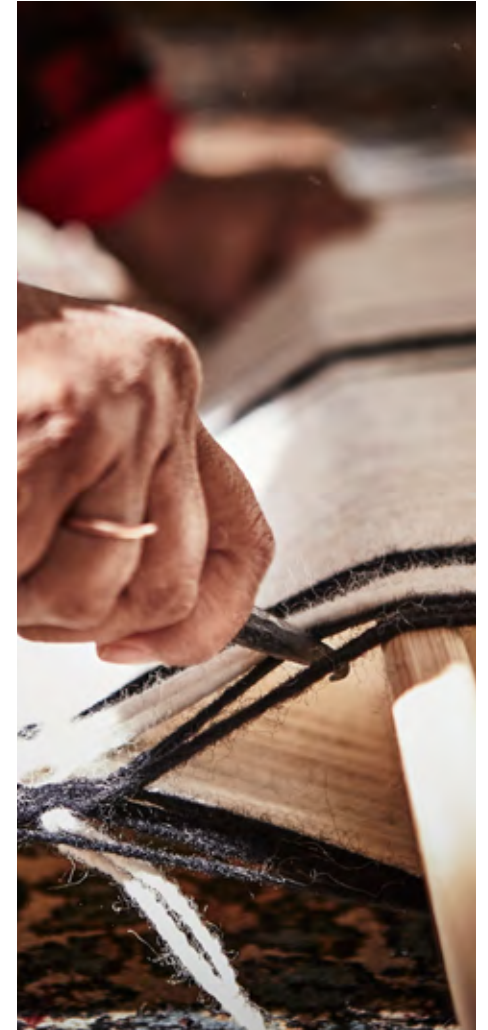
The global natural fibre supply chain provides a livelihood for workers who earn money from weaving at home or from weaving centres. While homeworking offers flexibility, there is also a risk of poor working conditions and low incomes.

We're committed to improving conditions for the homeworkers in the IKEA wood and fibres supply chain. Currently, 888 people in the IKEA wood and fibres supply chain work in dedicated local weaving centres in Indonesia and China, alongside 9,373 homeworkers across China, Indonesia and Vietnam. The weaving centres provide regular work in a safe environment, with legal, regulated wages based on piece rate. Workers can choose when they work and for how long, enabling flexibility for holidays and time off.

In FY18, we finalised the new IWAY Guidelines and Preconditions for both homebased workers

and workers at weaving centres, which clarify relevant expectations for our wood and fibres supply chain. The guidelines take account of internal and external stakeholder input, including workshops with suppliers in China, Indonesia and Vietnam.

During FY19, we continued work on the Homeworker agenda, focusing on the implementation of the new Homeworkers Guideline and collecting inputs for the guideline 2.0. Insights were collected from internal and external stakeholders in Vietnam, Indonesia and China and they showed that while progress had been made through the implementation of the guideline, some critical challenges still remain. The review confirmed that homeworkers experience a number of benefits by working from home, while still being impacted by vulnerabilities such as low pay and a lack of benefits. To strengthen the overall implementation of these processes, it is recommended that improved and increased training be provided, along with more opportunities for regular and meaningful worker engagement. During FY20, we will continue reviewing the guideline and strengthening the critical areas.



# Product transport



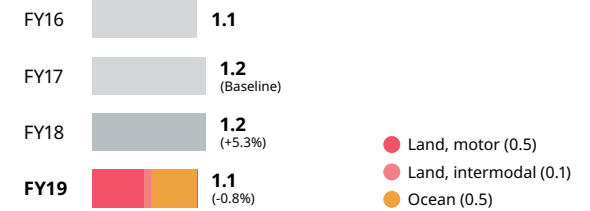
IKEA Transport & Logistics Services transports IKEA products from factories to stores via Distribution Centres in more than 50 different markets.

**The long-term ambition is to reduce the absolute greenhouse gas emissions from product transport by 15% by 2030, compared to 2017. This translates to a reduction of greenhouse gas emissions by 70% per every m<sup>3</sup> transported goods by 2030.**

IKEA products are transported by both land and ocean, and in FY19 around 5% of the total GHG emissions from the IKEA value chain came from product transport<sup>1</sup> with a climate footprint of 1.1 million tonnes of CO<sub>2</sub> eq. The absolute climate footprint decreased compared to the previous year, mainly due to a decrease in the average transport distance.

The transported goods per shipment dropped slightly in FY19, but the relative CO<sub>2</sub> emissions (per product weight and transport distance) remained stable.

## CLIMATE FOOTPRINT **PRODUCT TRANSPORT** (Million tonnes CO<sub>2</sub> eq)



### Goal FY30

By 2030, reduce the absolute greenhouse gas emissions from product transport by 15%, compared to 2017

## **PRODUCT TRANSPORT EFFICIENCY** (Goods per shipment)

	FY18	FY19
GHG emissions per product weight and transported distance (kg CO <sub>2</sub> eq/ton.km)	0.188	0.188
Net cubic metres of transported goods per shipment	57	56.7

<sup>1</sup> Does not include last mile delivery, which is operated by IKEA franchisees. This is classified as home deliveries. See Customer travel & home deliveries, page 88.

## Decarbonising transportation

In order to decarbonise transportation, a diversified portfolio of solutions is needed. It requires being open to new ideas and working with others to drive innovation. IKEA Transport & Logistics Services works with a combination of reducing, replacing and rethinking transport solutions:

- **Reducing** the climate footprint by making every shipment as efficient as possible
- **Replacing** fossil fuels with alternatives and increasing the use of intermodal options – the transportation of goods in large containers, avoiding the need to handle goods when changing between modes of transport. Globally, the share of intermodal increased and the share of intermodal was 37% of our transportation in FY19. As an example, we have removed about 33,000 trucks off the European roads via intermodal solutions compared to FY18.
- **Rethinking** to integrate innovation through new technologies, equipment and partnerships.



**In Sweden, all transports of IKEA home furnishing products by IKEA Transport & Logistics Services are now done by rail or by vehicles fuelled by biodiesel**

The majority of the energy used to power the trains comes from hydro power, a renewable source of energy. The trucks that are used for transports are fuelled mainly from hydrotreated vegetable oil (HVO) made from waste and to some extent from rapeseed oil methyl ester (RME). Sweden is the first IKEA market to fully replace fossil fuel with more sustainable alternatives in goods transport. More markets are to come, but when and where is dependent on the availability of sustainable fuel.



**Investment in a pilot programme to bring biofuel to the shipping industry**

Together with industry partners, IKEA Transport & Logistics Services is investing in the first-ever fuelling of a container vessel with biofuel oil. This is an initial and important first step towards the decarbonisation of ocean freight. The biofuel is made from waste and contains used cooking oil and forest residue. There is no need to upgrade existing engines so the fuel could be adopted by the industry without significant investments in the fleet. This is a sustainable biofuel containing no virgin materials and a clear move towards circularity.

## Improving social conditions for drivers in the IKEA supply chain



**In Europe alone, more than 11.4 million people work in transportation – accounting for around one in 20 jobs. Competition has increased in the industry, where subcontracting and complex cross-border chains are common.**

Truck drivers who transport IKEA products are employed by independent service providers who sometimes subcontract transportation. Inter IKEA Group does not own trucks or directly employ drivers but is determined to ensure that the drivers transporting our products enjoy good and fair working conditions. Through the IKEA supplier code of conduct, IWAY, strict demands are put on all transport service providers with respect to wages, benefits and working conditions. Requirements have been implemented to ensure only one tier of subcontracting from contracted transport service providers to ensure increased transparency and visibility through the supply chain. We welcome clearer and stricter regulations across the EU, alongside improved monitoring and control. IConduct requires that IKEA franchisees provide appropriate facilities for service providers at IKEA

locations such as stores and Distribution Centres, with a particular focus on truck drivers.

### In FY19, Transport & Logistics Services:

- continued the roll-out of the Subcontracting Chain Management Programme to embed IWAY requirements deeper into the subcontracting chain,
- conducted 280 unannounced, voluntary and anonymous interviews with drivers to seek feedback on working conditions directly from them,
- continued the focus on shorter distances with trucks on the road with more intermodal transportation: Transport & Logistics Services continuously strive to increase the share of multimodal transport across the network. This means shorter distances with trucks on the road, which contributes to less stress and fatigue for drivers, and makes the profession more attractive.

Transport & Logistic Services is collaborating with the Fair Wage Network to get a detailed understanding of working practices in the transport industry in Europe. The Fair Wage Network is carrying out an in-depth analysis

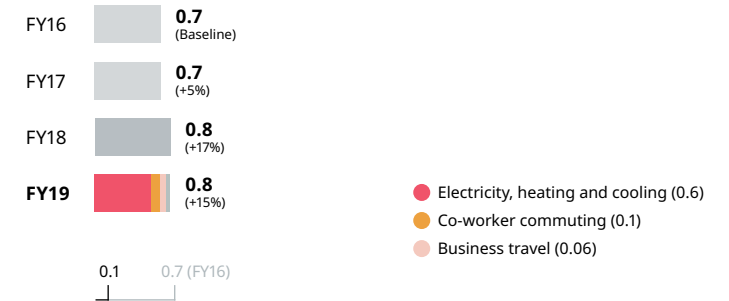
of the recruitment processes, pay systems and practices in terms of payment of basic wages and bonuses. The aim is to identify potential improvements, together with our service providers, that ensure good and fair working conditions for drivers.

# IKEA retail



In this chapter we report on the impact of IKEA retail such as energy generation and use, heating and cooling of IKEA stores and other facilities and business travel. We also report on the impact we have when it comes to the food served in IKEA stores and what we are doing to minimise food waste. In addition, we report on our latest figures for co-worker diversity and fair wage practices. The chapter covers IKEA retail and other own operations, such as offices and warehouses.

## CLIMATE FOOTPRINT IKEA RETAIL & OTHER OWN OPERATIONS (Million tonnes CO<sub>2</sub> eq)



**Goal FY30**  
Reduce by 80% in absolute terms compared to FY16

*The climate footprint of IKEA retail and other own operations has increased due to our growing business with new retail and distribution units and an increase in visitations to our retail units. By reaching 100% renewable electricity in more units, we can decouple the effect of an increased climate footprint by increasing the number of stores and other customer touchpoints.*

## Towards 100% renewable energy



**The climate footprint of IKEA retail and other own operations, such as offices and warehouses, comes from the electricity consumed and the fuel used to heat and cool buildings. A smaller share also comes from the trucks and forklifts used to move goods.**

In order to reduce the climate footprint of retail operations, it is critical to reach 100% renewable energy. In FY19, the share of renewable energy in IKEA retail and other operations was 56.3%. Even if many IKEA stores have solar panels on their roofs, the remaining electricity must be purchased from the grid, and it's important that this energy is also renewable. Today, several of IKEA retail sites worldwide are run entirely on renewable electricity, including IKEA stores in Portugal, Sweden, US, Poland, Germany and Finland.<sup>1</sup>

### Achieving 100% renewable electricity

To achieve 100% renewable electricity, the IKEA business has developed a position to reach this in the following recommended priority order:

#### **1. Renewable electricity generated on-site:**

We prioritise electricity from solar or wind, by directly investing in renewable projects or relying on a third party to build a renewable project on IKEA premises, including on-site Power Purchase Agreements (PPA) to generate renewable electricity close to where consumption occurs.

#### **2. Renewable electricity generated off-site:**

Where sufficient renewable electricity cannot be generated on-site, the aim is to generate the equivalent amount of renewable electricity off-site through:

- *directly investing* in renewable electricity sector development, by owning renewable electricity projects off-site and using all or some of the renewable electricity generated to cover our own consumption.
- *indirectly investing* in renewable electricity sector development by signing power purchase agreements with renewable electricity off-site projects developed and owned by a third party and using all or some of the renewable electricity generated to cover our own consumption.

#### **3. Purchasing electricity with renewable**

**electricity attributes:** When the two approaches above are not possible, or do not cover all electricity consumption, the third option is to purchase renewable electricity from a supplier that is backed by renewable energy attributes. This does not directly enable or finance renewable electricity capacity and therefore has



**IKEA Retail Portugal<sup>2</sup> is generating on-site renewable electricity through solar rooftop installations and consumes the electricity behind the meter covering more than 20% of electricity needs.**



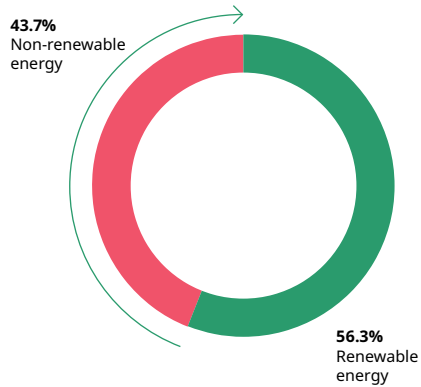
**IKEA Retail Poland<sup>3</sup> is generating more renewable electricity than consumed through off-site wind farms and uses the renewable electricity attributes to cover the electricity consumption.**

<sup>1</sup> Markets operated by franchisee Ingka Group

<sup>2</sup> Operated by franchisee Ingka Group

<sup>3</sup> Operated by franchisee Ingka Group

**IKEA RETAIL: RENEWABLE ENERGY PROGRESS**



a less direct impact on the grid decarbonisation. But it indirectly incentivises the development of new capacity through other mechanisms (e.g. sending an important market signal). Both unbundled and bundled renewable electricity attributes can be considered.

The goal is to reduce the footprint from stores and other operations by 80% in absolute terms by 2030, compared to 2016.<sup>1</sup> The 56.3% of the energy consumed in retail operations and other own operations in FY19 was from renewable sources, such as photovoltaic panels and wind turbines. More renewable electricity was also added to the grid as Ingka Group is also an owner of large scale wind farms.

**Heating and cooling**

Keeping customers cool in the summer and warm in the winter requires energy for heating and cooling. Just as with electricity consumption and production, the first priority across the IKEA business is always to save energy. Any energy consumption must come from renewable sources. Unless the local district heating grids provide renewable energy, the way to address the energy needs is to generate heating and

cooling on-site. The two main solutions we see are ground and air source heat pumps and biogas/biomass boilers. In some sunny locations, the cooling can also be provided by solar energy, as is the case for the IKEA Alexandra store in Singapore.<sup>2</sup> To convert to renewable heating and cooling solutions, retrofitting the building is usually required, which can be a challenge. As part of this effort, manufacturers have been invited to discuss how to retrofit buildings to further improve heating and cooling properties of buildings. The franchisee Ingka Group has set a requirement that all building projects that are approved from 2020 onwards should include renewable heating and cooling systems.

**Business travel**

Business travel represents 0.2% of the total IKEA climate footprint. It is important to make sustainable choices by avoiding unnecessary business travel and holding virtual meetings when possible. That said, some travel will always be required to create a togetherness across a large global organisation, as well as for business-critical work, for example to visit suppliers to secure quality standards or support them in their efforts to reduce their climate footprint.



**Better regulations**

Although some countries have good regulations to promote renewable energy and energy efficiency, it is missing in many countries. This limits the possibilities of generating renewable electricity on-site and consuming it, and also prevents easy access to the grid. In order to scale up renewable electricity on-site efforts, for instance through using rooftops and parking areas to provide affordable electricity, regulations need to change. As an example, building standards need to improve to accommodate the additional weight of solar panels.

<sup>1</sup> Scope: Inter IKEA Group and the IKEA retail business of Ingka Group (scope 1 & 2)  
<sup>2</sup> Operated by the IKEA franchisee Ikano



## Water use in retail

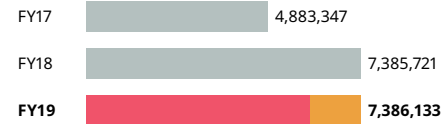


**The aim is always to use water efficiently across the IKEA retail business.**

Water use in retail remained at the same level during FY19, even though more stores opened during the year, and is estimated to be around 1% of the total water used in the IKEA value chain. Water-saving technologies are used at current IKEA retail sites and when designing new sites.

The aim is always to use water efficiently across the IKEA retail business and to harvest, reuse or recycle water wherever possible. For example, rainwater harvesting tanks and water-efficient fittings at the new IKEA Greenwich store<sup>1</sup> halved the store's water use.

### WATER USE IN RETAIL OPERATIONS (m<sup>3</sup>)



- Retail business of Ingka Group (5,867,487)
- Other franchisees (1,518,646)

*The retail data for FY17 only includes data from Ingka Group. The retail data for FY18 and FY19 includes all IKEA franchisees.*



<sup>1</sup> Operated by Ingka Group

## Eliminating waste from retail operations



**The IKEA retail business<sup>1</sup> produced 5% less waste across operations in FY19, reversing the trend from previous years.**

Our ambition is to eliminate waste from the IKEA business and value chain. Transitioning into a circular business and participating in a circular economy is challenging and requires us to develop our supply chains and explore different ways of interacting with our customers. We have an important role to play in this area, and we will only achieve our ambitions by working together with others.

### Striving for zero waste and using resources in a circular way

Around half of the waste generated in IKEA retail operations, based on facts provided by the Ingka Group, is packaging material. The rest is product waste, food waste and other operational waste like light bulbs. Actions are taken to prevent, reduce, reuse and recycle waste – landfill is the last resort. Some waste is incinerated for energy recovery.

The IKEA retail business<sup>1</sup> produced 5% less waste across operations in FY19, reversing the trend from previous years. The amount of waste

recycled increased to 71% in FY19, up from 67% in FY18.

Some IKEA products are taken off display in stores, returned by customers or are damaged in transit before they reach the IKEA store or on the way to customers' homes. Recovering products is therefore an important part of moving to more circular resource flows and becoming more resource efficient. In total, 65 million products were returned or damaged in FY19, and three quarters of them – 47 million – were diverted from going to waste. 18 million products that were damaged, lost, expired or returned by customers were not recovered. The result is a recovery rate that has improved by 2% compared to last year.

There is always more that can be done to prevent waste, some examples<sup>2</sup> include:

- Giving store display, end of range and returned products a new home through the as-Is area in stores. Customers appreciate the discounted items, and 38 million products were resold in FY19 – that's 3 million more than in FY18.
- Providing a range of options for customers and co-workers to get spare parts so products can more easily be repaired, with around 70% of stores now benefitting from a better spare parts system.
- Repairing and repacking products to go back on the shelf. Dedicated product recovery teams in stores repacked 9 million products in FY19 – 300,000 more than last year.

<sup>1</sup> Includes only data from the retail business of Ingka Group

<sup>2</sup> Examples from retail business of Ingka Group

## Food waste

**Around a third of all food produced globally for human consumption is lost or wasted.<sup>1</sup> We want to do our part by reducing food waste in IKEA restaurants, bistros and cafes, and in people's homes.**

The Food is Precious initiative, launched in FY17, aims to cut food waste in our store food operations by 50% by the end of August 2020. Co-workers weigh food waste and log the reason for the waste through a scale and touch-screen interface. The data collected helps food teams in stores to identify ways to prevent food waste.

The focus for FY19 has been on rolling out the Food Is Precious initiative to additional stores and running a consumer waste measurement trial to identify the best ways to involve our customers in the fight against food waste.

## Progress so far (2016 - August 2019):

- Food is Precious implemented in 256 stores across 23 countries.
- Food waste reduced by more than 2.6 million kg (equivalent to saving 5.9 million meals).
- Return on investments for a store that has implemented Food is Precious is an average of 14 weeks.
- Through the reduction of food waste, we avoided 11.5 million kg CO<sub>2</sub> emissions.
- Working with key suppliers to reduce food waste. IKEA Food has committed to the "10x20x30"<sup>2</sup> initiative, which brings together 10 of the world's biggest food retailers and providers to each engage with 20 of their priority suppliers to aim to halve rates of food loss and waste by 2030. The initiative was announced during NY Climate Week in September 2019.



*Read more about how we are working to inspire and enable healthier and more sustainable food choices on page 102.*

<sup>1</sup> <http://www.fao.org/save-food/resources/en/>

<sup>2</sup> <https://www.wri.org/news/2019/09/release-major-food-retailers-providers-join-new-10x20x30-food-loss-and-waste-initiative>

## Co-worker gender equality



Equality continues to be a priority throughout the IKEA value chain. At the same time, we recognise that the IKEA business operates in many different legal and cultural contexts around the world. This means that progress might take more time in certain areas. However, the IKEA commitment – to make gender equality a reality – remains the same.

### Insights from the FY19 numbers:

- Results continue to improve but we realise that much work still remains to be done.
- Across the IKEA retail business, six out of the twelve franchisees have over 40% women in management positions.
- The retailers in the Middle East continue to actively work to increase gender diversity across their operations.

There is still some way to go to achieve diversity and equality at all levels across all IKEA businesses. Also, the figures for FY19 only show one aspect of gender equality and equality in general. In 2020 new ways of measuring equality will be developed that show more aspects of equality across the IKEA business.

### CO-WORKER GENDER DIVERSITY IN FY19

	% CO-WORKERS		% MANAGERS	
	MEN	WOMEN	MEN	WOMEN
Ingka Group	45	55	50	50
Miklatorg group	45	55	44	56
Dairy Farm group	47	53	50	50
Sarton group	52	48	50	50
IKANO group	52	48	54	46
House Market group	43	57	53	47
Al Futaim group	74	26	76	24
MAPA group	58	42	64	36
Northen Birch	53	47	63	37
Al Sulaiman	77	23	83	17
Al Homaizi group	81	19	75	25
<b>Inter IKEA Group</b>				
IKEA Industry	63	37	74	26
Range & Supply	49	51	55	45
Franchise*	48	52	51	49

\* Including Delft store, IKEA Älmhult, Inter IKEA Group functions



## *IKEA Saudi Arabia on the way to double its female coworkers by FY25*

**IKEA Saudi Arabia<sup>1</sup> has pioneered female recruitment since the kingdom opened employment to females in the retail industry.**

IKEA Saudi Arabia<sup>1</sup> aims to continue the journey with the ambition to double female coworkers from 23% to 45% by FY25.

The long-term goal of IKEA Saudi Arabia is to have a co-worker gender mix that is representative of the local population. Some initiatives to achieve this include:

- Establishing recruitment partnerships with local universities with strong female candidates to build a continuous talent pool of fresh graduates.
- Ensuring that female co-workers and female leaders are prominently featured in employer branding touchpoints.
- Developing a sister company in 2016 to develop required skills to work in retail, ensuring a 2:1 female to male ratio in each enrolled batch.
- Developing a clear policy to ensure at least two female candidates for every leadership position.

<sup>1</sup> Operated by IKEA franchisee Al-Sulaiman



**Diversity should be celebrated, and every person has the right to fair and equal treatment, whatever their sexual orientation or gender identity. IKEA co-workers and suppliers bring a range of backgrounds, experience, skills and thinking.**

### Women's Empowerment Principles

To be transparent about progress and encourage other businesses to act, IKEA franchisee Ingka Group signed the Women's Empowerment Principles developed by UN Women and the UN Global Compact (UNGC) in FY19 – committing to:

1. Establish high-level corporate leadership for gender equality.
2. Treat all women and men fairly at work – respect and support human rights and non-discrimination.
3. Ensure the health, safety and wellbeing of all women and men workers.
4. Promote education, training and professional development for women.
5. Implement enterprise development, supply chain and marketing practices that empower women.
6. Promote equality through community initiatives and advocacy.
7. Measure and publicly report on progress to achieve gender equality.



#### **Flying the rainbow flag for LGBT+ inclusion**

To speak up for LGBT+ rights and stand up against discrimination, every May 17th, IDAHOT, the International Day Against Homophobia, Biphobia, and Transphobia, is celebrated through events in IKEA stores and offices.

This year, at the suggestion of one IKEA co-worker, the rainbow coloured KVANTING carrier bags were launched. These limited-edition versions of the IKEA blue bag were sold in 21 IKEA markets with some of the profits going to LGBT+ organisations including the Human Rights Campaign Foundation.

## Skills for employment and refugee inclusion



The IKEA commitment to diversity means that we want to see the potential talent in everyone – including those who are struggling to access the labour market. One example is the skills for employment programmes supporting people who lack the right skills or experience, or face other barriers to securing employment. Offering, for example, refugees the chance to gain work experience and develop language skills, prepares them for future employment, and at the same time actively contribute to their new communities.

By reflecting the diversity of local communities, the IKEA customer base is broadened, making it possible to tap into new markets and better understand customers’ needs. In FY19, the franchisee Ingka Group ran projects in 16 countries, often in partnership with local NGOs and public bodies, providing skills development and work experience placements.

In FY19, stores in nine countries ran initiatives to support refugees’ skills development and help them to find work. Several initiatives have been launched to support refugees and scale up impact. By 2022, the aim is to have 300 units supporting refugees with skills for employment initiatives.



### Autism awareness, IKEA Dubai<sup>1</sup>

IKEA Dubai collaborated with the National Autism Association to provide internship opportunities to selected students on certain job roles in the IFB and Logistics departments. Based on continuous and close evaluation of the students’ progress on the job, they will consider more advanced jobs in the future.



### Green Roof classrooms IKEA Egypt<sup>1</sup>

Together with the Shagara Foundation, the Swedish embassy in Egypt and the Egyptian ministry of education and environment, IKEA Egypt is participating in a local initiative aimed at supporting the Egyptian society in everyday life. The project supports crowded public schools in finding more room for teaching by creating a green, rooftop classroom where children get education on how to live in a more sustainable way.

<sup>1</sup> Operated by franchisee Al Futaim

# Customer travel & home deliveries



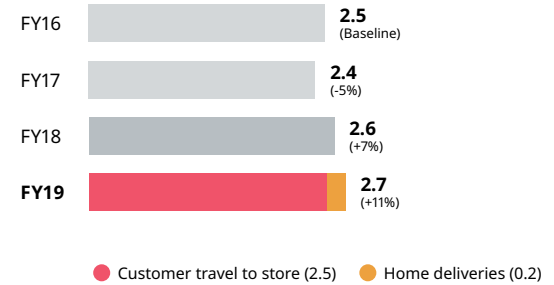
In this chapter we report on the climate footprint of customer travel to IKEA stores, deliveries to customers' homes and the efforts to make IKEA home deliveries zero-emissions by 2025.

## Tackling emissions from travel and deliveries

The goal for 2030 is to reduce the greenhouse gas emissions from customer travel and home deliveries by 50%, in relative terms (per customer), compared to FY16<sup>1</sup>. By 2025, the aim is for 100% of transport for customer deliveries and services to use electric vehicles or other zero-emission solutions.

Most customers reach IKEA stores by car. Customer travel to and from IKEA stores, together with deliveries, is the fourth-biggest contributor to the total IKEA climate footprint. Customer travel to and from our stores and other buildings and home deliveries accounts for around 11% of our total value chain climate footprint.

CLIMATE FOOTPRINT **CUSTOMER TRAVEL & HOME DELIVERIES**  
(Million tonnes CO<sub>2</sub> eq)



**Goal FY30**  
Reduce by 50% in relative terms (per customer) compared to FY16

<sup>1</sup> Scope: Inter IKEA Group and the IKEA retail business of Ingka Group



## Zero-emissions home deliveries by 2025



**Throughout the IKEA business, we are working towards coming closer to IKEA customers, to reducing the need of travel, and looking into sustainable mobility options. One part of that is the focus on creating new IKEA store formats in new city centres.**

We are moving towards a business where customers will have the option to experience and travel to IKEA stores as well as have products delivered in several different ways. The continued increase in e-commerce and new city formats or city stores are two examples of this.

E-commerce offers opportunities from a customer travel and delivery perspective. Emissions from last mile deliveries can be reduced significantly with electric vehicles and the use of renewable fuels. By offering charging stations at many IKEA stores, customers are enabled to use electric cars and the IKEA business is part of encouraging the electrification of public transport.

The ambition for 30 IKEA retail markets<sup>1</sup> is to:

- By 2020, secure access to charging stations for electric vehicles across all its touchpoints (such as stores, offices, and distribution centres).
- By 2025, aim for 100% of home deliveries by electric vehicles or other zero-emission solutions, starting with five cities by FY20 (Amsterdam, Los Angeles, New York, Paris and Shanghai).

Another example is the IKEA Egypt stores<sup>2</sup> that now offer electrical car chargers.



<sup>1</sup>Ambition applies to all the retail markets operated by IKEA franchisee Ingka Group  
<sup>2</sup> Operated by franchisee Al Futaim



## Last mile zero-emissions by 2025

*The target for 100% electric home delivery in the inner-city areas of Shanghai has been reached one year ahead of the 2020 goal.*

Thanks to new technology, collaboration with local partners and innovative ways of working, all home deliveries in Shanghai are now done by electrical vehicles. This makes IKEA Shanghai<sup>1</sup> the first IKEA city to achieve electrical vehicles transition, with Amsterdam, Los Angeles, New York and Paris the next priorities. Shanghai, with more than 26 million inhabitants, was a natural choice to pilot the conversion to electric vehicles for IKEA home deliveries. With three IKEA stores and one distribution centre, the Shanghai market handles more than 20,000 home deliveries every month.

The IKEA business promotes more sustainable transport alternatives and partners with others to inspire people to use buses, bikes, car sharing and other public transport. Where IKEA stores are located has an impact on people's transport choices. The plan to open more city stores and to try new formats like IKEA pick-up points and IKEA pop-ups can be solutions to reduce greenhouse gas emissions in customer travels and deliveries. Lowering travel emissions will also reduce air pollution.

<sup>1</sup> Operated by the franchisee Ingka Group

# Life at home & consumption



**We are committed to enabling the many people to make healthy and sustainable choices within the limits of the planet. This includes both our home furnishing and food range. We will also go beyond our products to offer the services, inspiration and knowledge for people to make sustainable living a reality.**

## Understanding life at home today

Understanding people's everyday lives, their needs and dreams, is at the core of what we do. We regularly visit people's homes around the world, both digitally and physically, and we are grateful for the insights people give us about their everyday lives. We are using these insights to support their wishes for better everyday living within the limits of the planet.

During FY19, we were part of a GlobeScan study<sup>1</sup> among 25,000 people across 25 countries to better understand barriers and enablers to a healthy and more sustainable life.

The research showed that 54% perceive living in a way that is good for themselves, good for others and good for the environment as

a "major or large priority". But only 6% say they live completely this way now. 49% say that the main barrier towards living healthy and sustainably is that it costs too much.

Some of the other results from the research include:

- People across the world are increasingly worried about a range of environmental issues. 66% view pollution as a very serious issue, and 62% say that climate change and the depletion of natural resources are very serious problems.
- Healthy eating stands out as the type of behaviour most associated with a healthy and sustainable lifestyle, and many people are already eating healthily with relative frequency.
- Young generations are more likely to feel guilty about their negative impact on the environment than older generations. More than one third of 18-24-year olds frequently experience stress or anxiety because of this.

See the full research [here](#)

<sup>1</sup> <https://newsroom.inter.ikea.com/news/all/insights-from-new-25-country-study--sustainable-living-perceived-as-too-expensive/s/2567dcae-ac1b-4067-8349-bc56b34f77b7>

## Enabling healthier and more sustainable lives for the many

Making healthy and sustainable solutions attractive, affordable and accessible for the many is one of the key potentials for enabling better living within the limits of the planet. This includes how the products are made – such as the materials we use – and in some cases how they are used in people’s homes and the functions that enable people to reduce water and energy consumption, purify indoor air, and reduce food waste. To create these solutions and all IKEA products we use the IKEA democratic design approach and circular product design principles. The five dimensions of Democratic Design include form, function, quality, sustainability and low price.



## Climate footprint from the use of IKEA products

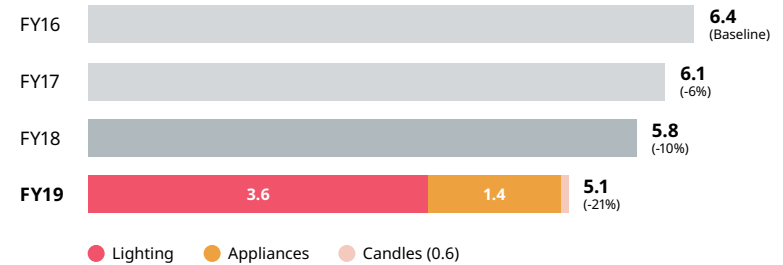


Since FY16, the climate footprint of product use at home has decreased, compensating for the increased footprint in most other parts of the IKEA value chain.

The climate impact from the use of IKEA products in customers' homes represented 20.2% of the total IKEA climate footprint during FY19. This includes the electricity consumption for all lighting and appliances (20%), as well as the emissions from the burning of candles (0.2%). Our main focus in this area is to improve energy efficiency of products, where the biggest impact lies. In addition, we are also converting to other and more sustainable sources, such as more sustainable palm oil and rapeseed oil for the wax used in our candles.

The decrease in the climate footprint of product use at home has mainly been driven by improving the energy efficiency of our already energy efficient LED bulbs. In FY19, our appliances range also took large steps forward in improving energy efficiency – enabling an absolute reduction of 21% since FY16, and a major reason we in FY19 see a break in trend in the overall climate footprint.

CLIMATE FOOTPRINT **PRODUCT USE AT HOME**  
(Million tonnes CO<sub>2</sub> eq)



## Climate footprint from product end-of-life



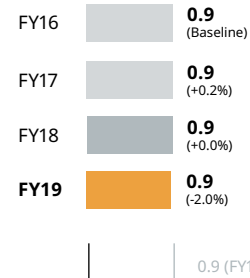
**Prolonging the life of products and materials and addressing the climate impacts related to raw materials, will help us to eliminate the climate footprint from product end-of-life.**

Around 3.6% of the total IKEA climate footprint comes from product end-of-life – similar to that of our retail operations or goods transport. This footprint includes products that are incinerated or sent to landfill, but not products that are recycled, since these are accounted for by the IKEA business as materials or by the company that uses the material.

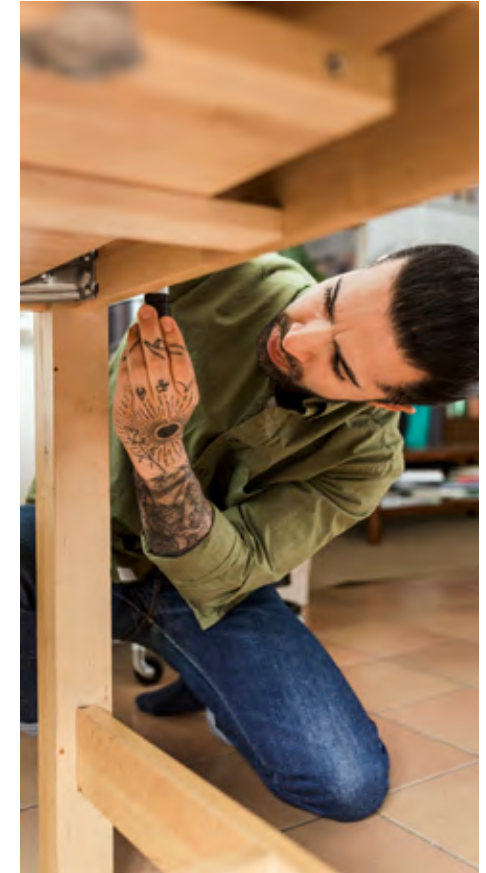
Our ambition to become a circular business, including the circular product design principles (see [page 22](#)), prolonging the life of products and materials and addressing the climate impacts related to raw materials, will help us to eliminate the climate footprint from product end-of-life.

The climate footprint from product end-of-life has been stable over recent years. Although no reduction goal has been set, it will be reduced through the overall movement of becoming 100% circular, where waste is turned into resources through recycling, instead of being incinerated or ending up on landfill.

CLIMATE FOOTPRINT **PRODUCT END-OF-LIFE**<sup>1</sup>  
(Million tonnes CO<sub>2</sub> eq)



**Goal FY30**  
Eliminate footprint by becoming 100% circular



<sup>1</sup>Includes products that are incinerated or sent to landfill, but not products that are recycled since these are accounted for by IKEA as materials or by the company that uses the material

## Energy at home: from LED bulbs to home solar



**In FY19 we sold 56 million LED bulbs.**

**We are striving towards 100% renewable energy throughout our entire value chain – including at home. We started by investing in reaching 100% LED lighting in FY12. For the past several years, Ingka Group has also been working to enable customers to use renewable energy across their homes through home solar and other renewable energy solutions. At the end of FY19, home solar was available in seven countries with the aim to make it available in 30 markets by 2025.**

The entire IKEA lighting range converted to 100% LED in September 2015. Since then, we have reduced the price of an LED bulb from 10 EUR to 1 EUR for comparable bulbs, and we have also reduced the climate footprint of our entire

lighting range by 27%, with increased sales of 6%, by significantly improving the energy efficiency of an already energy-efficient technology. In FY19, we sold 56 million LED bulbs.

While the climate footprint from our lighting range has decreased since FY16, in FY19 we also saw a reduction in the footprint for appliances of 1.7%. The two main drivers behind this reduction come from the phasing-out of gas hobs and making induction technology more affordable.<sup>1</sup> Further improvements are expected since specific climate roadmaps towards 2030 have been developed.

Electricity and heat consumption contribute to 31% of greenhouse gas emissions globally.<sup>2</sup> It is critical that we not only transform the energy consumption of the IKEA value chain to renewable energy, but also enable IKEA customers to do the same in their homes. The IKEA franchisee, Ingka Group, is therefore developing offers in several markets to enable and inspire people to use 100% renewable energy at home.



**The IKEA induction hob TILLREDA** is an example of a product where we make sustainable choices available for the many. Thanks to continuous product development, the hob has been reduced in size while maintaining the same cooking zone size and, thanks to large volumes in production, a lower price. The hob has proven to be a good choice in households where the electricity does not allow for enough power for a full-size induction hob – bringing the efficient induction technology into homes that couldn't previously have it.

<sup>1</sup> We have a commitment to phase out radiant hobs (ceramics) and the plan is to phase out other hobs and only sell induction hobs in all major markets by calendar year 2021. However, gas hobs will still be part of the range in some markets due to infrastructure issues related to the phase out.

<sup>2</sup> <https://www.epa.gov/ghgemissions/global-greenhouse-gas-emissions-data>

**In FY19, it is estimated that customers reduced their climate footprint by avoiding 8,747 tonnes of CO<sub>2</sub> eq with IKEA Home Solar.**

The ambition is to accelerate the transition by making clean energy more accessible and affordable for all. For those who live in apartments, or who can't afford the upfront investment in their own solar panel system, or where regulations might prevent such installations, new solutions such as a clean energy subscription offer are being explored. This offer will help customers access renewable electricity and guide them to other relevant services like efficient heating and cooling solutions, LED bulbs or kitchen appliances.



**Solar powered lighting**

The IKEA business is currently working with Little Sun and the artist Olafur Eliasson to create small affordable individual solar power and light solutions that make renewable energy generation beautiful, visible and tangible in people's homes. The new collection will be called SAMMANLÄNKAD.



## Household water use



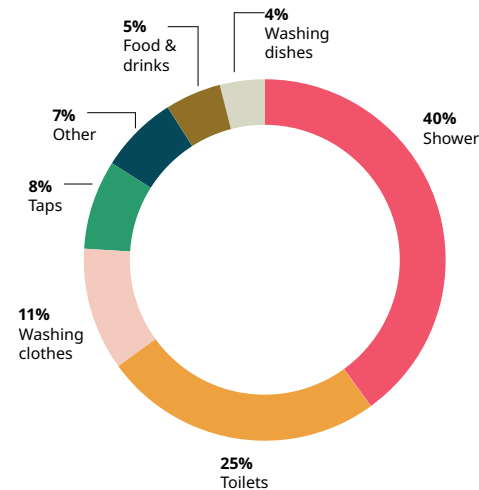
**More than 40% of IKEA store visitors live in regions exposed to high and extremely high water stress.**

**Around one tenth of the world's fresh water is used in people's homes.<sup>1</sup> Today, we offer solutions that enable people to reduce water usage, in their homes. The next step is not just in reducing water usage but also recycling water and purifying water.**

Customer water usage through IKEA products is estimated to be around 15% of the total water used in the IKEA value chain. Home activities that have the highest water usage mainly occur in the kitchen and bathroom, especially showers. Ongoing product development and innovation, therefore, are important for future water efficiency and improvements in water quality.

More than 40% of IKEA store visitors live in regions exposed to high, and extremely high, water stress. The analysis has been completed with World Resource Institutes Aqueduct Tool. The results show the global challenges where the IKEA business can take the lead.

HOUSEHOLD WATER USE (% OF TOTAL USE)



*Data shows average household water use based on data from countries in Europe, US and China. The data is collected by the Extreme Water Saving Project.*



**The MISTELN nozzle**, will make it possible for people to reduce water use up to 90% in activities around taps in kitchen and bathroom. Its launch date has been delayed. The process of innovating and securing a robust and reliable solution for MISTELN that fulfils all five dimensions of Democratic Design has taken longer than anticipated.

<sup>1</sup> Food and Agriculture Organization of the United Nations, The State of the World's Land and Water Resources for Food and Agriculture (SOLAW), <http://www.fao.org/nr/solaw/solaw-home/en/>

## Indoor air quality



**Nine in ten people live in places where air pollution exceeds safe limits.<sup>1</sup>**

**Air pollution is one of the biggest health challenges, and we want to play our part in finding solutions. We are committed to actively reducing air pollutants and enabling people to purify the air in their homes. We know that there is no single solution to solving air pollution, and we are always in search of new ways to contribute to a world of clean air.**

In 2018, a Clean Air Survey was conducted to better understand how people around the world relate to air pollution and how it affects their daily life. The study showed that most people underestimate the threat of air pollution and that there is a general preconception that air pollution happens outside, rather than inside.

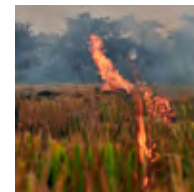
<sup>1</sup> <https://www.who.int/news-room/detail/02-05-2018-9-out-of-10-people-worldwide-breathe-polluted-air-but-more-countries-are-taking-action>



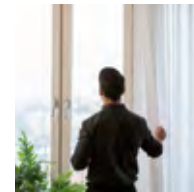
**Clean Air at Home** (published June 4, 2019), is a practical guide that highlights easy and affordable choices and behavioural changes people can make to breathe cleaner air at home.



**The launch of the Better Air Now initiative**, turning rice straw – a harvesting residue that contributes heavily to air pollution when burned – into products. Read more about the FÖRÄNDRING collection on [page 43](#).



**Joined the Climate & Clean Air Coalition:** partnering with others to tackle the complex issue of open burning of crop residue. Read more on [page 114](#).



**GUNRID air purifying curtain** is one step on our journey to actively reduce air pollutants and enable people to purify the air in their homes. By applying a thin, mineral based surface treatment to a fabric, we have enabled it to reduce common indoor air pollutants like odours and acetaldehyde. The way it works is similar to a photocatalyst. The photocatalyst surface of the fabric captures indoor air pollutants and uses daylight to break them down. The ambition is to sales start GUNRID curtain in 2020.

## Moving towards zero-waste living



**Most people feel bad about throwing things away. They fix, sell, or give away the things they have.**

**Our research tells us that people don't want to be wasteful and that they care for their things. People would rather give away, sell or fix things instead of throwing them away. But it has to be convenient to do so.**

There is a huge opportunity for us to play a part in solving this and we're working to identify, design and pilot new offers. This is part of our journey to transform into a circular business, to make it easier to prolong the life of both products and materials.

### Eliminating food waste at home

Around a third of all food produced globally for human consumption is lost or wasted. IKEA research has found that people waste less food when they can see what is in their fridge, and when food storage containers are flexible in their functions.

Read more about how we are leading by example by reducing food waste in IKEA operations on [page 82](#).



**At home, IKEA food storage solutions such as KORKEN or 365+, enable customers to save leftovers, preserve food and reduce their food waste.**



**We have committed to phase out all single use plastic products from the IKEA range.** During 2019, products like SODA and SÖTVATTEN drinking straws, FÖRNYBAR freezer bags, ISIGA ice cube bags and FÖRSLUTA garbage bags were phased out.



**We are working across the value chain to prevent, reduce, reuse and recycle packaging material.**



**We are prolonging the life of IKEA products by designing all products to be circular by 2030.** Read more, [page 22](#).

## Furniture as a service



**During FY19, several small-scale tests exploring different approaches and subscription models were initiated.**

In Switzerland, the Netherlands, Poland and Sweden, new models of product ownership, which offer furniture as a service, are being tested by IKEA retailers. The test is a furniture subscription service that gives access to furniture solutions without ownership and enables more affordable options. These tests will give insights about the circular capabilities needed in the business to efficiently maintain products and prepare them for longer or multiple lives.

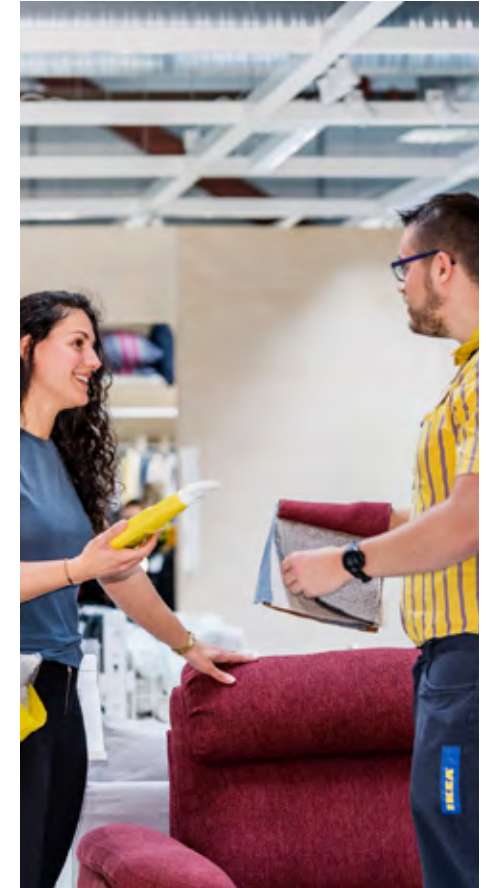
The core idea is that customers lease the furniture, which is maintained and repaired as needed during the leasing period. Upon return, the furniture is cleaned, refurbished and made ready for its next home. When the furniture has been reused as many times as possible, the materials and components are recycled. Unsurprisingly, the results so far have been positive, with indications of environmental benefits from extending the life of materials and resources.

The aim is to continue testing furniture as a service in 2020, building towards larger scale pilots in the future. The learnings will enable a more tailored offer to meet customer needs and preferences, as well as allowing us to work on some of the practical challenges, such as how to store furniture between rentals.

Test markets and focus will include:

- Netherlands – students, range for a student room or small apartment
- Switzerland – small businesses, office range
- Poland – private landlords, range for a small apartment or a single room
- Sweden – small business customers, office range

As part of the ambition to transform into a circular IKEA business, home furnishing offers for multiple owners/users is also being integrated into the IKEA product development approach.



## Piloting refurbishment and resale programmes with customers



**44% say that the best action home furnishing companies can take to enable healthy and sustainable living is to make long-lasting products and services which supports this.<sup>1</sup>**

### Creating a business model for the refurbishment and resale of products is an important puzzle-piece of our circular business.

The first full test took place in late FY19 when sofas were collected from customers (as claims and takebacks), refurbished, and resold. The size of the test was limited as a step to understand the potential flows of products (repackaging, loading/unloading options, storage) and the required refurbishment needs (e.g. what was the condition of the sofa, what were the defects and what repairs were needed, and how much time and cost it took to fix). This was completed within the existing IKEA supplier base in Poland and China, and with an external partner in Sweden. As the final step of the test, the customer perception of the refurbished products when they were resold was assessed.

The first results show that we have the full capability to refurbish sofas to 'like new' condition, replacing covers and legs, and re-shaping cushions. Any discarded parts are fully recycled.

Creating a better understanding of these areas will enable us to conduct further tests in scalability and pricing as we aim to offer an even more affordable offer through the sales of refurbished products. 32 sofas were included in the test and all were refurbished successfully and resold at an even more affordable price.

The test will serve as the benchmark in terms of time, cost, and quality for the scaling up of refurbishment and resale activities, giving a better understanding of the benefits and challenges connected to working within the existing supplier base, as well as with external business partners. Today, IKEA franchisee, Ingka Group, is collecting on average 4,000 sofas per year. The collection happens through a mandatory collection service, and the sofas are recycled. The knowledge gained through the test will enable us to give many of these sofas a second life through refurbishment instead.



<sup>1</sup> Globescan consumer study on Healthy and Sustainable Living with 25,000 people in 25 countries, <https://globescan.com/healthy-sustainable-living-report-2019/>

## Making healthier and more sustainable food options delicious and affordable



**10,000,000 veggie hot dogs where sold in FY19.**

### Increasing plant-based food options

In FY19, 680 million people experienced the IKEA food offer. In our restaurants, bistros and Swedish Food Markets, we want to be a destination for delicious food that is affordable, healthy and sustainable – we do this through Democratic Design, the same principles we use to develop our home furnishing offer.

**We are continuously aiming to introduce more plant-based food options in our offer, as they are generally better for people and the planet.**

The plant-based veggie hot dog, introduced in August 2018, for example, sold over 10 million in its first year. Not only does the veggie hot dog prove that plant-based food can be an attractive option for the many if it's delicious and affordable, but it also has a climate footprint approximately seven times smaller than that of a classic hot dog.

Our ambition is that by the end of FY22, one out of every five meals and snacks sold will be healthier, according to the Balanced Meal

Norm. We're making progress but are still at the beginning. The quantity of healthier foods sold has increased to 11% and the quantity of plant-based foods sold increased to 16% by the end of FY19.

We also want younger IKEA restaurant guests to enjoy a tasty and nutritionally balanced meal. The children's veggie burger meal includes a veggie patty made from vegetables and grains, and veggie sticks mixed with French fries. Altogether these ingredients add up to a meal that meets our requirements for a balanced meal for children (according to the IKEA Balanced Meal Norm).

In April 2019, we introduced a vegan strawberry soft ice to IKEA bistros in Europe. By the end of FY19, 127 IKEA stores offered this plant-based treat. The plant-based soft ice is made with strawberry puree, and is a good alternative for people that either need or want to skip dairy-based products and prefer plant-based options. And the climate footprint is only half of that of the dairy-based soft ice version.



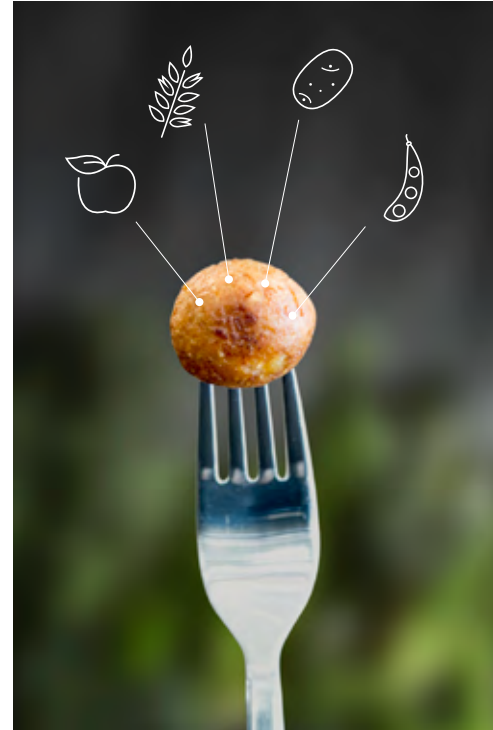
**The IKEA Balanced Meal Norm** means that the meal meets requirements we have set to manage the content of calories (kcal), saturated fats, sugars, salt and fibre in the meal. These are key nutrients to target to help children as well as adults to eat and live healthier. The IKEA Balanced Meal Norm supports us in developing meals that have a balance in the content of these nutrients.



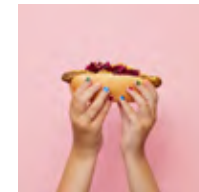
With a climate footprint that is just 4% of the traditional IKEA meatball, the plant ball contributes to the IKEA ambition to become climate positive by 2030.

**During FY19, we decided to take the next step in creating a more sustainable food offer and challenge one of the most well-known IKEA icons: the meatball.**

Already in 2015, the veggie balls and chicken meatballs were added to the IKEA range, and in 2018 the salmon and cod ball was introduced. In August 2020, we will launch the plant ball, which is made with pea protein, oats, apples and potatoes. The plant ball has been developed with one main purpose – to recreate a meatball without meat. The plant ball looks like meat and tastes like meat but contains no meat. With a climate footprint that is just 4% of the traditional IKEA meatball, the plant ball contributes to the IKEA ambition to become climate positive by 2030. We hope it will be a tasty alternative for customers who want to reduce their meat consumption without compromising the familiar taste and texture of IKEA meatballs. The plant ball will be available in both IKEA restaurants and Swedish Food Markets (frozen, for customers to bring home).



**FRUKTSTUND: Development of fruit, vegetable and berry-based smoothies,** a great way to make fruit, berries and veggies part of your diet and a tasty way to increase intake of natural fibres. The FRUKTSTUND smoothies are all healthier products for both adults and children, according to the IKEA Balanced Meal Norm.



In FY19, following its success in the IKEA Bistro, **the veggie hot dog was launched in the Swedish Food Market** – the Swedish food specialities section of every IKEA store. With the launch of KORVMOJ, the packed version of the Bistro veggie hot dog, customers can now easily create a more sustainable and delicious plant-based hot dog at home. Read more about actions taken in food ingredients supply on [page 57](#).

## Changing behaviours through knowledge sharing



**People across the world are increasingly worried about a range of environmental issues. 66% view pollution as a very serious issue, and 62% say that climate change and the depletion of natural resources are very serious problems.<sup>1</sup>**

**Research suggests that people are increasingly interested in the sustainability credentials of products, and in solutions that enable them to reduce their impact.**

We are testing different approaches to communicate the sustainability stories behind IKEA products. The purpose is to support making healthy and sustainable actions easy for people.



### **Making better consumption habits fun**

IKEA Turkey collaborated with the TEMA Foundation<sup>2</sup> on organising educational programmes for primary school students. The aim was to create awareness about better consumption habits at home. A digital game helping the children to form more sustainable consumption habits was created.



### **App that helps customers make savings**

The IKEA Better Living app supported almost 60,000 customers around the world to save 1,500 tonnes of carbon, 101 tonnes of waste and 3 million litres of water (approximate figures only) by making small and simple changes, logging their progress and competing against friends. It was part of the Better World Starts at Home campaign.

<sup>1</sup> GlobeScan Climate Action Research Report <https://globescan.com/ikea-climate-action-consumer-study/>

<sup>2</sup> The TEMA Foundation (The Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats) is the biggest non-profit organisation in Turkey dedicated to creating effective and conscious public opinion on environmental problems – specifically about soil erosion, deforestation, desertification, climate change and biodiversity loss.



## Safer homes



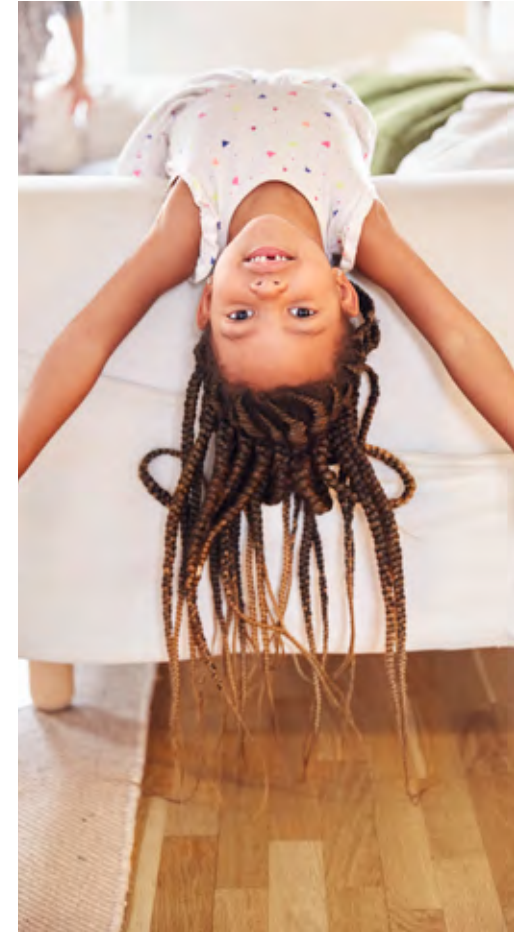
### We believe that every child has the right to a safe home environment.

The safety of our customers, especially children, comes first. That's why product safety is a top priority for us. IKEA products are designed and tested to comply with all applicable safety regulations in the countries where the products are sold. In the case of many of our children's products, we go above and beyond the legal requirements. For example, we have phased out any chemicals that are suspected of causing medical reactions or being harmful.

Tip-over incidents remain a serious safety issue for the entire home furnishings industry. We want to work with our customers, governments, consumer advocates and the industry to minimize this risk. We welcome action to advance progress on furniture stability, including the introduction of a mandatory rule in the United States.

### Safer Home pilot project

We want to inspire and empower customers to make their homes safer using our home furnishing knowledge. That's why we launched the Safer Homes pilot project. Using an app, in-store workshops and information on the website, we are targeting parents with children up to age seven and raising awareness of safety improvements to make at home. The app provides information on children's development and room-specific safety tips tailored to children's ages. The project was piloted in Iceland during FY18, then in Australia in FY19, and now in US and Canada for FY20, with a very positive response from co-workers as well as customers. Insights will be used to develop and roll out the project to more markets in the near future.



# IKEA & social entrepreneurs



*Abeer Almnajed, Seamstress, Jordan River Foundation*

## Becoming a more inclusive business

**The IKEA business wants to contribute to supporting the millions of people around the world who are marginalised and far from the labour market. Teaming up with social entrepreneurs who use business as a way to reduce poverty, empower women and tackle social and environmental challenges in their communities, is one way of achieving this.**

Since 2012, IKEA businesses have worked together with social entrepreneurs on a global and local level to design and produce handmade collections and offer tailor-made services in IKEA stores and online. All local partnerships are audited for IWAY Must requirements and all international partners are IWAY approved (see [page 109](#) for more about IWAY).

To date, these partnerships have helped create jobs for some 20,000 artisans and local farmers around the world. During FY19, the IKEA business<sup>1</sup> expanded the scope of how to work with social entrepreneurs both inside and outside the IKEA value chain through co-worker engagement, direct investments and accelerator programmes.

<sup>1</sup> Through "IKEA Social Entrepreneurship B.V.", part of the Inter IKEA Group

## Facts & figures FY19

7 global social entrepreneur partners created IKEA products and services

12 social entrepreneurs outside the IKEA business received support for their business expansion plans

Social entrepreneurs' products offered globally in all markets, plus time-limited collections in 27 countries

20,000 people had jobs and incomes with social entrepreneur partners



### **Actions taken together with IKEA social entrepreneur partners during FY19**

- IKEA Social Entrepreneurship saw the launch of the first programmes not directly linked to the IKEA business. This included the first accelerator programme in partnership with Ashoka, which currently supports 12 social entrepreneurs to scale up their impact through system change. This co-created accelerator programme engages IKEA co-workers as advisors through a structured programme. The feedback shows that participating social entrepreneurs and IKEA co-workers have gained positive and constructive experiences and learnings from the programme so far.
- An agreement with Acumen was signed in FY19 to run an accelerator programme in East Africa to be launched during 2020, supporting 20 social entrepreneurs in the region.
- The IKEA business has been working together with the social enterprise i-did to turn old IKEA textiles into felt that can be used to make new products. During Dutch Design Week, IKEA Retail Netherlands presented the TILLVERKA collection, which is made using the felt created from old IKEA textiles. The collection will be sold in IKEA

stores in the Netherlands starting in March 2020.

- IKEA Social Entrepreneurship continued to develop the existing business partnerships with social entrepreneurs and businesses that produce home furnishing and food products for the IKEA business. We saw increased social outcomes such as contributions to jobs and incomes, empowerment in the workplace and improved livelihoods and well-being among the partners, coupled with growing sales of their products. Three time-limited collections (VÄLGÖRANDE, ANNANSTANS and TILLTALANDE) were launched. Importantly, we also initiated the first IKEA global running (rather than time-limited) social entrepreneurship products, which promise more stable and expanded future incomes for our social entrepreneur partners.
- Several local social entrepreneur partners continued to deliver products and services in different markets, such as Yalla Trappan in Sweden, Ellas lo Bordan in Spain and Open Arms in the USA. We see great opportunities to considerably scale up the IKEA global and local business partnerships with social entrepreneurs and businesses.

Beyond these actions, a pipeline of global projects and partnerships has been developed and work has been done with different IKEA retailers to develop local partnerships with social entrepreneurs in more markets.





### Theory of change of IKEA Social Entrepreneurship

#### IMPACT

**Greater opportunities for vulnerable and marginalised people to live a better everyday life**

#### OUTCOME

Vulnerable and marginalised people get better jobs, incomes and service

Systems change to address the needs and rights of vulnerable and marginalised people

IKEA and other corporates become more inclusive and sustainable

#### OUTPUT

Social entrepreneurs scale up thanks to direct support and intermediaries

Social entrepreneurs and business scale up inside IKEA value chain

IKEA co-workers and business are engaged to support and develop social entrepreneurs

Social entrepreneurship approaches and learnings are shared in IKEA and externally

Find out more: [IKEASocialEntrepreneurship.org](https://www.IKEASocialEntrepreneurship.org)

# IWAY



**IWAY is the IKEA supplier code of conduct, our long-standing programme that communicates and ensures the minimum requirements on environmental, social and working conditions, together with IKEA suppliers.**

IWAY sets clear expectations on IKEA suppliers and is the basis for developing dialogue and shared values. We believe in building long-term relationships with IKEA suppliers. The average length of collaboration with our suppliers is approximately 11 years. We work together with suppliers to improve how they meet the requirements and, ultimately, become more sustainable businesses.

Launched in 2000, IWAY has been updated on a regular basis to take into account environmental and social developments and emerging issues in the global value chains. Over the past 19 years, we have also developed additional requirements for certain parts of the supply chain (for example forestry – see Forestry [page 48](#)) and transport (see Transport, [page 77](#)) and clarified our position on specific topics such as the prevention of child labour and support for young workers. In the last year, we have been in the process of revising IWAY to ensure that it stays up-to-date and relevant. For more details, see IWAY Reporting box on the following page.

The IWAY Global Training Programme – available for all IKEA

co-workers involved in the IWAY process – supports efforts to continuously improve IWAY-related competence, ensuring that IKEA co-workers can effectively communicate with suppliers on IWAY-related topics. The global IWAY learning solutions are complemented with local training programmes that address IWAY topics specific to regions, industries and/or business setups.

The compliance rates to the IWAY Standard at suppliers are being monitored on a regular basis. This gives a picture of how well suppliers meet IWAY requirements over time and also supports the identification of areas where further focus and collaboration is needed to ensure that suppliers achieve the IWAY requirements. Besides implementing transparent and reliable routines to ensure, verify and report IWAY, announced and unannounced audits are performed both by IKEA IWAY auditors and third-party organisations. If a supplier fails to develop its business to fulfil the IWAY requirements and to correct any deviation within a given time frame, the supplier is phased out and the business agreement is terminated. The time frame varies depending on the area that is non-compliant: immediate business-stop if it is a deviation related to an IWAY Must requirement<sup>1</sup>, or latest 90 days for all other IWAY requirements<sup>1</sup>.

During the last year, and within the ongoing and regular IWAY work in the different parts of the IKEA supply chain, we have identified some challenges in securing the minimum social and environmental conditions (on next page).

<sup>1</sup> IWAY Musts are the requirements that IKEA suppliers must meet before a contract can be signed – critical home-furnishing sub-suppliers are audited against these requirements.

### IWAY deviations at some home-furnishing suppliers in China

As part of the regular compliance and monitoring activities performed at our suppliers, issues have been identified at some suppliers in China related to lack of transparency and manipulation of working hours registered. We take this very seriously and are currently completing an evaluation of the reasons why these issues exist. The purpose is to address the root causes of the deviations and make sure that suppliers implement sustainable corrective actions. The evaluation also covers a broader analysis of whether other areas of the supply chain can potentially be affected by the same issue.

### Securing social and working conditions for people involved in gig/platform economy setups

The IKEA value chain, especially the part connected to services, has developed over the last few years, following global trends, to include new business models. An example is digital labour platforms where work is outsourced through an open call to geographically dispersed crowds ("crowd-work"), and location-based applications (apps) which allocate work to individuals in a specific geographical area, typically to perform local, service-orientated

tasks. We want to make sure that the social and working conditions of every person involved in the IKEA value chain are secured. This is a topic that we are focusing on and we are working to

define clear IWAY requirements. A new IWAY section covering these business setups is under development and is expected to be launched during 2021.

#### IWAY Reporting

IKEA supplier type <sup>1</sup>	Number of suppliers FY19	Description	IWAY compliance results			
			FY16	FY17	FY18	FY19
Home furnishing suppliers	1,052	Make IKEA home furnishing products	97	98	98	97
Transport suppliers-land and ocean <sup>2</sup>	349	Transport IKEA products from suppliers to stores and Distribution Centres	90 (land only)	97	98	97
Global food supply sites <sup>3</sup>	129	Provide the food and ingredients for the core range in IKEA bistros, restaurants and Swedish Food Markets	63	87	96	97
IKEA Components	210	Provide components and materials to IKEA suppliers and sub-suppliers that are used in IKEA home furnishing products	97	99	98	98
IKEA Industry	421 <sup>4</sup>	Supply solid wood, board on frame and board-based furniture to IKEA and companies in the IKEA supply chain	38	60	64	77 <sup>5</sup>
IKEA Catalogue sites <sup>6</sup>	41	Provide the pulp, paper and print services for the printed IKEA Catalogue <sup>7</sup>	80	63	80	87
Approval with IWAY Must requirements at critical home furnishing sub-suppliers <sup>8</sup>			99	91	93	94

<sup>1</sup> The table does not include suppliers to IKEA franchisees

<sup>2</sup> No airplanes are used in our goods supply chain, unless in exceptional circumstances

<sup>3</sup> Refers to individual sites producing food for the IKEA core range, rather than supplier level as for other organisations.

<sup>4</sup> Direct material suppliers. Excludes traders, distributors and IKEA Industry own units. All IKEA Industry own units are IWAY approved.

<sup>5</sup> IKEA Industry target is to achieve IWAY compliance for all suppliers by FY23, in line with the goal set in the IKEA Industry IWAY roadmap.

<sup>6</sup> Refers to individual sites, rather than supplier level as for other organisations.

<sup>7</sup> Does not include digital suppliers.

<sup>8</sup> IWAY Musts are the requirements that IKEA suppliers must meet before a contract can be signed – critical home-furnishing sub-suppliers are audited against these requirements

## Creating the next IWAY Standard

We need to ensure that IWAY is set up in the right way and addresses the relevant topics, to meet the new realities of today and our big ambitions for tomorrow.

We want to continue to do better, improve social and environmental conditions and make IWAY more inclusive by including more sub-suppliers. We will also look into covering new business areas. During FY19, we have been developing IWAY System 6.0, the revised version of the IKEA supplier code of conduct. It will be further developed and implemented in different parts of the IKEA business during FY20. To ensure we have an inclusive process, and a relevant IWAY, we have during FY19:

- engaged with stakeholders inside and outside the IKEA value chain, such as suppliers, other multinationals and non-governmental organisations,
- redefined a risk-based approach to IWAY verification and audits, and are in the process of defining new KPIs for IWAY process and performance,
- established a new governance structure, strengthening the approach to business

consequences for suppliers not meeting our requirements, and at the same time introducing mechanisms connected to procurement processes that reward and incentivise strong IWAY performance.

One of the main ambitions with the development of the revised IWAY 6.0 is to make it about more than simply meeting basic requirements, but also a way to achieve continual improvements above and beyond the minimum. It is an approach that aims at enabling suppliers to take ownership in meeting IWAY requirements, because it brings them benefits for their businesses, their workers and the environment. It is also a staircase approach that makes development more beneficial. This is how IWAY will be one of the enablers to reaching the IKEA sustainability ambitions, as defined in the IKEA sustainability strategy, in the IKEA value chain.

The plan is to start rolling out the updated IWAY Standard and System in 2020, engaging with IKEA co-workers and suppliers to all IKEA companies to communicate expectations and ambitions.



## Codes of conduct



### **IConduct**

IConduct is the IKEA franchisee code of conduct. It includes franchise requirements for the IKEA offer, people and society, health, safety, security, business ethics, information handling and economic, environmental and social development. IKEA franchisees integrate the requirements of Iconduct into ways of working while securing compliance with other applicable legislation and company requirements.

During FY19, an IConduct Readiness Assessment was conducted together with IKEA franchisees to get a better understanding of the current status of each IConduct chapter and to develop together. The assessments focused on the following areas:

**The IKEA offer:** operations surrounding product and food requirements and local sourcing considerations.

**People and society:** the many elements of being a good employer, the rights of our co-workers and our societal impact.

**Planet:** Green House Gas (GHG) emissions, water and waste of the retail operations, including waste management practices, recycling rates and measurement systems for energy, water and waste.

**Health, safety and security:** in IKEA Retail as well as supply chain security.

**Business ethics:** how IKEA franchisees must act to prevent bribery, conflicts of interest and criminal activity in their organisations.

**Information handling:** information and data requirements, including data sharing and protecting customer data.

Action plans to close gaps found during the readiness assessments have been developed and will be completed during 2020. In addition, standards for IKEA co-workers are secured through employment standards and other company-specific policies and rules.

For example, the Inter IKEA Group Code of Conduct communicates the expectations of all Inter IKEA Group entities and co-workers. Read more [here](#).



# Collaboration & advocacy



Taking action together with others and advocating for change have always been cornerstones of the IKEA way of working. The IKEA business collaborates with many different stakeholders, customers, companies, NGOs and governments to solve common challenges. We will continue to show leadership by going beyond our own programmes and operations to advocate global action. The UN Sustainable Development Goal 17, which seeks to strengthen international cooperation, is more relevant than ever, and to us it means working both with co-creation, community engagement, stakeholder forums, advisory meetings and partnerships.

Below are some examples of IKEA collaboration activities for FY19:

## Tackling climate change

In relation to the climate agenda, we are advocating for policies and inclusive regulations that will drive the transformational change needed to limit the global temperature increase

to 1.5°C. Examples of collaborations and activities include:

**The United Nations Framework Convention on Climate Change (UNFCCC):** In 2019, UNFCCC and Inter IKEA Group entered into a partnership. Through the partnership, we want to highlight the need for collaboration on climate action and inspire other businesses to take action towards a 1.5°C world. Read more [here](#).

**Exponential roadmap:** In FY19, Inter IKEA Group supported the Exponential roadmap<sup>1</sup> to limit global warming to 1.5°C, and halve emissions every decade, with a first 50% reduction by 2030 at the latest. Inter IKEA Group also supported the 1.5°C Business Playbook, which aims to support small and medium-sized businesses in their climate work. Read more [here](#).

**The Business Ambition for 1.5°C:** In FY19, Inter IKEA Group and the IKEA franchisee Ingka Group signed the Business Ambition for 1.5°C (pathway 2), a pledge launched by UN Global Compact at the United Nations Climate Action Summit

in New York in September 2019. The pledge is based on companies signing up for Science Based Targets and in line with already made IKEA commitments. Read more about the Business Ambition for 1.5°C [here](#).

**Greenhouse gas protocol – accounting and reporting standard for carbon removals, land use and bioenergy:** The IKEA business co-funded and is participating in a project led by World Resource Institute (WRI) and World Business Council for Sustainable Development (WBCSD) to establish an accounting and reporting standard to measure the climate impact of carbon removals, land use and bioenergy. There is currently no globally-recognised methodology for quantifying and measuring the impact of these. Without a recognised and widely-accepted standard to measure this, it will be challenging to quantify the required contribution of carbon removals identified by IPCC to realise a 1.5°C world. The project is expected to deliver its findings during 2021. Read more [here](#).

<sup>1</sup> The Exponential Climate Action Roadmap outlines the global economic transformation required by 2030 to meet the Paris Agreement on climate. The ExponentialRoadmap.org initiative brings together technology innovators, scientists, companies and NGOs such as Future Earth, WWF and Stockholm Resilience Centre. It was published in September 2018 at the Global Climate Action Summit in San Francisco.

**Defining climate positive:** The IKEA business is part of a project with the ambition to define climate positive. Many businesses and organisations are using the term climate positive, but in very different ways, which could be potentially misleading and confusing, not least for customers. Under the leadership of WWF and in collaboration with other businesses, a global definition of climate positive based on science and validated by an independent body, is being developed. The aim is to have a proposal of a robust and functional definition in time for COP26 in Glasgow, UK, which is expected to take place 9-19 November 2020. Read more [here](#).

**The Cool Food Pledge:** IKEA Food has signed the Cool Food Pledge, which is an initiative of World Resources Institute, UN Environment Programme, Carbon Neutral Cities Alliance, Health Care Without Harm, Practice Greenhealth, Climate Focus, EAT and the Sustainable Restaurant Association. The Cool Food Pledge commits signatories to collectively slash food-related greenhouse gas emissions by 25% by 2030. Read more [here](#).

**Climate and Clean Air Coalition:** In a world where almost 90% of the population on the

planet is exposed to polluted air, clean air is rapidly becoming a major concern and there is increasing awareness of the interconnections between clean air and climate. In FY19, Inter IKEA Group joined the Climate and Clean Air Coalition, a UN initiative to reduce climate change and air pollution at the same time. Read more [here](#).

**EV100 and RE100:** The Ingka Group is a member of and supports Climate Group's renewable electricity (RE100) and electric vehicle (EV100) initiatives, the World Economic Forum Alliance of CEO Climate Leaders, We Mean Business coalition, Corporate Leaders Group and SolarPower Europe, among others. Read more [here](#).

### Accelerating the transition to circular societies

We are advocating for policies and updated regulations to contribute to the transformation into circular societies. Examples of collaborations and activities include:

**World Circular Economic Forum, Japan: "Circular Economy & Sustainable lifestyles**

**- Connecting the dots<sup>1</sup>:** The IKEA business<sup>1</sup> participated at World Circular Economic Forum in Yokohama, Japan in FY19 to discuss, share learnings and concrete solutions, together with representatives from governments, businesses and researchers, on how to accelerate the shift towards sustainable consumption and lifestyles. Read more [here](#).

**European Furniture Industry Confederation (EFIC):** The IKEA business<sup>2</sup> has been an active associated member of EFIC since 2018. EFIC represents more than 70% of the European furniture industry. The IKEA business has been an active participant in the EFIC workgroup that aims to promote the vision of a circular economy in the furniture sector since 2018. Read more [here](#).

### Enabling healthy and sustainable living

In order to inspire and enable people to live healthier and more sustainable lives, we need knowledge and insights about the challenges people face in their everyday lives. We conduct home visits and meet customers in markets around the world. In addition, we advocate for

<sup>1</sup> Through IKEA Retail Japan and Inter IKEA Group  
<sup>2</sup> Through IKEA of Sweden

policies and infrastructures to make sustainable living easier and more accessible. Examples of collaborations and activities include:

**The UN Environment Assembly, Nairobi, Kenya, "Innovative Solutions for Environmental Challenges and Sustainable Consumption and Production":** The IKEA business participated at the fourth UN Environment Assembly, 11-15 March 2019, with the focus on how to address unsustainable consumption and make healthy and sustainable living desirable and affordable to the many people. Read more [here](#).

**The 10 YFP/One Planet Network, Sustainable Lifestyles and Education Programme:** The 10-Year Framework of Programmes on Sustainable Consumption and Production (10YFP) is a global commitment to accelerate the shift towards sustainable consumption and production through six programmes. The Sustainable Lifestyles and Education (SLE) programme is one of the six programmes to promote and scale up sustainable lifestyles world-wide. Inter IKEA Group is a member of the SLE programme's Multi-Stakeholder Advisory Committee. Read more [here](#).

**OPEN HOME:** is a new digital platform where knowledge and insights from IKEA home visits are gathered<sup>1</sup> and made available for co-workers across the IKEA business. The insights are mainly used for range and product development. The objective is to better understand how people live their lives, what they need and what would make their lives healthier and more sustainable. The platform will continuously be updated during FY20.

**World Business Council for Sustainable Development (WBCSD):** The IKEA business is a partner in a number of projects led by WBCSD during FY19, including a project on how businesses can contribute to sustainable consumption and lifestyle choices. Read more [here](#).

**Healthy and Sustainable Living Study:** Under the leadership of Globescan, and in cooperation with a number of other companies, the IKEA business participated in a large study on Healthy and Sustainable Living during FY19. The key findings were presented during the Climate Week in New York in September 2019, where IKEA representatives were part of this session in addition to several other sessions during the week. Read more [here](#).

**Champions 12.3:** The Managing Director of the global IKEA Food business, is an active member in this coalition to combat food waste across the value chain. Champions 12.3 is a coalition of executives from governments, businesses, international organisations, research institutions, farmer groups, and civil society dedicated to inspiring ambition, mobilising action, and accelerating progress toward achieving SDG Target 12.3<sup>2</sup> by 2030.

**World Water Week:** The IKEA business participated at World Water Week in August 2019 and talked about the work to address issues related to freshwater shortages across the IKEA value chain, presenting the innovation and product development road map for the "water positive home". Read more [here](#).

**IKEA Bootcamp:** This is an IKEA programme with the aim to work with 20 growth stage start-ups. It is about co-creating the future together with others and collaborating with entrepreneurs and start-ups to find, explore and further develop new or early stage ideas – many solutions seek to enable healthy and sustainable living. Read more [here](#).

<sup>1</sup> The platform was developed to ensure legal compliance with GDPR and other data privacy laws

<sup>2</sup> "By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses."

**The High Ambition Alliance on Chemicals and Waste:**

At COP25 and during the year, the IKEA business supported, together with ministers for the environment, EU commissioners, UNEP among others, the work to create a global framework on chemicals and waste through the contributions in the coalition “The High Ambition Alliance on Chemicals and Waste,” which will contribute to the fulfilment of the Global Sustainability goals in order to protect and secure human health and a healthy and safe environment for future generations. Read more [here](#).

**Promoting equality and inclusion**

The IKEA value chain covers more than 50 markets through IKEA stores, suppliers and a digital presence where we interact with millions of people. Our ambition is that by 2030, the IKEA business will be a leader in creating a fair and equal society that benefits the many. A key part of this work is to engage with others to realise our ambition because we cannot tackle the challenges alone or in isolation.

**UNICEF:** During FY19, we kicked off work with UNICEF to support child safeguarding practices throughout various IKEA organisations and processes. This work will continue during FY20. Read more [here](#).

**Centre for Child Rights and Corporate Social Responsibility (CCR CSR):**

During FY19, the collaboration around developing and implementing youth development programmes in order to provide decent work and career opportunities to out-of-school youth in Southeast Asia has continued. The partnership work has included awareness building, not only throughout the IKEA business, but also to other companies and local authorities. Read more [here](#).

**IWAY Development Stakeholder dialogue:** In FY19, suppliers from different industries and across the IKEA value chain, representatives from NGOs and multinational corporations as well as internal stakeholders, were invited to three workshops to review a draft of the new IWAY.

**Leadership Group for Responsible Recruitment (LGRR):**

The IKEA business is a founding member of the Leadership Group for Responsible Recruitment and we support the Employer Pays Principle, which states that no worker should pay for a job and that the costs of recruitment should be borne by the employer. The aim is to eliminate recruitment fees being charged to workers anywhere by 2026. The IKEA Guidelines on Responsible Recruitment communicate our expectations regarding recruitment practices for IKEA suppliers. Read more [here](#).

**Recruitment roundtable:** As part of our work within the LGRR, IKEA representatives have participated in regional roundtables both in Bangkok and Kuala Lumpur along with recruitment companies, suppliers, government representatives and intergovernmental agencies. The dialogues will help promote change in both the recruitment industry and in supporting government policy.

**UN Standards of Conduct for Business on tackling discrimination against LGBT+ people:**

Franchisee Ingka Group has co-created and endorsed the code which outlines how companies should respect, support and promote the rights of LGBT+ co-workers, customers, communities, and other stakeholders. Read more [here](#).

**International Organization for Migration (IOM):**

Established in 1951, IOM is the leading inter-governmental organisation in the field of migration and works closely with governmental, intergovernmental and non-governmental partners. The IOM has long been a partner to and supported the IKEA business in developing the approach to the ethical recruitment of migrant workers. The IKEA business also acts as a reference to the International Recruitment Integrity System (IRIS), a voluntary certification process for international recruitment being developed by IOM. Read more [here](#).

**United Nations Forum on Business and**

**Human rights:** The largest gathering around human rights, providing a platform for dialogue between governments, business, civil society and affected groups. IKEA representatives yearly join this forum and other similar forums with the aim to learn, connect and share experiences in order to support the movement needed around the protection and respect for human rights globally. Read more [here](#).

**Real Play Coalition:** IKEA, the LEGO Foundation, National Geographic and Unilever came together in 2018 with a shared vision to promote play-based opportunities that develop a breadth of skills for optimal child development. The key ambition is to create a movement that prioritises the importance of play as something that not only lets children be children, but also sparks the fire for a child's development and learning. We believe that play is the 'rocket fuel' of child development. In FY19, UNICEF joined the coalition and a roundtable was hosted with key stakeholders, at the World Economic Forum (WEF) in Davos, on how to address the play gap in today's society. We also released our first piece of research, the "[Value of Play Report](#)". Read about the IKEA collaborations with social entrepreneurs, [page 106](#).

**Wood from well managed forests**

**WWF and Forest Stewardship Council (FSC):**

Working together with supply chain partners and organisations like WWF and FSC, we are ensuring that more wood is being sourced from well managed forests. IKEA is one of the largest users of FSC certified wood in the retail industry. Read more [here](#).

**Halting deforestation:** WWF and the IKEA business are working together to safeguard and manage precious natural resources and transform business for the benefit of people and planet. Through engagement, innovation and advocacy, the partnership is driving the development of more sustainable cotton and timber markets.

The work with WWF and other partners aims to combat illegal logging, stop deforestation and degradation and promote responsible timber trade and sustainable land use. The IKEA business and WWF have worked together since 2002 to support credible forest certification. The work includes mapping and protecting high conservation value forests to secure biological and social forest values such as biodiversity and the respect for local communities and forest workers. The IKEA business and WWF have helped to improve forest management in

Europe and Asia and contributed to increasing FSC certified forest areas. Read more about our partnership with WWF [here](#).

**SoS Cerrado Manifesto Group:** We support the SoS Cerrado Manifesto Group in the development of industry-wide implementation roadmaps and engaging with our meat supply chains and global FMCG companies to halt deforestation and incentivise sustainable land management in the Cerrado biome in Brazil. Read more [here](#).

**Open letter on soy and the Amazon:** By end of 2019, Inter IKEA Group joined other businesses in signing an open letter on soy and the Amazon, with the ambition to reinforce the importance of continuing to uphold the Amazon Soy Moratorium to ensure that soy production in the Amazon region only occurs on existing agricultural land. Read more [here](#).

# Sustainability governance



## Sustainability across the IKEA value chain

The IKEA sustainability strategy People & Planet Positive outlines our ambitions and commitments, creating a common agenda for the IKEA franchise system, leading together towards 2030. It provides a focus and collaboration for everybody within the IKEA franchise system to contribute to a positive impact on people, society and the planet, across the value chain. Each part of the IKEA business sets goals, targets and roadmaps to deliver on the strategy. This allows for locally tailored and relevant implementation and activities.

Inter IKEA Systems B.V. is the owner of the IKEA Concept and the worldwide IKEA franchisor. IKEA franchisees are responsible to complying with business requirements for the IKEA Brand and Concept. These requirements are described in steering documents like IConduct – the IKEA franchisee code of conduct.

Throughout the IKEA business, we are committed to working together in a collaborative way, being transparent about what we learn and always improving our ways of working.

## Strategic Sustainability Council

The Strategic Sustainability Council, founded in February 2017, ensures that we share the same positions across the IKEA franchise system and that we align future developments and commitments, while respecting the independence of the companies in the IKEA franchise system. It focuses on:

- the IKEA Brand's role in society,
- strategic directions and ambitions across the franchise system, such as always respecting human rights, and our ambitions to become a circular and climate-positive business,
- alignment of IKEA specific sustainability requirements; for example, the requirements included in the IKEA supplier code of conduct (IWAY).

The Strategic Sustainability Council meets twice a year, where representatives from Inter IKEA Group and the franchisees join to describe and follow up on our collective sustainability ambitions. The Managing Directors of each of the companies are invited members of the Council. The President and CEO of Inter IKEA Group is the chair of the Strategic Sustainability Council.

## Sustainability working groups

Experts on specific topics from Inter IKEA Group and franchisees meet in working groups to share best practices and build knowledge through the IKEA value chain. The working groups discuss and align strategic initiatives and plans to fulfil the IKEA sustainability strategy. During FY19 the Climate group has, for example, been working on a regular basis to develop the climate narrative and goals.

## The Inter IKEA Group Sustainability Management

The Inter IKEA Group Sustainability Management includes the sustainability managers from the Inter IKEA Group entities. The group is responsible for developing sustainability ambitions and commitments and reporting on performance. The group also provides recommendations on strategic business decisions with environmental and social impacts and prepares content and decisions for the Strategic Sustainability Council. Due to organisational changes within Inter IKEA Group in FY19, new members were included in the Inter IKEA Group Sustainability Management. At the



**The standpoint is always to do good business with common sense, based on honesty, respect, fairness and integrity.**

end of FY19, the members were: Sustainability Managers of Range, Supply, IKEA Industry, Transport & Logistics, Food, Compliance & Monitoring, IWAY Development, Communication & Engagement, People & Culture and Core Business Franchise. The Chair is the Inter IKEA Group Chief Sustainability Officer.

### **Business ethics at Inter IKEA Group**

The Inter IKEA Group way of doing business is based on the values and culture described in IKEA founder Ingvar Kamprad's, "The Testament of a Furniture Dealer". The Inter IKEA Group Code of Conduct is a supplement to those values, transforming values into behaviour. It is built around principles for behaviour, both within the group and towards business partners and other stakeholders. The standpoint is always to do good business with common sense, based on honesty, respect, fairness and integrity. The Code of Conduct applies to all Inter IKEA Group co-workers.

The Code of Conduct is supported by Inter IKEA Group Policies, including those pertaining to anti-corruption. Training for all Inter IKEA

co-workers supports awareness and integration into everyday work. In cases where co-workers find themselves in situations where there is uncertainty, they are always supported by their managers. When they feel uncomfortable to address the issue personally, they can turn to the Inter IKEA Group Raising Concern Line.

In FY19, 29 concerns relating to breaches of the Inter IKEA Group Code of Conduct were reported to the Inter IKEA Group Raising Concern Line. Inter IKEA Group takes a consistent approach to internal investigations through the Inter IKEA Group Policy of Investigation. In FY19, around 80 co-workers in the Inter IKEA Group human resources, legal and risk functions received training to raise awareness and understanding of the rule. In FY20, further practical training will be provided for co-workers who carry out the investigations, particularly in interviewing skills. IKEA franchisees are also expected to have dedicated grievance routines in place to manage and resolve concerns.



**Read the Inter IKEA Group code of conduct [here](#).**

Read more about IKEA franchisee's codes of conduct on [page 112](#).

# SDG index

The United Nations Sustainable Development Goals (SDGs) provide a framework for collective action. We use them as a guide as we develop the IKEA business, set new ambitions and engage with our partners. We recognise that we have an important role to play in contributing to achieving the SDGs, using the global influence of the IKEA Brand and value chain. When working with the SDGs, the contribution will impact more than one goal. Most activities will contribute to multiple SDG goals. In this section you will find some highlights and links to activities specifically related to each SDG.



**End poverty in all its forms everywhere**

Providing and supporting decent and meaningful work.

[Page 35](#)

Working with social entrepreneurs to promote and enable social change.

[Page 106](#)



**End hunger, achieve food security and improved nutrition and promote sustainable agriculture**

Offering healthier and more sustainable food options.

[Page 102](#)

Minimising food waste in IKEA Restaurants, Bistros and Cafés.

[Page 82](#)

Providing products and solutions that enable customers to cut food waste.

[Page 99](#)

Maintaining our commitment to sell only seafood certified by the Aquaculture Stewardship Council (ASC) and the Marine Stewardship Council (MSC); certified RSPO palm oil; UTZ Certification for coffee, cocoa and tea, and several of our products are certified by the Union for Ethical BioTrade (UEBT), and EU Organic Certification.

[Page 58](#)

Ensuring that the animal feed used for animals in the IKEA value chain, is more sustainable and does not contribute to deforestation, or critical natural ecosystem and HCV area loss.

[Page 58](#)

Continuing to secure better standards for animal welfare through the Better Programmes.

[Page 60](#)





**Ensure healthy lives and promote well-being for all at all ages**



**Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all**



**Achieve gender equality and empower all women and girls**



**Ensure availability and sustainable management of water and sanitation for all**

Advocating and enabling healthy and sustainable living. [Page 91](#)

Creating a safe and healthy workplace for co-workers, and supporting our suppliers to do the same. [Page 70](#)

Supporting children's right to play. [Page 117](#)

Designing our products with safety as a priority. [Page 105](#)

Building and promoting a diverse, inclusive workplace. [Page 35](#)

Supporting children's right to play. [Page 36](#)

Providing work opportunities for younger and older people, and supporting our suppliers to do the same. [Page 109](#)

Taking a values-based recruitment approach and offering ongoing learning and development opportunities to co-workers. [Page 72](#)

Building and promoting a diverse, inclusive workplace. [Pages 35, 84](#)

Partnering with social enterprises that employ artisans – mostly women who live in rural areas – and empowering them to develop sustainable incomes. [Page 106](#)

Offering products that reduce fresh water consumption at home, and innovating to enable customers to recycle and purify water. [Page 97](#)

Supporting IKEA suppliers to improve water management and water treatment practices. [Page 45](#)

Reducing the amount of water used across the IKEA value chain. [Page 44](#)

Working with WWF to develop a broader collaborative approach on water stewardship. [Page 45](#)

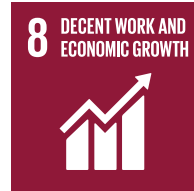
Sharing technologies and cooperating with local governments, NGOs and water utilities to support local water-cycles and biodiversity. [Page 45](#)

Advocating better water stewardship beyond the IKEA value chain. [Page 45](#)



**7 AFFORDABLE AND CLEAN ENERGY**  
**Ensure access to affordable, reliable, sustainable and modern energy for all**

- Investing in renewable energy through new installations and striving for 100% renewable energy across the IKEA value chain. [Page 28](#)
- Improving energy efficiency in Inter IKEA operations. [Page 25](#)
- Promoting renewable energy throughout the IKEA value chain and supporting IKEA suppliers to install and purchase renewable energy. [Page 65](#)
- Offering products and services to enable the many people to generate renewable energy at home, such as the Home Solar offer. [Page 95](#)



**8 DECENT WORK AND ECONOMIC GROWTH**  
**Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**

- Providing and supporting decent and meaningful work across the IKEA value chain, including 208,000 co-workers working under the IKEA Brand. [Page 35](#)
- Improving social standards in the IKEA value chain through IWAY, the IKEA supplier code of conduct. [Page 109](#)
- Developing a comprehensive approach to responsible wage practices. [Page 72](#)
- Extending our commitment to responsible recruitment. [Page 72](#)
- Supporting good working conditions for homeworkers in our supply chain. [Page 74](#)
- Building and promoting a diverse, inclusive workplace. [Page 84](#)
- Partnering with social enterprises that employ vulnerable groups, so they can create independent and sustainable incomes. [Page 106](#)
- Ensuring that the drivers transporting our products enjoy good and fair working conditions. [Page 77](#)



**9 INDUSTRY, INNOVATION AND INFRASTRUCTURE**  
**Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation**

- Working with IKEA suppliers to improve energy efficiency. [Page 65](#)
- Advocating policy change to enable a low-carbon society. [Page 113](#)
- Co-creating solutions for a sustainable future, for example partnering with entrepreneurs who share the IKEA vision. [Page 115](#)
- Investing in infrastructure and innovation, some examples:
  - Speed up action to become climate positive [Page 10](#)
  - Renewable energy [Page 65](#)
  - Wood recycling [Page 68](#)
  - Renewable fuels [Page 76](#)



**10 REDUCED INEQUALITIES**  
**Reduce inequality within and among countries**

- Respecting human rights, including supporting specific groups in our extended supply chain, such as migrant workers, homeworkers and social entrepreneurs. [Page 35](#)
- Developing a comprehensive approach to responsible wage practices. [Page 72](#)
- Integrating children's rights across the IKEA value chain. [Page 36](#)
- Working to ensure fair and equal treatment. [Pages 86-87](#)



**11 SUSTAINABLE CITIES AND COMMUNITIES**  
**Make cities and human settlements inclusive, safe, resilient and sustainable**

- Becoming a circular business. [Page 18](#)
- Developing products and solutions to enable and inspire people to live a more sustainable life at home. [Page 91](#)
- Reducing air pollutants in the communities around IKEA operations. [Page 43](#)
- Joining the Clean Air Coalition. [Page 114](#)



**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**  
**Ensure sustainable consumption and production patterns**

- Making a positive impact across the value chain. [Page 37- forward](#)
- Creating products and solutions that enable healthy and sustainable living, and inspiring co-workers and customers to live more sustainable lives at home. [Page 13](#)
- Transforming into a circular business, supporting the transition to a circular economy. [Page 18](#)
- Providing services for customers to recycle products or give them a second life. [Page 100](#)
- Using renewable, recycled and recyclable materials in IKEA products. [Page 39](#)
- Collaborating to increase the global availability of renewable, recyclable and recycled materials. [Page 39](#)
- Testing pilot programmes for furniture refurbishment and resale. [Page 101](#)



**13 CLIMATE ACTION**  
**Take urgent action to combat climate change and its impacts**

- Creating products and solutions to enable customers to reduce their climate impact and to live a more sustainable life at home. [Page 95](#)
- Offering products and services to enable the many people to generate renewable energy at home, such as the Home Solar offer. [Page 95](#)
- Working to become climate positive by reducing more GHG emissions than are emitted across the IKEA value chain while growing the IKEA business. [Page 17](#)
- Investing in renewable energy and improving energy efficiency and promoting on-site renewable energy generation and new installations. [Page 79](#)
- Developing and improving practices to capture and store carbon. [Page 25](#)
- Exploring a circular business that reduces the need for raw material extraction and virgin materials. [Page 18](#)
- Improving social standards in the IKEA value chain through IWAY, the IKEA supplier code of conduct. [Page 109](#)



**14 LIFE BELOW WATER**  
**Conserve and sustainably use the oceans, seas and marine resources for sustainable development**

- Sourcing the fish and seafood for IKEA bistros, restaurants and Swedish Food Markets responsibly, from ASC or MSC sources. [Page 58](#)
- Phasing out single-use plastic products and working to divert plastic from oceans and waterways. [Page 54](#)
- Using recycled ocean plastics collected from the Mediterranean Sea in products. [Page 55](#)
- First trial with alternative fuel in ocean shipping. [Page 76](#)



**Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss**



**Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels**



**Strengthen the means of implementation and revitalise the global partnership for sustainable development**

Regenerating resources, protecting ecosystems and improving biodiversity. [Page 30](#)

Sourcing key raw materials, like cotton and wood, from more sustainable sources including working in partnership with WWF. [Pages 48-51](#)

Becoming forest positive, for example by promoting sustainable forest management to eliminate forest degradation and deforestation. [Page 48](#)

Using only FSC certified paper to produce the IKEA catalogue – the world's largest print run ever to be produced using 100% FSC certified paper. [Page 48](#)

Ensuring that the animal feed used for animals in the IKEA value chain, is more sustainable and does not contribute to deforestation, or critical natural ecosystem and HCV area loss. [Page 58](#)

Improving environmental standards in the IKEA value chain through IWAY, the IKEA supplier code of conduct. [Page 109](#)

Committing to becoming a leader in creating a fair and equal society that benefits the many. [Page 35](#)

Ensuring an ethical approach to the way business is done. [Page 109](#)

Advocating positive change in society around healthy and sustainable living. [Page 114](#)

Advocating a fairer, more equal society. [Page 35](#)

Taking action together with others. [Page 113](#)