



# IKEA Sustainability Report FY23



# In this report



## Introduction

Introduction letter	<a href="#">Page 3</a>
The IKEA business in FY23	<a href="#">Page 4</a>
FY23 sustainability highlights	<a href="#">Page 5</a>

## The IKEA sustainability strategy

FY23 global trends and challenges	<a href="#">Page 6</a>
-----------------------------------	------------------------

### Healthy & sustainable living

FY23 summary of progress	<a href="#">Page 8</a>
FY23 key activities	<a href="#">Page 9</a>

### Our circularity agenda

FY23 summary of progress	<a href="#">Page 15</a>
FY23 key activities	<a href="#">Page 17</a>

### Our climate agenda

FY23 summary of progress	<a href="#">Page 22</a>
FY23 key activities	<a href="#">Page 25</a>

### Regenerating resources, protecting ecosystems, and improving biodiversity

FY23 summary of progress	<a href="#">Page 30</a>
FY23 key activities	<a href="#">Page 31</a>

### Fair & equal

FY23 summary of progress	<a href="#">Page 46</a>
FY23 key activities	<a href="#">Page 47</a>

## IWAY – the IKEA supplier code of conduct

Stakeholder engagement	<a href="#">Page 55</a>
Sustainability governance	<a href="#">Page 57</a>
SDG index	<a href="#">Page 58</a>
	<a href="#">Page 59</a>

## About this report

This report summarises our performance compared to the [IKEA sustainability strategy, People & Planet Positive](#), during FY23. It covers the entire IKEA value chain and franchise system and provides an update on activities and the ongoing work to measure progress. The IKEA Sustainability Report is issued by [Inter IKEA Group](#).<sup>1</sup>

The reporting period follows the financial year 2023 (FY23), which runs from 1 September 2022 to 31 August 2023. Percentages in this report may not total 100% due to rounding differences. Please note that we review and update historical data for accuracy on an annual basis. These changes are updates to external reference data, improved calculation methodologies and data quality.

The IKEA business is defined as the business activities performed by all companies operating within the IKEA franchise system. "We" in this report refers to the IKEA business. The IKEA value chain encompasses more than the IKEA business and includes sourcing and extracting raw materials, manufacturing, transporting of products, retail activities in stores, customer travel to stores, product use in customers' homes and product end-of-life.

To ensure the long-term growth and development of the IKEA business, we use a [franchise system](#). This provides financial stability while allowing franchisees to challenge, test and explore new markets and ideas. Together, we continue to develop the IKEA Brand.

<sup>1</sup> Inter IKEA Group consists of Inter IKEA Holding B.V. and all its subsidiaries. An overview of Inter IKEA Group can be found [here](#).

INTRODUCTION LETTER

# Taking action here and now to pave the way for another 80 years

**FY23 has been another year of challenges for people around the world, as well as for the IKEA business. We all experienced the effects of inflation and a higher cost of living, geopolitical conflicts, climate change and the accelerating loss of nature. In times like these, we try to be both realists and optimists, and let IKEA values, culture, and spirit lead the way. We would like to give a big thanks to all our colleagues, suppliers and partners for your support and hard work.**

FY23 also marked 80 years since Ingvar Kamprad founded IKEA in 1943. Ever since then, we have had the privilege of being part of people's homes and lives.

Overall, IKEA stores welcomed 860 million visitors in FY23, and sales amounted to EUR 47.6 billion, an increase of 6.6% compared to FY22. Both store sales and online sales continued to grow in value despite the continued challenge of lower sales quantities. Looking ahead, we're focusing on our three main opportunities: become even more affordable, more accessible and more sustainable.

Today, achieving our IKEA vision of creating a better everyday life for the many people means acting here and now to contribute to limiting climate change, reversing nature loss and reducing inequality.

In FY23, the IKEA climate footprint was estimated to be 24.1 million tonnes CO<sub>2</sub> eq, down 12% from FY22 and 22% compared to the baseline year, FY16. The FY23 reduction was due mainly to lower production volumes but was also a result of increased renewable electricity use in both retail and production, as well as continued energy efficiency improvements in the IKEA lighting range. Last year, however, we also saw a slight increase in the use of coal in production, presenting a challenge to address in FY24.

A milestone that will impact our future footprint is the introduction of bio-based glue in one of our board factories. Today, 5% of the climate footprint for the total IKEA value chain is connected to the use of glue in board materials.

Our circularity agenda, which includes using more recycled materials, is crucial for lowering our climate footprint. While some materials, like ceramics, are challenging to recycle. One breakthrough from FY23 was the SILVERSIDA product series. It represents our first successful attempt to use ceramic production waste to make new tableware. SILVERSIDA products are made from 65-70% factory waste materials.

Another challenge is producing fibreboard from recycled materials. The share of recycled content in our particleboard was 30%, compared with 0.3% for fibreboard. But now, we're using new technology enabling the use of more than 50% recycled wood in fibreboard. In FY23, we started producing the popular VOXTORP kitchen front in high-gloss white using the more sustainable fibreboard.

A significant achievement this year was the development of rigorous action plans that allowed us to strengthen our climate goals in line with the 1.5°C target and the SBTi Net-Zero standard. Our new goals involve halving greenhouse gas emissions from the IKEA value chain in absolute terms by FY30 compared to FY16, and striving for a 90% reduction by FY50. Any remaining emissions will be neutralised within the IKEA value chain – without using carbon offsets – to reach net-zero emissions. Our previous goal for FY30 was a 15% reduction. Our new goals were submitted to SBTi in mid-November 2023 and are currently pending approval. To further support change, the IKEA business was present at COP28, joining in the call to phase out fossil fuels, halt deforestation, and address the root causes of air pollution.

The IKEA business has long promoted responsible sourcing within our business. We have steered market transformation for key raw materials and continue to use innovative approaches to forest management, protection, restoration, and regeneration. During the year, we continued the work of understanding our impact and dependency on biodiversity across our value chain using the Science Based Targets Networks (SBTN) as guidance.

In FY23, we took a big step by launching an industry-first global wood supply map, increasing transparency by publicly sharing the origins of the wood used in IKEA products.

Additionally, we are progressing the work to secure our readiness for the Corporate Sustainability Reporting Directive (CSRD) by 2026. Last year, we

conducted a double materiality assessment to inform our work. Looking ahead, we are preparing to adjust our reporting in alignment with global and EU initiatives like the CSRD.

In a challenging business environment, our commitment to playing our full part in contributing to a fair and equal society is more important than ever. One way is to provide and support decent and meaningful work. In FY23, we extended our responsible wage practices framework – an approach to putting equal focus on equality at work, pay principles, competence, dialogue and a living wage – to IKEA franchisees. As a next step, we will initiate pilots among suppliers. We also continued our partnerships with social businesses. In FY23, we had a total of 12 partnerships with over 11,000 people from vulnerable and marginalised groups now employed in IKEA production.

As our work continues, we stay optimistic. Sustainability is an integrated part of our business, and our long-term commitment to making sustainable living affordable and accessible to the many will continue to guide us for the next 80 years.



**Jon Abrahamsson Ring**  
Chief Executive Officer,  
Inter IKEA Group



**Pär Stenmark**  
Chief Sustainability Officer,  
Inter IKEA Group

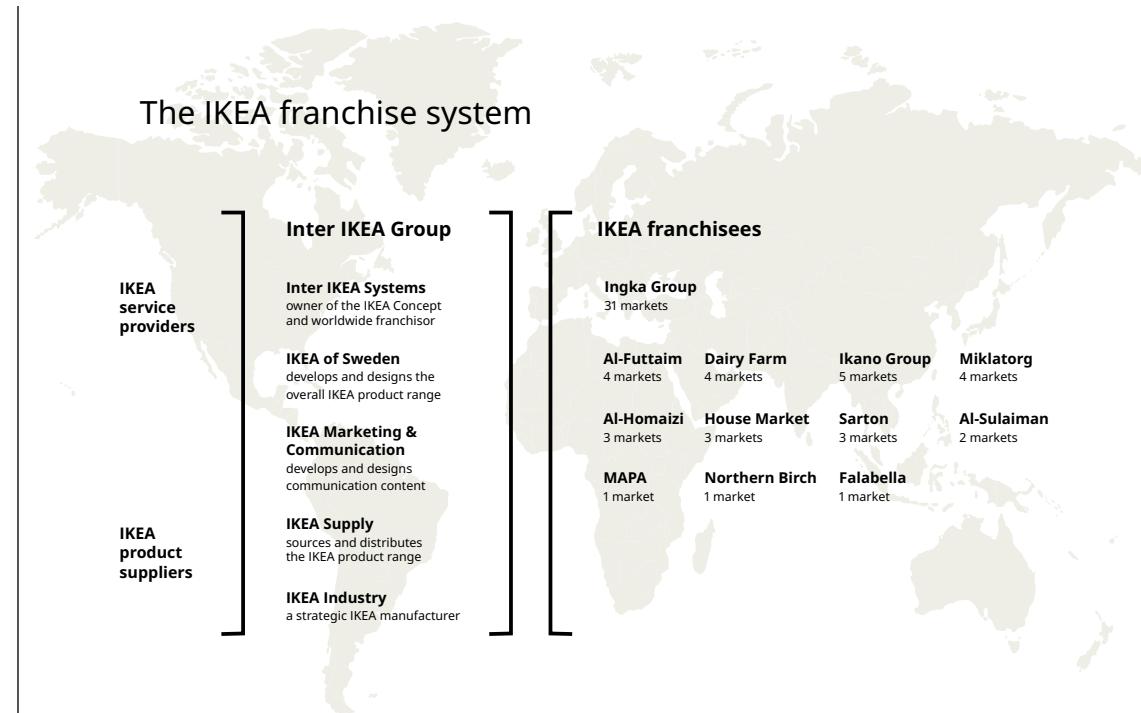
# The IKEA business in FY23

 <b>219,000</b> IKEA co-workers	231,000 co-workers in FY22
 <b>~1,500</b> IKEA suppliers and partners <sup>1</sup>	With around 800 home furnishing suppliers in more than 50 markets and over 150 global food suppliers
 <b>9,500</b> products in the IKEA range	Over 1,600 new products launched in FY23
 <b>3.8 billion</b> visits to IKEA websites	A decrease of 11.6% compared to FY22
 <b>860 million</b> visits to IKEA stores <small>(An increase of 4.6% compared to FY22)</small>	467 stores in 62 markets 14 new IKEA stores 71 new customer meeting points (1 closed, 1 relocated)
 <b>47.6 billion</b> IKEA retail sales (in EUR) <sup>2</sup>	Sales in value increased, while sales in volume and number of products sold in FY23 decreased

<sup>1</sup> We work with approximately 1,500 suppliers for home furnishing, transport, logistics and distribution services, components, and food.

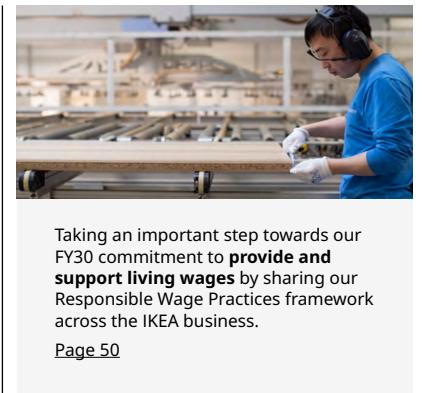
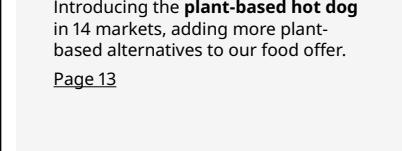
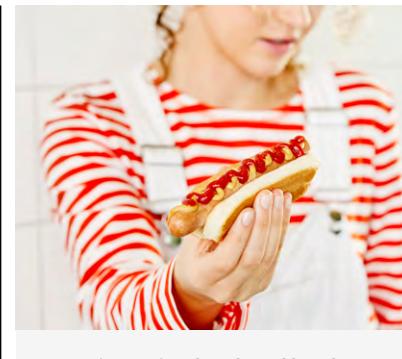
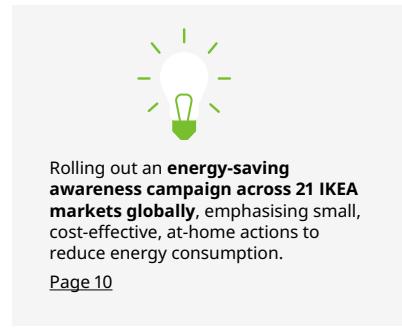
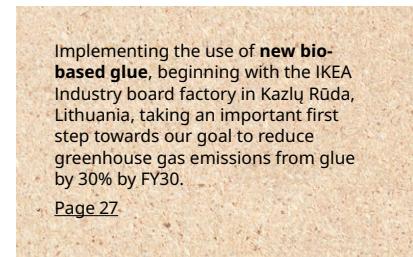
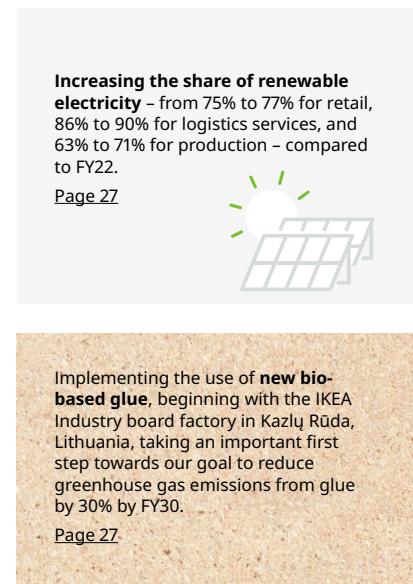
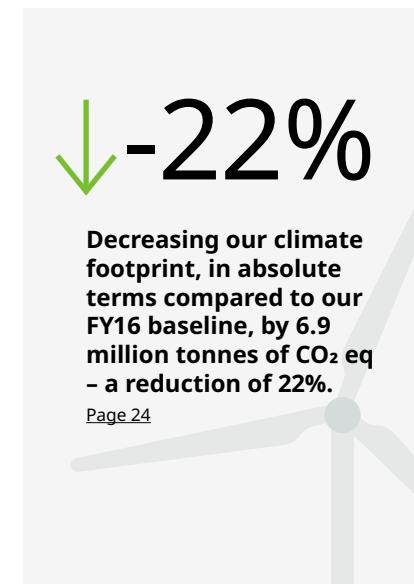
<sup>2</sup> Excluding sales taxes, including sales of IKEA products, food and services by IKEA franchisees.

<sup>3</sup> We measure produced volumes in cubic metres (m<sup>3</sup>).



This is a simplified overview of the IKEA franchise system and value chain ([read more](#)). In total, there were 12 IKEA franchise groups in 62 markets as of 31 August 2023. Inter IKEA Group includes the IKEA franchisor (Inter IKEA Systems B.V.), range, supply and manufacturing. The IKEA sustainability agenda is set and governed by the Strategic Sustainability Council, hosted and led by Inter IKEA Systems B.V., with the Inter IKEA Group CEO as chair. Read more about our sustainability governance on [page 58](#).

## FY23 sustainability highlights



<sup>1</sup> Our previous goal for FY30 was a 15% reduction.  
<sup>2</sup> In retail markets operated by the franchisee, Ingka Group.

# The IKEA sustainability strategy

**The purpose of our sustainability strategy, People & Planet Positive, is to inspire, activate and lead us in our decision-making and goal-setting in order to achieve the changes we want to see in the world, as well as the entire IKEA ecosystem.**

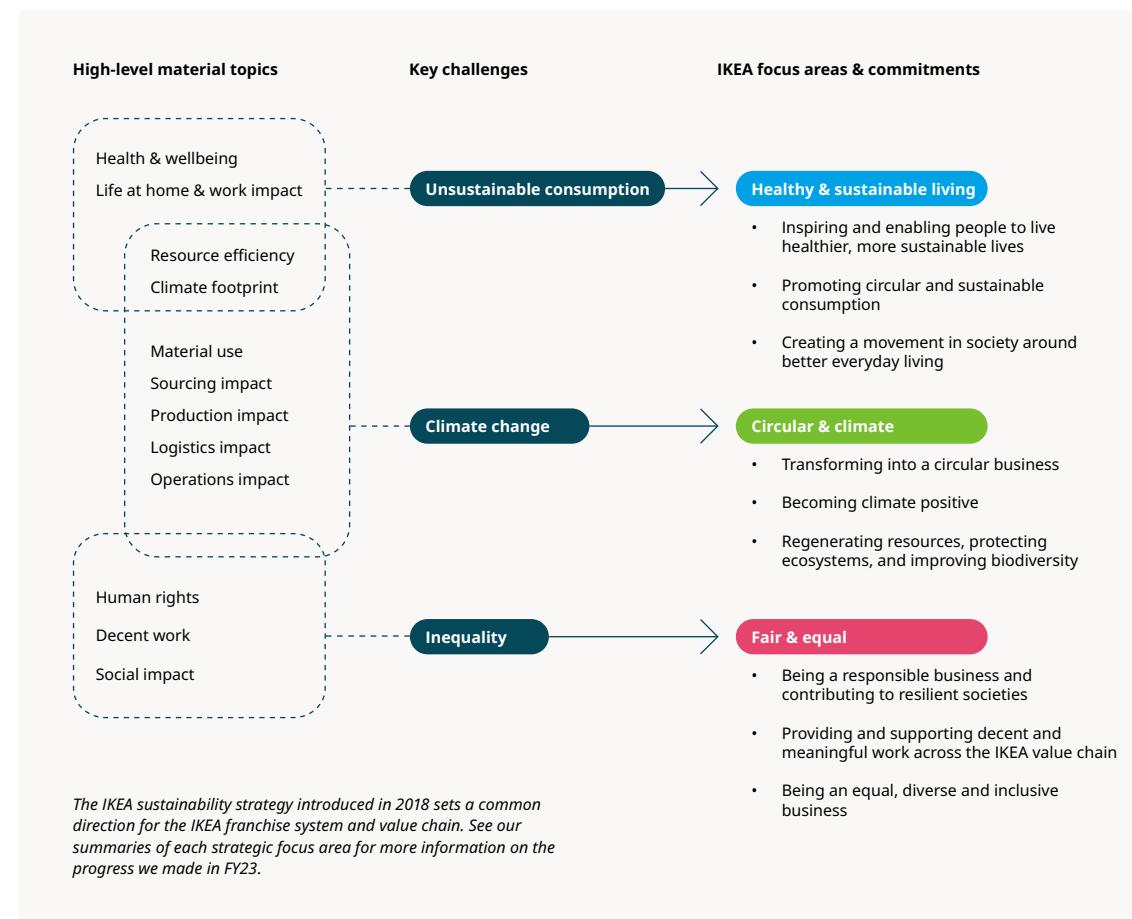
The strategy is structured based on material topics (see diagram, right). These are considered the most important sustainability issues on which the IKEA business can have an impact. When we developed the strategy, we looked at what stakeholders expect from us and where they could see us making the biggest positive changes. As an outcome, we clustered the identified material topics into three major challenges – unsustainable consumption, climate change, and inequality – linked to the IKEA focus areas and commitments: Healthy & sustainable living, Circular & climate, and Fair & equal. The UN Sustainable Development Goals (SDGs) and the requirements stemming from sustainability legislation have also played a role in the development of our sustainability strategy.

The IKEA People & Planet Positive strategy describes the sustainability agenda and ambition for everyone in the IKEA franchise

system and value chain. Each company working under the IKEA Brand sets its own strategic goals to contribute to the common ambitions and commitments. Our sustainability ambitions and commitments for 2030 are in line with the SDGs.

On 5 January 2023, the Corporate Sustainability Reporting Directive (CSRD) entered into force, and then on 31 July 2023, the European Commission adopted the European Sustainability Reporting Standards (ESRS), a critical step for the EU's sustainability agenda. This year, we continued our work to become CSRD-ready. We performed our first Double Materiality Assessment (DMA), which we will disclose in upcoming sustainability reports. We have also started an ongoing assessment to identify and close the gaps for reporting under the ESRSs.

We don't have all the answers and can't achieve our goals alone. We're working together with partners and striving to balance securing both economic growth and positive social impact with environmental protection and regeneration.



# FY23 global trends and challenges

Our sustainability strategy is continuously reviewed to secure alignment with the total IKEA strategic landscape and external developments. We receive and review ongoing input from stakeholders, key scientific reports, advisory boards, sustainability council meetings, regulatory and legislative developments and our partners. This supports us in identifying and addressing trends within major global challenges, revising our plans, and raising ambition levels wherever possible.

## ! Geopolitical tensions and conflict

These challenges are set against the backdrop of continuous destabilising and devastating conflicts and humanitarian crises, which have the potential to divert the attention of governments away from addressing climate change and biodiversity loss. Another trend is the rise, in many countries, of governing powers that undermine environmental efforts and legislation. It is more important than ever that businesses keep the momentum going, showing the strong will of the private sector to address these challenges with urgency.

## ! Addressing the ongoing climate crisis

We have already begun seeing worse impacts of climate change on communities around the world. In the six years from 2016 to 2021, UNICEF reported that 43.1 million children were displaced due to weather-related disasters.<sup>1</sup>

Combating climate change is a critical global challenge. The IKEA business remains committed to the Paris Agreement to limit global warming to 1.5°C and to contribute by leading with actions, facts and science-based goals.

## ! Safeguarding and restoring natural systems

As climate change and other environmental crises worsen, preserving and restoring nature stands out as a critical challenge. Following the adoption of the historic Kunming-Montreal Global Biodiversity Framework in 2022, governments and organisations worldwide are now tasked with meeting 23 targets for 2030 and four key goals by 2050 in order to restore biodiversity and nature and give the world a chance to mitigate some of the worst effects of a changing climate. In May 2023, the Science Based Target Network (SBTN) released the first version of their guidance to set science-based targets for nature, guiding companies in assessing their impact

on nature and prioritising actions to take in a stepwise manner. We are currently assessing our impact and dependency on nature across the IKEA value chain and welcome the Business for Nature campaign "It's Now for Nature" to encourage business action on protecting and restoring nature.

## ! Protecting human rights

Upholding human rights is an imperative for building resilient and just societies worldwide. Due to the accelerating inequality, global geopolitical unrest and the devastating impacts of environmental emergencies on the most vulnerable, there is increasing demand for companies to respond to human rights issues across their value chains. Companies are expected to step up their due diligence efforts and address any adverse impacts. Regulatory developments such as the EU Corporate Sustainability Due Diligence Directive (CSDDD) are accentuating the role of companies in taking responsibility for human rights issues. The IKEA business is committed to contributing to a fair and equal society by respecting and promoting human rights across the IKEA value chain and contributing to resilient societies.

## ! Transforming food systems

The global food system is increasingly in the spotlight as it contributes to – and is affected by – nature and biodiversity loss, climate change, land and soil degradation, humanitarian crises, and conflicts. Making substantial changes to the way we farm, source food and eat can play an important role in addressing these challenges around the world. We must act to protect, conserve, and restore nature – including halting and reversing the loss of forests – and other important ecosystems to ensure that food systems deliver significant and measurable progress. We aim to play our part in contributing to food systems and agricultural practices that deliver progress for people, nature and climate.

## ! Making healthy and sustainable living affordable

Findings from the Globescan 2023 Healthy and Sustainable Living consumer research programme show that healthy and sustainable living is considered too expensive.<sup>2</sup> The increased cost of living remains a challenge for many people globally, emphasising the need for companies to make healthy and sustainable offerings more affordable and accessible to all.

<sup>1</sup> UNICEF, "Weather-related disasters led to 43.1 million displacements of children over six years" 2023.

<sup>2</sup> GlobeScan, "Healthy & Sustainable Living Report", 2023.

# Healthy & sustainable living



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

# Commitments and goals

## Inspiring and enabling people to live healthier, more sustainable lives

We will develop and promote products, services and home furnishing solutions that inspire and enable people to reduce their impact on the environment and/or improve their health. We will raise awareness and share knowledge on how to live a healthier, more sustainable life at home. Our focus is on energy- and water-efficiency, waste reduction, healthy and sustainable food, and improving indoor air quality.

## Promoting circular and sustainable consumption

We will offer products and solutions designed from the beginning to have circular capabilities, a low environmental impact, and be made of renewable and/or recycled materials. We will also make it easier to acquire, care for and pass on IKEA products in circular ways.

## Creating a movement in society around better everyday living

We will work to make healthy and sustainable living the standard practice by inspiring and enabling more sustainable behaviours in society. This includes, for example, how we use marketing and communication to shape demand. By advocating for policies and regulations that support a healthier, more sustainable society, we strive to use our influence for the benefit of the many.

# FY23 summary of progress

**During the year, there were more than 4.6 billion visits to IKEA retail through our stores and websites. We know we have a big opportunity and responsibility to make a positive difference through our home furnishing and food offers and by sharing our knowledge.**

Our work to inspire and enable healthy and sustainable living is focused on five areas where our offer has a direct impact on people's health and ability to reduce their environmental footprint at home: air, energy, water, food, and waste. In FY23, we broadened our product and service offerings in all five focus areas.

Today, four out of ten IKEA store visitors live in water-scarce regions. We continue to design products that help reduce daily water consumption in the home. BROGRUND tap is an example of a product that enables customers to consume less water as well as less energy.

The integrated cold start function avoids the unnecessary use of hot water for daily activities, like brushing one's teeth, and features a small aerator, reducing water flow while preserving pressure.

We're a founding member of the 50L Home Coalition, a global action-oriented initiative focused on developing and scaling innovations in water and energy use in the home. In FY23, the coalition started its first city pilots to tackle water scarcity.

Research shows that two of the top circular behaviours people engage in are repairing broken items and avoiding the purchase of home items due to aspects of quality or fashion.<sup>1</sup> Read more about how we are working to transform into a circular business (page 15).

We continue to work on enabling and inspiring consumers to shift towards more sustainable behaviours. Part of this work has involved finding ways to prolong the life of products and raise awareness

through communication campaigns like our global "saving energy campaign". Read more about our energy saving services (page 10).

As a large provider of food, the IKEA business also has a responsibility to provide healthier and more sustainable food choices. During the year, we continued the work of expanding and improving our plant-based food offer by introducing new products such as the plant-based hot dog (page 13).

<sup>1</sup> GlobeScan and IKEA, "Healthy & Sustainable Living Global Consumer Insights", 2023.

# FY23 key activities

## Air

Developing affordable and high-performing solutions to enable people to purify the air at home is an example of how the IKEA business can make a difference and contribute to cleaner indoor air quality.

Read more about how we're working to [create cleaner indoor air quality](#).



### → Enabling awareness of indoor air quality at home

We enabled customers to monitor the air quality in their homes by launching the VINDSTYRKA air quality sensor.

### → An air purifier designed for the home

The indoor air purifier, UPPÅTVIND was launched globally.

## Energy

We continue our work to enable people to be more energy efficient at home.

### → Launching an energy saving campaign

In FY23, a campaign was developed and launched across 21 markets to raise awareness of energy-saving actions at home. The campaign highlighted products from the IKEA range that can reduce energy use, such as bulbs and energy-saving appliances, as well as more general ways to create an energy efficient and comfortable home.

### → Bringing renewable energy to customers

IKEA Energy Services<sup>1</sup> aims to make it easier for IKEA customers to use and produce renewable energy at home and to reduce their reliance on energy generated from fossil fuels. Through IKEA Energy Services, we offer a range of energy services with different partners in 11 countries so far. Our offerings differ by location and may include home solar solutions for self-generated renewable electricity, renewable energy purchasing subscription options, and affordable heat pumps to reduce home energy usage for heating and cooling.

### Home solar service

Home solar services, including solar panels and where suitable a battery storage system or electric vehicle charging points, are currently being offered in 11 countries. This service enables customers to produce their own energy. In FY23, we extended our home solar service to customers in California, USA working with a leading solar technology and energy services provider.

### Heat pump

Working together with Polarpumpen in Sweden, this service offer enables customers to buy quality heat pumps at affordable prices and to potentially use less energy to heat and cool their homes. Heat pumps can reduce household electricity consumption, depending on the heating or cooling solution in place before. In its first year, about 2,500 households in Sweden benefited from the heat pump service.

IKEA is gathering information and insights from the heat pump service offering subscriptions and will explore the possibility of expanding into other markets in the future.



### → Exploring solar-powered light through design

Together with the social business Little Sun, the IKEA business created a collection designed to raise awareness around the need for alternative energy solutions. Launched in March 2023, SAMMANLÄNKAD consists of two sun-powered LED lamps. The lamps aim to offer individuals a first-hand encounter with solar energy within the comfort of home settings, fostering dialogue about its viability as an alternative energy source.

Little Sun is an organisation dedicated to giving more people access to solar energy in communities without regular access to electricity, primarily in Sub-Saharan Africa.

### → Expanding our energy-efficient bulbs offer

We continue to develop and grow the range of more affordable energy-efficient bulbs, expanding the selection of both style and function to enable a reduction of electricity consumption in homes.

<sup>1</sup> IKEA Energy Services is a business unit within Ingka Group.

## Water

By continuing to develop and improve the efficiency of our water-using products, we are enabling and inspiring customers to decrease their water consumption while potentially contributing to energy savings. The water that runs through the taps and showers we sell makes up 16% of the total water use across the IKEA value chain.

[Read more about saving water at home](#). For information about water in our supply chain, see [page 33](#).

### → Accelerating collaboration efforts - 50L Home Coalition

In FY23, we started the first city pilots in Los Angeles, equipping 32 different homes with water metering devices. Together with pilot sponsors within the coalition, we installed part of the homes with our best-in-class water-saving solutions to evaluate the potential new water-use habits of the families that live in them. Read more about the initiative to accelerate water innovation in cities [here](#).

### → Integrating water-saving technology into products and designing products that inspire and enable water-efficient living

The LILLREVET hand shower features a pressure-compensating flow regulator for consistent water flow. It consumes 6.8 litres of water per minute<sup>1</sup> – an improvement over the regular VOXNAN hand shower, which consumes 8 litres per minute.<sup>1</sup>

The ÅBÄCKEN mist nozzle was launched in FY23 to enable households to reduce their water use. It was made available in all IKEA markets starting in October 2022. The mist nozzle enables customers to reduce bathroom tap water consumption by up to 95%. When fitted to the bathroom tap, the ÅBÄCKEN mist nozzle reduces the water flow to 0.25 litres per minute in mist mode and up to 1.9 litres in spray mode.



LILLREVET consumes less water compared to regular hand shower heads.



### → Raising awareness through design

In order to inspire more sustainable shower habits, the SVÄGAN water meter was launched in FY23 as a commercial pilot. The pilot was launched in Spain due to the country's water scarcity and in Denmark due to the high cost of water in Copenhagen. The product displays shower duration, litres of water consumed and water temperature in an effort to bring awareness to water usage in real-time.

### → Creating a water recycling shower solution

The IKEA business continues to invest in the development of a water recycling shower solution, which focuses on cleaning shower water in a closed-loop system. The innovative solution aims to save up to 80% of water and reduce energy use by up to 70% compared to average showers. In addition, we are working on establishing standards and requirements related to compliance and testing. Together with Unified Water Label (UWLA) – an established water and energy labelling scheme for taps and showers in Europe – we are investing in the development of criteria for the water recycling shower solution system. This involves working with test laboratories and certification bodies to develop requirements and standards to support market acceptance and secure function and safety. In FY23, there has been increased focus on collaborating with industry peers and competitors to establish new standards for this product type, both on a European and international level.

<sup>1</sup> Independent verification by KIWA Europe & IAPMO.

## Food

Last year, around 700 million customers experienced the IKEA food offer at IKEA restaurants, bistros and Swedish food markets. Throughout FY23, we continued our work to improve and expand our plant-based food selection. We also continued to work to support a dietary shift towards healthier options.

Research shows there's still a great opportunity to continue increasing the amount of plant-based food consumed through our food offer, as 41% of meat-eaters said they would switch to plant-based alternatives if they tasted good and weren't more expensive.<sup>1</sup>



### → Adding more plant-based meals to our offer

We continue to work towards our goal that 50% of the main meals offered in our restaurants will be plant-based<sup>2</sup> by 2025. Based on estimates shared from 31 IKEA retail markets,<sup>3</sup> just over 30% of the main meals offered in FY23 were plant-based.

The food business at IKEA is undergoing a transformative change. This transformation has impacted both people and systems, which we rely upon for reporting purposes. As a result, the figures in our FY23 Sustainability Report are based on the best available information given these ongoing developments.



### → Supporting a dietary shift towards plant-based options

We recognise the importance of shifting diets toward more plant-based foods as being a key step in addressing the challenges in the global food system.

Some markets have taken additional steps to increase customer appetite for plant-based food and thereby grow the plant-based food sales share compared to traditional meat

dishes. IKEA Japan, for example, provided enhanced education to co-workers on the benefits of plant-based food and worked with local suppliers to develop local plant-based dishes. Since FY22, plantball sales have steadily increased across the country.

<sup>1</sup> GlobeScan and IKEA, "Healthy & Sustainable Living Global Consumer Insights", 2023.

<sup>2</sup> Meals contain up to 10% animal-produced ingredients, such as dairy, eggs and honey.

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

## → **Launching a plant-based hot dog**

The hot dog has been an iconic part of the IKEA shopping experience for over 40 years. Now, we have developed a plant-based hot dog as the latest innovative addition to the family of plant-based products that we offer. We want to inspire even more customers to choose plant-based products at the same price or at a more affordable price compared to animal protein-based options.

The plant-based hot dog was well received by customers in the 14 IKEA markets across Europe, where it launched in FY23. We plan to introduce the plant-based hot dog to eight additional European markets, with expansion to the Australia and US markets in FY24.

Developing a plant-based hot dog to match the classic IKEA hot dog texture was a challenge. We aimed for a sensory experience similar to animal protein-based hot dogs. Our plant-based version – made from rice protein, onion, apple, salt and pepper – captures the traditional sausage's smoky flavour.



## → **Working to make plant-based food affordable and accessible**

As of 1 October 2023, we offer plant-based food at the same or a lower price than the animal protein-based alternatives in more than 30 markets.<sup>1</sup> This includes veggie balls, plant balls, veggie hot dogs, and plant-based soft ice.

[Read about our efforts to offer more plant-based food.](#)

Today, the plant ball is available in 55 out of 62 IKEA markets (close to 90%). Our aim is to make the plant ball accessible in all markets.

## → **Supporting a dietary shift toward healthier options**

In FY23, we launched guiding principles for healthy and nutritious food for children. The principles set out to safeguard and create clarity in terms of how we work with food dedicated to and developed for children. The principles also include responsible practices for children's marketing and advertising. They will function as an important extension of the IKEA Food Nutrition Profiling system (IFNPS)<sup>2</sup> and will provide robust and knowledge-based direction to future product development and goal setting.

With the guiding principles established, we will now focus on developing and implementing new children's dishes that meet them, like our plant-based pieces, SLAGVERK.



*SLAGVERK breaded wheat-based pieces.*

<sup>1</sup> Ingka Group is the largest IKEA franchisee.

<sup>2</sup> IFNPS classifies foods or beverages as healthier if they have a better nutritional composition compared to equivalent foods from a similar product category. By evaluating all our foods this way, we can better work toward making our food healthier.

## Waste

We continue our work to develop and promote products, services and home furnishing solutions that inspire and enable people to handle and minimise waste at home.



### → Introducing a deposit system for food containers in Germany

In FY23, IKEA Germany partnered with RECUP and REBOWL to not only fulfil EU obligations but also to make their cups and bowls the preferred option for IKEA customers. The reusable packaging provides customers with the opportunity to buy their drinks and take-away food from the IKEA Bistro in a RECUP cup and REBOWL bowl. The cups and bowls can be reused or returned for a refund either on-site at the IKEA store or in any of the 12,000 partnered retail locations across Germany. This saves both resources (single-use cups and packaging) and operational costs.



### → Striving to offer inspiring sorting solutions

In FY23, we launched the LÖVKVAST bin with a lid, which is designed to enable recycling habits. The design allows customers to secure two bags simultaneously for separately keeping wet and dry waste in a single location.

# Our circularity agenda



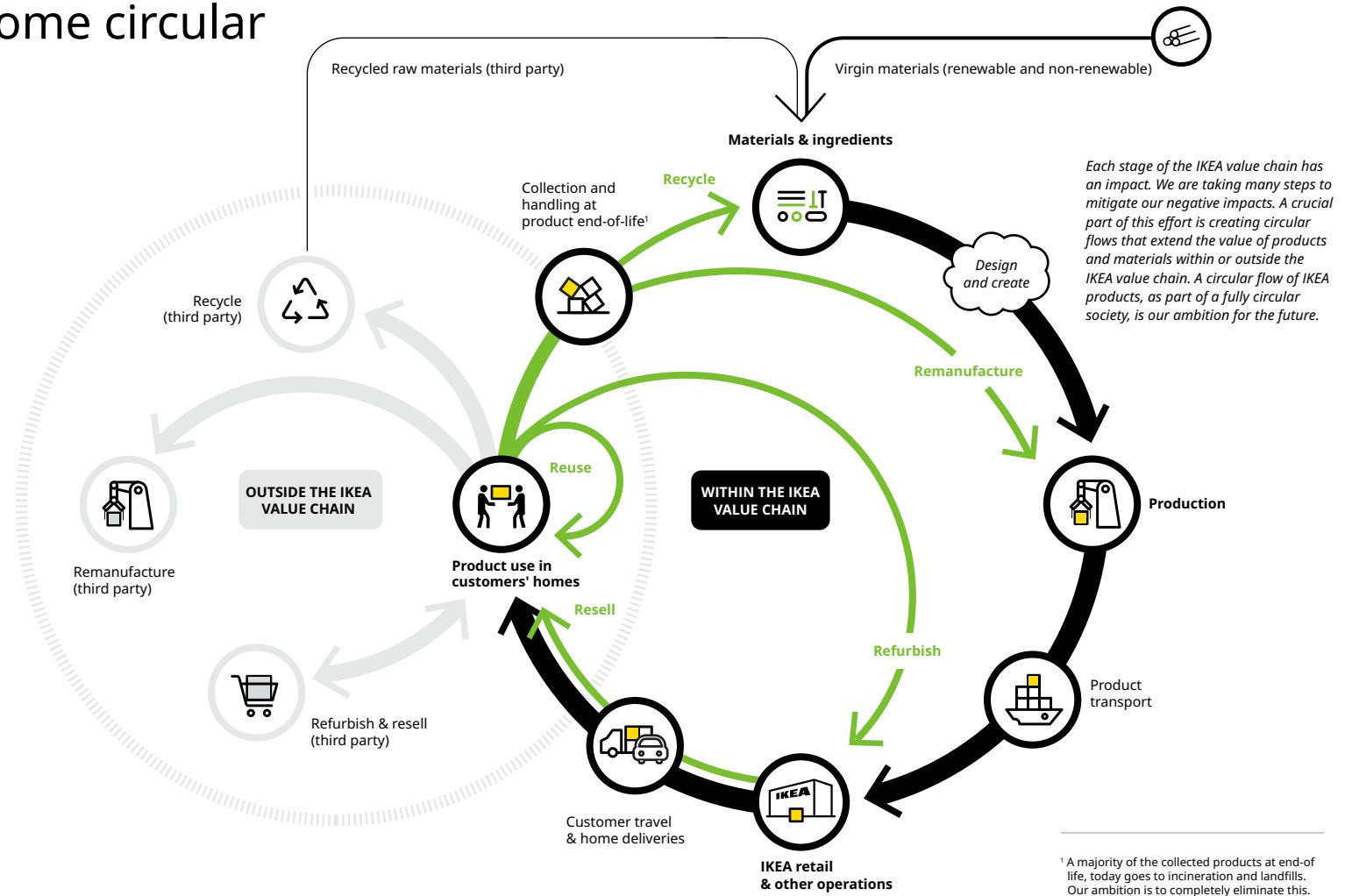
Our ambition is to be a circular business by 2030. We are committed to design all of our products with circular capabilities. We aim to use only renewable or recycled materials and to provide new solutions for our customers to prolong the life of products and materials.

# We're on a journey to transform the IKEA value chain to become circular

The model (to the right) illustrates the flow of IKEA products in a more circular economy – from idea and the sourcing of materials to the use of products in customers' homes and back into the circular flow for reuse or recycling. We're working to eliminate waste, circulate products and materials and move away from the use of virgin non-renewable materials. We're also developing more services and products to enable customers to participate in the circular economy and are continuously working to improve our social and environmental impact at every stage of the value chain.

We create products using the IKEA Democratic Design principles of form, function, quality, sustainability and low price and by applying our Circular Design principles in the design phase. Our design thinking considers many aspects – like choosing the most suitable materials, always aiming to do more with less, and optimising manufacturing methods while designing on the factory floor. We also want to prolong the life of products by designing with circularity in mind and offering products and services that make it possible and easier to reuse, refurbish, remanufacture and recycle.

We recognise that the IKEA value chain doesn't exist in isolation. It flows through communities and nature and is connected to an infrastructure in society that enables the growing circular economy. The IKEA value chain impacts people, livelihoods, ecosystems, biodiversity and the climate. That's why we strive to take a full value chain approach and work in partnership with franchisees, suppliers, NGOs, governments, other businesses and organisations to minimise our negative impact on people and the planet.



## Commitments and goals

- We will aim to design every product from the very beginning to be reused, refurbished, remanufactured and eventually – after all other possibilities have been explored – recycled, by applying our [circular product design principles](#) during the product development process.
- We aim to only use renewable or recycled materials by adapting and finding new sources and developing new materials.
- We will turn waste into resources, aiming to send zero waste to landfill.
- We will develop circular solutions for existing and new customers to acquire, care for, and pass on products.
- We will take the lead and join forces with others through advocacy, collaboration, and business partnerships.

## FY23 summary of progress

### Circularity is key to addressing global challenges such as climate change and biodiversity loss.

By promoting the principles of "Reduce, Reuse, and Recycle", circularity emphasises the importance of reducing waste and extending the lifespan of products. This means that fewer resources are needed to produce new products, reducing the carbon footprint associated with manufacturing, transportation, and disposal.

In FY23, we continued to make progress towards our commitments:

- Continuing our efforts to increase the use of recycled materials in our products, such as:
  - Piloting a small-scale recycled down and feather initiative.
  - Increasing the share of recycled plastic in relevant product ranges and moving towards post-consumer recycled plastic.

- Further increasing the availability of spare parts for customers to prolong the life of IKEA products.
- Continuing our engagement and leadership role in European standardisation work on furniture circularity.

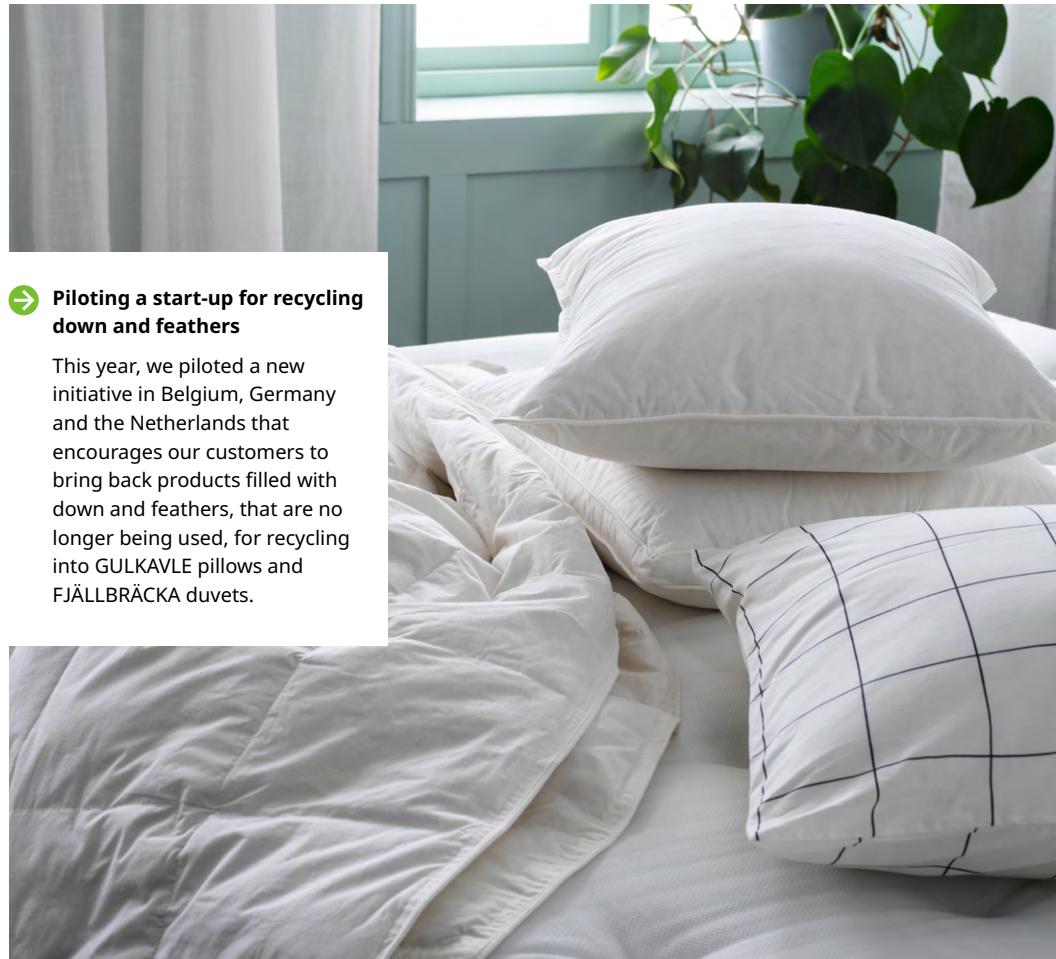


Over the past few years, we have been taking several important steps to transform into a circular business. In FY19, we released the Circular Product Design Guide, a publicly available guide to designing products with circular capabilities. Since its release, over 9,500 IKEA products have been assessed based on the guide. In FY21, we launched our easy-to-use online ordering solution to make it easier for customers to order extra assembly parts. We have also made progress in finding new and innovative materials in line with our commitment to using only renewable or recycled materials, and we continued to engage with policymakers and other partners to advance the transformation towards a circular economy through advocacy efforts.

## FY23 key activities

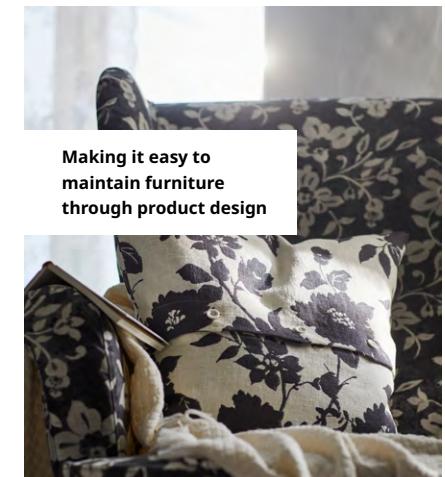
### Aiming to design all products with circular capabilities

Guided by the Circular Product Design Principles, we strive to design products from the very beginning to be reused, refurbished, remanufactured and/or recycled to extend their lifespan as long as possible. Products are also material banks for the future, meaning they can be taken apart and recycled when they are no longer functioning.



#### ➔ Piloting a start-up for recycling down and feathers

This year, we piloted a new initiative in Belgium, Germany and the Netherlands that encourages our customers to bring back products filled with down and feathers, that are no longer being used, for recycling into GULKAVAL pillows and FJÄLLBRÄCKA duvets.



#### Making it easy to maintain furniture through product design



The first step to ensuring products last longer is to enable customers to care for their products throughout the time they own them.

Maintaining large furniture pieces with textile surfaces can be challenging. In FY23, we introduced several big furniture pieces with removable and machine washable fabric covers, such as the KLEPPSTAD bed frame, PERSBOL armchair, SAGESUND upholstered bed and STRANDMON slipcover. By introducing more products with removable and washable fabric covers, we make it easier for customers to care for and maintain their products.

## Aiming to only use renewable or recycled materials by adapting and finding new sources and developing new materials

Renewable and recyclable materials are key to becoming a circular business. We continue our work to optimise the use of materials for our home furnishing solutions, aiming to use only responsibly sourced renewable or recycled materials. Read more about our secondary raw materials (recycled) on [page 42](#).

The amount of materials used in the IKEA range is based on estimations for most types of materials. Accurate yearly figures for different amounts of materials continue to only be available for wood and paper. Therefore, there are no updates to the figures shared in FY21, where we reported that 56% of the materials we sourced were renewable and 17% were recycled. Read more about recycled materials on [page 42](#).



UPPDATERA plastic boxes, now made from recycled polypropylene (PP), have a lower climate footprint than before while being more affordable.

### Examples of increasing the share of recycled plastic

#### HÅLLBAR

The HÅLLBAR collection, consisting of a series of sorting bins designed to meet waste sorting needs, was launched in 2020. Products in the HÅLLBAR collection are going through a transition to being made from recycled sources.

To date, IKEA plastic products produced in Europe contain at least 70% recycled content, where more than half of it comes from post-consumer sources such as household plastic waste. The same journey is ongoing in the other production regions, resulting in lowering the CO<sub>2</sub> on a material level by approximately 60% compared to if entirely made from fossil virgin plastic.

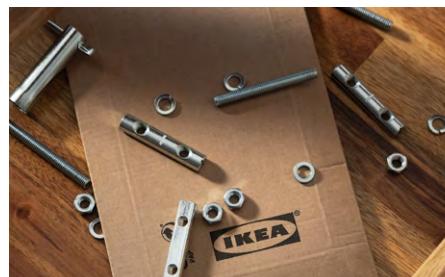
#### UPPDATERA

Moving from recycled polyethylene terephthalate (PET) to recycled polypropylene (PP) in our UPPDATERA products (consisting of multi-use plastic boxes) lowered CO<sub>2</sub> emissions on a material level by approximately 12%. The lower emissions of PP are mainly driven by the lower energy consumption of recycling plastic than for PET. Additionally, this change provided better affordability for customers.

Read more about the climate footprint of materials in the [IKEA Climate Report FY23](#).

## Developing circular solutions for existing and new customers to acquire, care for, and pass on products

We want to encourage and enable our customers to acquire, care for, and pass on their products in circular ways by providing convenient solutions.



### Increasing the availability of spare parts to prolong the life of products

During FY23, we provided 23.2 million assembly parts<sup>1</sup> (FY22: 21.5 million) to enable our customers to prolong the life of products. We also continued working on solutions to provide furniture spare parts<sup>2</sup> for customers. Our aim is to offer easy, convenient and affordable solutions for our customers.

### Giving old or unwanted furniture a second life

Through Buyback & Resell, customers in 28 markets can bring back IKEA furniture to one of our stores and receive a voucher to spend in-store or online. A majority of returned items are resold via our As-Is areas. Any items not resold are recycled or donated to local community projects. Over 211,600 customers used the service in FY23 (FY22: 105,000) and gave 430,000 (FY22: 230,000) items a second life.

Despite our Buyback service, we know that many people still dispose of furniture that is in good condition and could be reused. In Norway, we are trialing a new partnership with the municipality of Oslo to create a dedicated collection point for unwanted IKEA furniture at the Haraldrud municipal recycling centre. Returned IKEA furniture will be checked, cleaned and resold in our As-Is areas. We hope this will improve convenience for customers and increase the amount of good quality IKEA furniture that we can resell.

<sup>1</sup> Assembly parts are small fittings, such as nuts, bolts and screws, that hold together the main component parts of a piece of furniture. They are identifiable in assembly instructions of products with a series number. Assembly parts can be ordered and delivered for free through an online tool on the IKEA website.

<sup>2</sup> Furniture spare parts are replaceable parts of furniture which are not assembly parts, for instance, back and seat cushions, upholstered covers, armrests, door fronts, drawer parts, panels, bed slats, shelves, tabletops and legs, handles, etc.

## Turning waste into resources, aiming to send zero waste to landfill

Preventing products and materials from becoming waste and turning waste that cannot be avoided into resources are key to a circular economy. By taking a holistic approach that involves product design, production, supply chain management and customer engagement, we aim to turn waste into resources and send zero waste to landfill.

### → Phasing out plastic packaging

In FY21, we set a new goal to phase out single-use plastic in our consumer packaging by 2028, and by FY25 launch all new products in our home furnishing range without plastic packaging. At the time, less than 10% of the total annual volume of packaging material consisted of plastics. To reduce that figure further, we've shifted our focus to packaging made from paper or fibre-based alternatives. As a result, compared to FY21, we have reduced the amount of plastic packaging used for consumer goods by approximately 47% and in total packaging (including consumer packs, multipacks, unit loads, and handling materials) by approximately 44%.

Some key movements that enable the reduction include a move towards paper pallets, paper-based materials replacing plastic bags and wrappers, solid paper constructions replacing blister packs, fibre-based fitting bags and honeycomb paper fillers, to name a few.

### → From BLANDA to BÄRFIS

One of the ways we aim to prevent waste generation is through product design. For example, products in our range such as the BÄRFIS over the door hook rack are made of the offcut material from the BLANDA bamboo bowl.

### → Textile to textile initiative

In FY23, IKEA Taiwan collaborated with range development to repurpose curtains unfit for sale or returned from customers by using their fabric to create tote bags. As part of this initiative, a collaboration was established with the Taiwanese Industrial Development Administration and the Ministry of Economic Affairs to promote textile recycling.



### → Using ceramic production waste to make new tableware

Making ceramics from waste materials has long been a big challenge in the ceramics industry. Together with one of our suppliers, we are now producing brand new ceramics for the SILVERSIDA tableware range from scrap materials. Launched in FY23, the SILVERSIDA product series represents the first example of how we are successfully using ceramic production waste to make new tableware. SILVERSIDA products are made up of 65-70% internal factory waste. This innovation will open up future possibilities for developing flows for recycling post-consumer ceramic material, which would otherwise end up in a landfill or downcycling.

### → Waste performance at IKEA Industry

This year, we've continued working with our Five Main Fractions methodology – where all production units analyse their situation and focus on five fractions: the largest volume, the most hazardous one, mixed fraction, the most expensive, and fractions to landfill. Each factory prioritises and sets up a plan on how to act, test and evaluate ways to minimise, reuse, recycle or send waste to energy recovery. After testing and evaluation, a scaling-up project will be evaluated the year after. In FY23, 9 units out of 21 (FY22: 9) successfully achieved the goal of sending no waste to landfill.

A focus point and challenge for IKEA Industry has been to find sustainable alternatives for ash from bio-boilers and glue water from production processes. We will conduct additional testing on these topics in FY24.

### → Halving food waste in line with the SDGs

In June 2023, the World Resources Institute (WRI) recognised the IKEA business for halving food waste (compared to the FY17 baseline, in meal preparation at IKEA restaurants) in line with the Sustainable Development Goal (SDG) 12.3,<sup>1</sup> setting an example for other companies.

<sup>1</sup> World Resources Institute, "IKEA Becomes First Global Company to Halve Food Waste", 2023.

## Taking the lead and joining forces with others through advocacy, collaboration, and business partnerships

Our commitment to sharing knowledge and working together with others to advance the transformation towards the circular economy continues through our engagement efforts. While we continue to learn more about our own business capabilities within these areas, we also engage in open dialogue with policymakers and other partners.

A common theme that has arisen through our numerous advocacy engagements is the need for a more harmonised approach to regulation. This includes enabling more consistent trade and customs practices, an aligned language, and setting a stable foundation for all stakeholders across the global economy.

### ➔ Engaging and leading in European standardisation work for furniture circularity

The leadership to set new circular economy standards for the furniture industry continues under CEN Technical committee (TC207-WG10) – furniture circularity. In FY23, this European Standardisation Committee appointed an IKEA representative as the convenor to lead the work on evolving new methodologies for circular product design strategies.

The first standard (EN 17902 Furniture - Circularity - Evaluation method for dis/re-assembly capability) was approved by European National Members in October 2023 and will be officially published in 2024. Additionally, the committee has agreed on and started working on three new projects as potential future standards for the subjects around repairability/refurbishment, product lifetime/durability, and remanufacturing.

### ➔ Continuing to support the ongoing work of the EU Green Deal

As policymakers advance the roll-out of the EU Circular Economy Action Plan, we continue to support their efforts by offering fact- and experience-based insights and contributions.

During FY23, we welcomed the legislative proposal for an Ecodesign for Sustainable Products Regulation, we offered feedback on the most important design elements to drive circularity, and we supported the inclusion of products such as textiles, furniture, and mattresses in the forthcoming EU rules. We also advocated the importance of certain incentives and preconditions for circular development, such as incentives that enable more reuse and repair, setting a modern definition of "waste", and a scalable market for secondary raw materials.

Together with the European Furniture Industries Confederation (EFIC) and EuroCommerce, we advanced the debate within a broader industry context, aiming at contributing to progress in areas such as ecodesign criteria and the digital product passport.



### ➔ Renewing our collaboration with the Ellen MacArthur Foundation

We renewed our partnership agreement with the Ellen MacArthur Foundation – a non-profit organisation committed to creating a circular economy – in FY23. We will continue working together to accelerate the transformation to circular economy, as well as actively share our learnings and experiences along the way.

# Our climate agenda



By FY30, we are committed to becoming climate positive by reducing more greenhouse gas (GHG) emissions than the IKEA value chain emits, while growing the IKEA business. This will be achieved without relying on carbon offsetting. This is how we contribute to limiting the global temperature increase to 1.5°C by the end of the century.

# Commitments and goals

**During FY23, we aligned our strategic climate goals with the 1.5°C trajectory and the Net-Zero Standard by Science Based Targets initiative (SBTi). We submitted our goals to SBTi mid-November 2023 and validation is currently pending.**

Our main priority is **drastically reducing greenhouse gas emissions** across the IKEA value chain. Any remaining emissions will be neutralised – reaching net-zero emissions by FY50 at the latest – **by removing and storing carbon** from the atmosphere through better forest and agricultural management practices within the IKEA value chain. Additionally, we will go beyond net zero and **go beyond IKEA** by contributing to additional reductions in society.

Read more about our work on climate change, including a detailed breakdown of our climate footprint in the [IKEA Climate Report FY23](#).

## ① Drastically reducing GHG emissions across the IKEA value chain, in absolute terms

The overall goal is, by FY30, to reduce the absolute GHG emissions from the IKEA value chain by at least 50% compared to FY16 (previous goal was a 15% reduction). By FY50 at the latest, we will reduce the absolute GHG emissions from the IKEA value chain by at least 90% compared to FY16.

As a result of our new net-zero goals, we have either updated or set new goals for most parts of our value chain.<sup>1</sup> For materials, we have set the goal to at least halve our emissions by FY30 compared to FY16 baseline. For food ingredients, we have updated our FY30 goal from -25% to -50% emissions reduction compared to FY16. For product use at home, we have set our FY30 goal to -70% emissions reduction compared to FY16. We have also set a FY30 goal for reduced emissions from product end-of-life by 30% compared to FY16.

## ② Removing and storing carbon from the atmosphere through forestry, agriculture and products within our value chain

Storing carbon in trees and agricultural crops used for materials, food, and fuels removes CO<sub>2</sub> from the atmosphere. If the land is also responsibly managed, it has the potential to reduce climate impact. In contrast to carbon offsets, the removals and storage occur within

the IKEA value chain and are part of how we responsibly source materials for the IKEA range.

A strategic goal will be set once the Land Sector and Removals Guidance by GHG Protocol is finalised, which is expected to be in the summer of 2024. This accounting guidance is the final piece since the establishment of the [Forestry, Agriculture and Land \(FLAG\) target setting standard](#) by SBTi established in September 2022. Even though a goal has yet to be set, we're pursuing actions that we know will make a positive contribution.

## ③ Going beyond IKEA

We will contribute to additional reductions in society by taking an extended responsibility for the climate footprint of our customers, suppliers and in our sourcing areas – not just the part which we can account for in the IKEA climate footprint. A strategic goal for this will be set once the guidance for “removing and storing carbon” is ready and when the framework for going beyond has been developed by SBTi. We are already taking actions that we know will have a positive contribution, even though a goal has not yet been set.

We firmly believe that we need to address the root causes of our climate footprint within our own value chain or in connection to our customers, suppliers, and sourcing areas. We will not use carbon offsets to achieve our ambition to reach net-zero emissions.

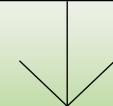
## Reducing the IKEA climate footprint in line with 1.5°C

① *Drastically reducing GHG emissions across the IKEA value chain, in absolute terms*

② *Removing and storing carbon from the atmosphere through forestry, agriculture and products within our value chain*

## Contributing to additional reductions in society<sup>2</sup>

③ *Going beyond IKEA*

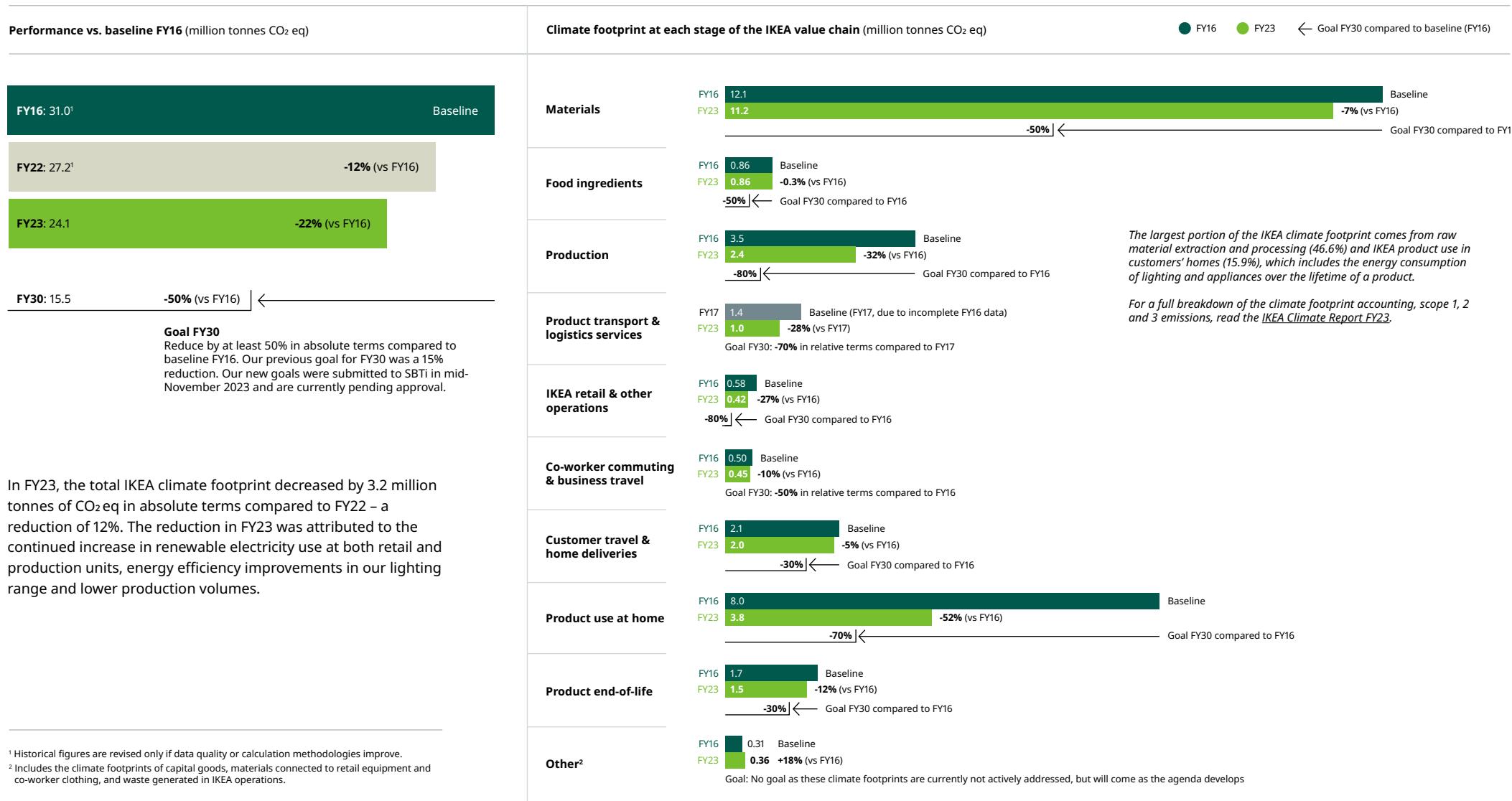


**Reducing more emissions than the IKEA value chain emits**

<sup>1</sup>Excluding production, product transport, co-worker commuting and business travel.

<sup>2</sup>An effect that's in addition to what's required to reduce the IKEA value chain emissions to be aligned with the 1.5°C target and will never act as any discount or offset to reach the GHG emission reduction goal.

## IKEA climate footprint



<sup>1</sup> Historical figures are revised only if data quality or calculation methodologies improve.

<sup>2</sup> Includes the climate footprints of capital goods, materials connected to retail equipment and co-worker clothing, and waste generated in IKEA operations.

# FY23 summary of progress

## 1. Drastically reducing GHG emissions across the IKEA value chain, in absolute terms

In FY23, the IKEA climate footprint is estimated to be 24.1 million tonnes CO<sub>2</sub> eq in absolute terms, which is a decrease of 12% compared to FY22 and 22% compared to baseline FY16. The reduction in FY23 was attributed to the continued increase in renewable electricity use at both retail and production units, energy efficiency improvements in our lighting range and lower production volumes. Due to an overstock situation at the beginning of the year, our produced volume declined in FY23. We came into FY23 with challenges that were lagging from an unpredictable business climate, supply chain constraints and high inflationary pressure from previous years.

In IKEA **retail & other operations**, the share of renewable energy increased from 63% in FY22 to 69% in FY23, with the share of renewable electricity increasing from 75% to 77%.

In **production**, the renewable electricity share increased from 63% in FY22 to 71% in FY23, while the renewable energy share remained flat at 48%. The flat trend in renewable energy is mainly due to a significant decrease in biofuel use related to the close-down of our production facilities in Russia and an increase in on-site coal consumption at some of our suppliers. A total of 142 additional factories or suppliers achieved 100% renewable electricity in FY23, bringing the total to 408, which constitutes 37% of our direct suppliers.<sup>1</sup>

For **product transport**, the share of alternative fuels, such as biogas and electricity, increased from 6% to 10%. For logistics service units, such as warehouses, the renewable electricity share increased from 86% to 90%.

**Product use at home** represents the second-largest portion of the IKEA climate footprint, and since the baseline FY16, greenhouse gas emissions have more than halved. Compared to FY22, we saw an emissions reduction of 13% in FY23. The reduction is attributed to a 6% improvement in energy efficiency (lumen per Watt) of the lighting range, as well as a 3% reduction in sales quantity (pieces). External factors such as improvements in the renewable energy share for electricity grids in our retail markets also contributed to 4% of the emissions reduction.

**Materials** used in IKEA products account for the largest part of our climate footprint. The footprint of materials (including the share of recycled or renewable materials) is mainly based on estimations. While lower production volumes in FY23 did contribute partly to the decline in the material footprint, we also had several material developments during the year. Read more in the [IKEA Climate Report FY23](#).

<sup>1</sup> Includes home furnishing, components and media print suppliers but excludes food suppliers.

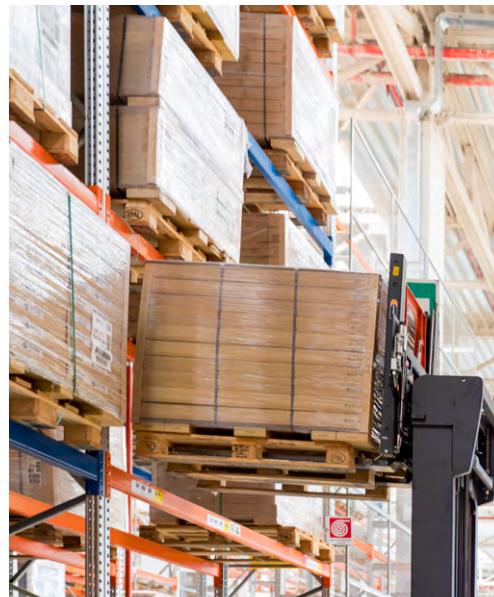


While our absolute footprint was down in FY23 by 12%, our relative footprint grew by 9% upstream (produced volume) and 2% downstream (sold volume), compared with FY22. Our upstream supply chain includes materials, food ingredients, production, product transport and logistics services and downstream includes IKEA retail, co-worker commuting and business travel, customer travel and home deliveries, product use at home and product end-of-life.

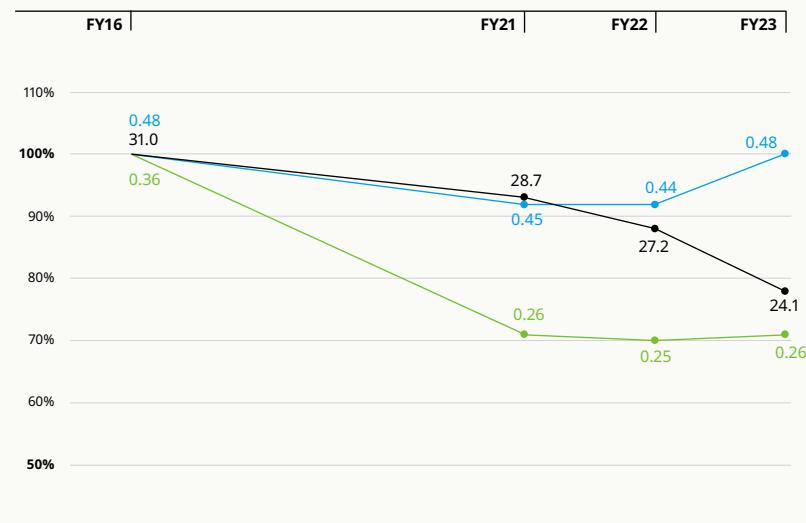
Our calculation methodology for production uses a spend-based allocation (share of EUR purchased) for supplier factory emissions, which determines the IKEA share of GHG emissions, so the increase of relative emissions in FY23 can be largely attributed to the effects of inflation. That is, more GHG emissions were allocated to the IKEA business even if our actual production at supplier factories was comparable to previous years.

In addition, the climate footprint of material, the largest portion of our footprint, is largely based on estimations which today do not account for the various positive movements we've made in the business such as the introduction of more recycled and renewable materials. As a result of the digitalisation of data collection, we aim to provide more accurate data in the FY24 report.

As a part of our net-zero goal setting, we launched a comprehensive business consequence analysis to identify the actions needed to halve emissions by FY30 compared to our FY16 baseline. These action plans will provide the foundation for our continued reduction of overall emissions and should reverse the increase in relative emissions we saw in FY23.



#### The IKEA climate footprint in both absolute and relative terms



- Climate footprint of the total IKEA value chain both upstream and downstream (million tonnes CO<sub>2</sub> eq)
- Climate footprint (upstream) per m<sup>3</sup> produced volume incl. food, indexed vs. baseline FY16 (million tonnes CO<sub>2</sub> eq per million produced m<sup>3</sup>)
- Climate footprint (downstream) per sold volume, indexed vs. baseline FY16 (million tonnes CO<sub>2</sub> eq per million sold volume m<sup>3</sup>)

## FY23 key activities across the IKEA value chain to drastically reduce GHG emissions



### → Halving emissions from product use at home

Emissions from product use at home includes the electricity consumption of lighting, home electronics and appliances and the burning of candles. Compared to the FY16 baseline, we have managed to more than halve these emissions. This means that an estimated 4 million tonnes CO<sub>2</sub> eq less will be emitted over the lifespan of our products sold in FY23 compared to FY16. The main drivers of this reduction include a significant improvement in the energy efficiency of products over the years, as well as an increase in renewable electricity in electricity grids in the markets where our customers live and use our products. This is considered when estimating the climate footprint of product use at home.

### → Increasing the renewable electricity share in production

The share of renewable electricity for production increased from 63% in FY22 to 71% in FY23. Significant increases were achieved in China, India and Vietnam. These movements were supported by our renewable electricity programme for suppliers, which is now active in 13 supplier markets.

### → Moving towards 100% renewable energy in IKEA retail & other operations

The share of renewable energy consumed in IKEA retail & other operations, which includes our stores and other customer meeting points, increased from 63% in FY22 to 69% in FY23. This was mainly driven by an increase in renewable heating in Germany (+37 percentage points), followed by Lithuania (+18 percentage points) and the Czech Republic (+16 percentage points), which increased the overall share of renewable heating from 22% in FY22 to 32% in FY23. At the same time, the share of renewable electricity increased marginally from 75% in FY22 to 77% in FY23.

### → Introducing bio-based glue into the IKEA range

The Kazlų Rūda factory in Lithuania became the first IKEA Industry factory to use bio-based glue. This is an important first step in the work to reduce the climate footprint from glue by 30% by FY30. As glue in board materials represents 5% of the total climate footprint within the IKEA value chain, such a decrease will have a significant impact on our climate footprint.

### → Towards the phase-out of coal- and fossil oil-based fuels in production

After a decrease from 11% in FY16 to 7% in FY22 (in terms of kWh), the share of coal- and fossil oil-based fuels increased to 9% in FY23. Our GHG calculation methodology uses a spend-based allocation (share of EUR purchased) for supplier factory emissions, which determines the IKEA share of GHG emissions. In FY23, there was a greater allocation of coal use to the IKEA business – an increase which is largely attributable to the effects of inflation.

Our remaining suppliers who use coal on-site have committed roadmaps and deployment plans to secure the complete substitution of coal with renewable energy.

## 2. Removing and storing carbon from the atmosphere through forestry, agriculture, and products within the IKEA value chain



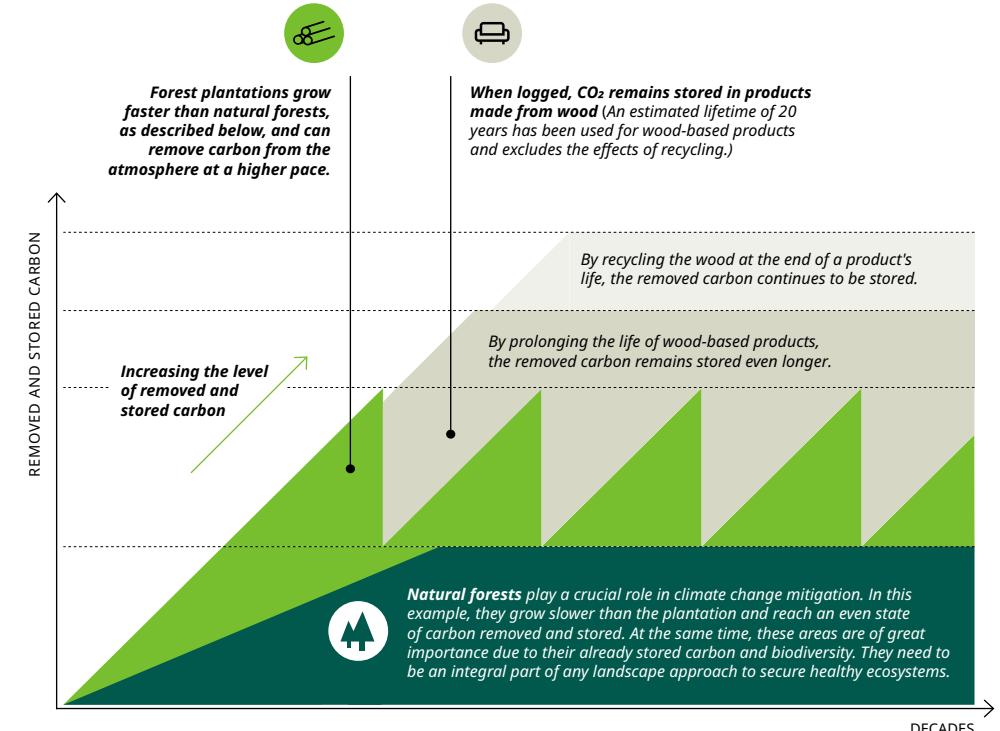
During FY23, we continued our contribution to the work of the [GHG Protocol in developing their Land Sector and Removals Guidance](#). The guidance will secure principles on how to account for and report GHG emissions and carbon removals and storage connected to land use and products made with renewable materials. Throughout the project, the IKEA business has been part of the Advisory Committee and Technical Working Groups. During FY23, we also contributed by conducting pilots in the IKEA supply chain during the public consultation and piloting phases.

The guidance provides the accounting principles for the target setting standard by the Science Based Targets initiative (SBTi) on land-based emissions and removals from Forest, Land and Agriculture (FLAG) – work that we have also contributed to.

The guidance is now expected to be completed during the summer of 2024. Once the guidance

has been completed, we will set a strategic goal for removing and storing carbon through forestry, agriculture and products as part of our climate agenda. That goal will define the ambition level for carbon removals and storage by FY30 and how we will neutralise any remaining GHG emissions after reducing them by at least 90% by FY50 at the latest.

While our goal is pending, we're still taking action to improve carbon removals and storage. One such initiative is the EUR 100 million financing of a carbon removal and storage programme. As a part of this programme, in 2022 we started a five-year engagement to work with smallholder farmers in Vietnam to prolong acacia rotation. The benefits for the climate and income for the farmers in this project are expected to be significant.



Above is a simplified model illustrating an example of removing and storing carbon through the establishment of fast-growing tree plantations plus restoration of natural forests on degraded land, including the effect of prolonging the carbon storage through wood-based products and recycling. Trees from responsibly managed forest plantations absorb substantial amounts of carbon dioxide (CO<sub>2</sub>) from the atmosphere. When trees are made into wood-based products, they act as temporary carbon storage. This storage effect can be extended through reuse, refurbishment, remanufacturing and recycling of the material at end-of-life. In resilient landscapes, the contribution of responsibly managed forest plantations towards climate change mitigation, and the many contributions of natural forests, in terms of biodiversity or soil protection, for example, have to be considered together. A holistic view, where we balance forest growth, harvest, carbon storage in land and products and other environmental services, such as biodiversity, is critical.

### 3. Going beyond IKEA by taking an extended responsibility for customers and suppliers

In FY21, our methodology to measure *going beyond IKEA* was finalised. However, it remained a challenge to measure and follow up across the IKEA business in a consistent way. Addressing this is a prerequisite to setting a strategic goal. However, it's important to note that while no strategic goal has been set, we're already actively working with actions that are part of the *going beyond IKEA* agenda.

To secure that the actions are part of the IKEA business transformation, all actions and activities for *going beyond IKEA* are connected to the IKEA value chain. This means that they are either part of the IKEA range, supplier base or sourcing area. The impact of *going beyond IKEA* initiatives will not contribute towards our emission reduction goals in our net-zero commitment and therefore should not be viewed as an offset.

Therefore, any contribution must be within one of the following three areas:

#### Resource use at home

Solutions enabling the generation of renewable energy like, for example, the SOLSTRÅLE home solar offer.<sup>1</sup> It also includes solutions to improve the efficiency of energy- and water-consuming products when used as intended. One example is the recently

launched ÅBÄCKEN water nozzle, which can enable customers to save up to 95% of water used in taps at home.<sup>2</sup>

#### Renewable energy for suppliers

Actions by the IKEA business to convert our supplier partners to 100% renewable energy for their entire factory or operations, not just the IKEA share of their business.

#### Improving forestry and agriculture in IKEA sourcing areas

Actions by the IKEA business to improve forestry or agricultural practices for the total surroundings/landscape where we source raw materials. The possibility of following up on this impact will be enabled through the Land Sector and Removals Guidance by GHG Protocol. To avoid overestimating the contribution, we're only accounting for the contribution occurring each year instead of adding up the total GHG emissions avoided since baseline FY16.

This year, we're only disclosing the effect of resource use at home through the SOLSTRÅLE home solar offer. While most parts of the digitalisation for climate footprint reporting are now ready, *going beyond IKEA* remains to be done. The *going beyond*

*IKEA* contribution from suppliers will be followed up on in the FY24 Climate Report.

In FY23, the SOLSTRÅLE home solar offer was available in 11 IKEA markets.<sup>1</sup> The total avoided emissions through the renewable electricity it generated was approximately 0.10 million tonnes CO<sub>2</sub> eq (-55% compared to FY22). This is calculated as the effect of the electricity in the national grid, which the renewable electricity from home solar replaces. The average effect is calculated for the lifetime of the home solar panels, similar to how the climate footprint for product use at home is calculated for lighting and appliances.



Millions of tonnes CO<sub>2</sub> eq avoided through SOLSTRÅLE home solar.

<sup>1</sup> In FY23, the SOLSTRÅLE home solar offer was available in the following markets: Australia, Belgium, France, Germany, Italy, The Netherlands, Poland, Portugal, Spain, Sweden and Switzerland.

<sup>2</sup> This excludes lighting, appliances, taps, showers and circular services or solutions since they are already accounted for as GHG emissions in the IKEA climate footprint. Any improvement of these is accounted for in the IKEA climate footprint (drastically reducing GHG emissions) instead of *going beyond IKEA*.

# Regenerating resources, protecting ecosystems, and improving biodiversity



Our ambition for 2030 is to regenerate resources while growing<sup>1</sup> the IKEA business. We aim to only use responsibly sourced renewable or recycled materials in our offer and have a positive impact by regenerating resources, protecting ecosystems and improving biodiversity. This also means working to identify, prevent, mitigate, and address any potential negative impact on people linked to our business activities. We are dependent on materials and ingredients for our home furnishing offer and food products, and we will always work to find new ways to do more with less.

<sup>1</sup> The term "growing" in this context refers to the link between business growth and increased consumption of raw materials. Our ambition to "decouple material use from growth" reflects our aim to reach more customers with IKEA products but without a proportional rise in the volume of material resources we use.

## Commitments and goals

- Continue to secure and develop responsible sourcing standards for raw materials that include environmental, social and animal welfare criteria.
- Continue to source wood from more sustainable sources,<sup>1</sup> promoting responsible forest management to eliminate forest degradation and deforestation and going beyond our supply chain. Using innovative approaches to forest management, protection, restoration and regeneration.
- Lead regenerative projects on degraded land, deforested areas and agriculturally cultivated areas.
- Become good water stewards by leading and developing water stewardship programmes. Leading regenerative projects to clean polluted waters and protect biodiversity, specifically focusing on leading projects to clean plastic pollutants from oceans.
- Continue to source wood, cotton, food, and other raw materials from more sustainable sources (supported by credible external sustainability standards and systems).
- Providing and promoting services, solutions, inspiration and offering easy access to knowledge to prolong the life of products and materials. Inviting and enabling customers and other partners to be part of the solution by making it easy to acquire, care for, and pass on products.

## FY23 summary of progress

In FY23, we continued to work across and map supply chains and secure best practices for the responsible sourcing of materials used in our products. We're striving to always take a holistic perspective when it comes to avoiding and decreasing negative impacts from our supply chains on both people and the planet.

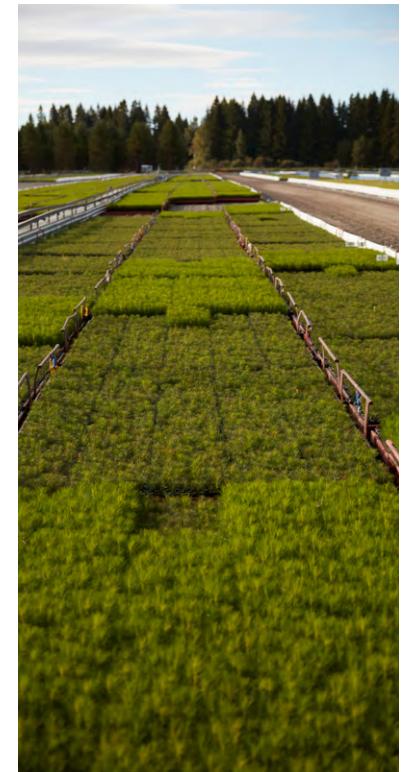
Progress within our four material blocks during FY23 includes:

- **Forestry (wood):** Together with the Forest Stewardship Council® (FSC®), we're working to gain a better understanding of how FSC-certified forests impact biodiversity ([page 35](#)).
- **Agriculture:** We are developing IWAY requirements that we will use to guide our efforts on responsible sourcing of agricultural raw materials. Currently, we are piloting projects as part of our increased efforts to measure and scale regenerative agriculture across our value chain and have become active members of One Planet Business for Biodiversity (OP2B) ([page 38](#)).

- **Inorganics:** We completed pilot mappings of prioritised IKEA supply chains back to their source for inorganic raw materials ([page 41](#)).

- **Secondary raw materials (recycled):** We're supporting the development of a standard that promotes responsible waste management practices. We joined [The Circulate Initiative \(TCI\)](#) forum in support of the TCI Responsible Sourcing Initiative, which aims to improve human rights across recycled plastic value chains in ways that can be measured, managed, and are compliant with regulations ([page 42](#)).

Working to responsibly source raw materials is a continuous and long-term endeavour. Collaborating with suppliers, policymakers, governments, industry partners, NGOs, experts and other brands fosters context for change and improvement in our supply chains.



<sup>1</sup> We define more sustainable sources as FSC-certified or recycled wood.

# FY23 key activities

## Biodiversity



**The world is experiencing a biodiversity crisis.<sup>1</sup> The human-caused loss of species, ecosystems and genetic diversity is one of the greatest challenges of our time. The IKEA business impacts and depends on biodiversity mostly through the direct and indirect use of land, sea, freshwater and raw materials.**

During FY23, we continued the work of understanding our impact and dependency on biodiversity across our value chain according to the Science Based Targets Network (SBTN) guidance.

As a SBTN Corporate Engagement Program participant, we've had the opportunity to use some of the methods and tools prior to their wider release and to provide feedback on their feasibility. Based on the publicly released guidance, we will reassess our impact work to align with the improved methodology.

We are continuously evaluating various methods, including the Taskforce for Nature-related Financial Disclosures (TNFD) framework, to increase the transparency of our reporting on nature-related dependencies, impacts, risks, and opportunities.



### Continued advocacy for biodiversity regulations and reporting

We participated in the European Business and Biodiversity Forum in June 2023, hosted by WWF-France, which discussed the next steps for both the private and public sectors. The focus of the forum was on how the changing regulatory context is making it mandatory for companies to pay attention to and accelerate the biodiversity agenda, including increasingly complex reporting requirements. The IKEA business shares the concerns voiced during the forum.



### Insights from research on a unique 25-year forest restoration programme

Launched in 1998, the Sow a Seed project in Sabah, Borneo, aimed to restore 18,500 hectares of rainforest degraded by logging and fire.

A main part of the initiative included scientific research, supported by IKEA funding. In FY23 a postdoctoral position ended, scientifically concluding that biodiversity improvements in the area.

Key lessons learned include the creation of a valuable natural resource, the adaptability of

tree species selection, the impact of planted trees in disturbed areas, the importance of tree diversity for broader biodiversity and the potential of genetic variation in native trees for reforestation. Read more about research by the [Swedish University of Agricultural Sciences \(SLU\)](#) related to Sow a Seed.



### Reviving nature through the establishment of biodiversity parks in India

In FY23, WWF-India, with the support of the IKEA business, developed three biodiversity parks in India in an effort to restore cotton ecosystems through regenerative agriculture practices. These parks host habitats for butterflies, bees and other pollinators, supporting the conservation of biodiversity in the area. Restoring cotton ecosystems not only supports pollinators, but also local communities by improving conditions for cotton fibre production.

<sup>1</sup> Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), "Global Assessment Report on Biodiversity and Ecosystem Services", 2019

## Water stewardship

**Our ambition is to be good water stewards and contribute to increasing the availability of clean water in our own operations and the rest of the value chain, by 2030. We're working to use water as efficiently as possible and reduce industrial effluents to minimise environmental damage.<sup>1</sup>**

Water use across the value chain  
(billion m<sup>3</sup>)

FY21      0.71

FY22      0.72

FY23      0.61

- Materials (74% - 0.45)
- Food ingredients (5% - 0.03)
- Production (3% - 0.02)
- IKEA retail & other operations (1% - 0.007)
- Product use at home (16% - 0.10)

<sup>1</sup> Audits of water management and effluent water treatment plants in our supply chain are conducted annual. Read more about [IWAY](#), the IKEA supplier code of conduct.

Our strategic focus areas consider where we have the most influence and opportunities for impact: improving water quality and increasing water availability throughout our value chain, enabling reduced water consumption in the home, demonstrating leadership and collaborating with others in water stewardship ambitions.

### → Identifying river basins most connected to our supply chains

As global frameworks and methodologies are under development, the IKEA business has adopted – the WWF recommended – Contextual Target Setting (CTS) methodology. To build the targets, in FY23, we identified the 15 river basins most connected to our supply chains based on current and projected (2030) water scarcity. In FY24, we will set and accelerate action towards targets.

### → Partnering with WWF in India and Türkiye

As part of the WWF and IKEA partnership, we are not only working to improve water management and tackle water challenges across the IKEA value chain but also advancing conservation beyond. In FY23, we advanced work connected to river basin projects in India and Türkiye:

#### INDIA

As a part of the collective action programme in the Noyyal Bhavani river basin, the Marlimund Lake catchment was identified as a pilot wetland restoration initiative in collaboration with the local government. Together with the local community, the restoration project aims to restore the native shola forest, grassland and swamp over the next five years to improve river flows. Extensive mapping of the animals and plant species that live in the lake was conducted to establish a baseline for the removal and replacement of invasive species with native ones. Based on the mapping, a detailed action plan has been submitted to the State for approval. It is expected that full-scale implementation of the restoration work will be initiated by 2024.

#### TÜRKİYE

In Soke, a key cotton-growing region in the Buyuk Menderes Basin, WWF and the IKEA business (together with other partners) are

piloting the implementation of regenerative agriculture. The pilot, which started on 7.9 hectares of Better Cotton farms in 2020, is now in its third year. Some achievements observed include; improved soil health, enhanced biodiversity, increased crop diversity (from two to five crops), and higher levels of soil carbon sequestration. This pilot aims to test global know-how in regenerative cotton farming. The knowledge gained will help scale the implementation to more hectares of farms.

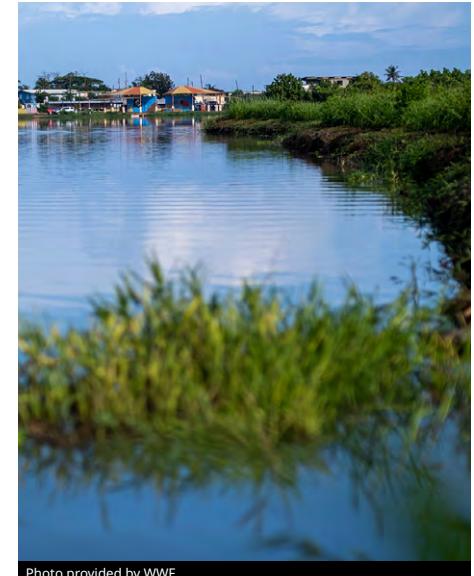


Photo provided by WWF



#### → **Building a floating platform to clean water in Pakistan**

In FY23, WWF and the IKEA business, through our partnership to restore biodiversity in cotton-growing regions, created a small artificial floating platform for flowering plant species. The platform is used to clean water for a small village in Khanewal, Punjab, Pakistan.

The platform improved the village's local water source – a pond that was a source of diseases and pests such as mosquitoes with wastewater coming from the village. The free-hanging roots of reed plants filter the water, removing pollutants and microbes. The cleaned water is now being used for growing cotton, which supports the lives and livelihoods of nearly 5,000 people in the village. This nature-based solution is low-cost and low-maintenance, and its scalability is currently being explored.

#### → **Flood and drought risk assessment at IKEA Industry Poland sites**

During 2023, flooding and drought risks were assessed, and nature-based actions to become more resilient were proposed. A wetland to prevent flooding during heavy rain was constructed at the Manufacturing Development Centre in Zbaszyn – a good example of a nature-based solution. The assessment will continue, and more solutions will be proposed at other IKEA Industry sites during FY24.



#### **Joining the Open Call to Accelerate Action on Water**

In March 2023, the IKEA business participated in the UN Water Conference. At this historic meeting (the first UN conference on water in 40 years), we joined the [Business Leaders' Open Call to Action on Water](#). We have committed to;

- Improving water resilience in water basins where we operate
- Implementing resilient water management practices for both water quantity and quality in our supply chains
- Joining others to make a positive water impact in at least 100 vulnerable global water basins by 2030, focusing on the most stressed basins in our operations and supply chains

Our plan to achieve these commitments includes target setting, working with and supporting suppliers throughout the IKEA value chain and continuing our work with WWF on vulnerable water basins.



#### **Increasing water recycling in our textile supply chain**

One textile supplier in China has installed a reverse osmosis and evaporator facility. The overall recycling rate has increased from 74% in FY22 to 96% in FY23, resulting in four million m<sup>3</sup> of recycled water being used in the facility. The increased recycling contributes to a 21% reduction in freshwater use compared to FY22.



## Wood (forestry)

### IKEA wood processing volume (million m<sup>3</sup> Round Wood Equivalent (RWE))

*Includes virgin, recycled wood and the estimated volume of the residual wood material from sawmills as well as paper, industrialised bamboo, and indirect materials, e.g. packaging.*

FY23      16.8 million m<sup>3</sup>

Total wood processing figure for home furnishing products (13.8 million m<sup>3</sup>)      Indirect material (3 million m<sup>3</sup>)

- Wood residue byproduct from sawmill (1 million m<sup>3</sup>)
- Recycled wood material in products (2.3 million m<sup>3</sup>)
- Virgin wood material in products (10.5 million m<sup>3</sup>)



<sup>1</sup> Based on purchasing value.

<sup>2</sup> To measure our wood consumption with one relevant unit, we apply conversion factors for different wood materials used in our products and calculate back to cubic metres of roundwood equivalent (m<sup>3</sup> RWE). Roundwood equivalent (RWE) is a measure of the volume of logs (roundwood) used in the making of wood-based products.

<sup>3</sup> We consider a goal to be fully reached when we achieve more than 98% fulfilment overall. Due to disruptions or new suppliers/business partners, we can't guarantee 100% fulfilment at every given point in time.

**Wood is the material most used in the IKEA range.<sup>1</sup> It's part of the IKEA identity and our Swedish heritage and includes particle board, fibreboard, paper-based products and solid wood.**

We're committed to making responsible forest management the norm across the world, going beyond the wood sourced for the IKEA business; halting deforestation and reforesting degraded landscapes; and driving innovation to use wood in smarter ways. [Read more about our forest agenda.](#)

In FY23, to increase the accuracy of our wood consumption data across our home furnishing products and indirect material use (e.g., packaging), we reviewed and updated our calculation method. Many parts of the wood industry have become more efficient and smarter in their use of wood due to technological advancements in wood processing, since our initial calculation method was developed.

Until now, our wood consumption was calculated based on the total wood processing figure of round wood equivalent.<sup>2</sup> This method included a significant amount of residue material from the sawmill manufacturing process – for example wood chips, offcuts, wood shavings, and sawdust – which was sometimes used by other supply chains outside of the IKEA business. This consequently inflated our volumes.

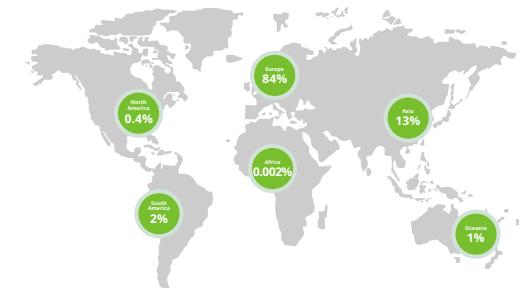
To become more accurate in our reporting, from FY23 onwards we will continue to share the total

wood processing volume and, for the first time, provide a more substantial breakdown separating our virgin wood consumption from our recycled wood consumption as well as an estimated volume of the residues from the sawmill manufacturing process. With this breakdown, our total virgin wood consumption is reduced as residual wood material is now excluded and calculated as consumed within the sourcing market. The updated calculation method is based on information reported by our suppliers, the best available data for our business type and commonly approved conversion factors.

Within our commitment to drive innovation to use wood in even smarter ways, we have set a goal for at least a third of the wood in the IKEA range to be recycled wood by 2030. In FY23, 17% of our wood-based range was made of recycled wood material (FY22: 15%).

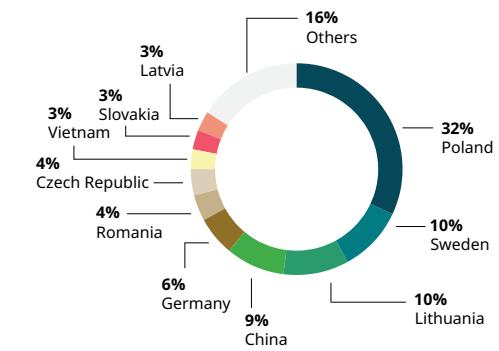
In FY23, 97.8% (FY22: 99.9%) of our total wood used was either Forest Stewardship Council certified (FSC) or recycled.<sup>3</sup> A slight decrease occurred due to our decision in FY22 to no longer accept wood from Russia and Belarus. This meant that a few suppliers needed to find alternative sourcing options. All wood used still met our IWAY forestry minimum requirements.

Europe remained the main wood-sourcing region for materials used in IKEA home furnishing products, with over 80% of all wood use in IKEA products coming from this continent.



*With an industry-first global wood supply map, launched in FY23 for increased transparency, the IKEA business is sharing where all the wood material (excluding paper) in IKEA products comes from. The map includes information about wood species, sourcing regions, volumes, and how the IKEA business works to improve forest management across different markets.*

### Markets which supply the most virgin wood for IKEA products



## ➔ Understanding the impact of FSC forest management on biodiversity

At COP15, where the Kunming-Montreal Global Biodiversity Framework (GBF) was adopted, the IKEA business, together with FSC, WWF, and other leading companies, participated in the launch of an [initiative to fast-track biodiversity assessments in FSC-certified forests](#). The initiative builds on learnings from earlier work to quantify the impact of FSC (the Value and Impact Analysis (VIA) initiative in 2014).

In FY23, the initiative worked on evaluating how currently available data reported by certificate holders can be used to evaluate the biodiversity impact of FSC Forest Management. This initiative will support FSC certificate holders in demonstrating their biodiversity impacts in line with the Kunming-Montreal Global Biodiversity Framework agreed on at COP15.

This initiative represents a big step towards strengthening the FSC global certification system with an understanding of its biodiversity impact, which can be a positive change at scale for the entire forest management sector.



### ➔ FSC in Poland

The wellbeing of the world's forests is a primary focus for the IKEA business. Therefore, the decision in Poland in FY23, to discontinue participation in the most credible global forest management certification system, FSC, makes us deeply concerned.

The IKEA business plays an active role in assisting a continuous and constructive dialogue between different stakeholders to support a positive solution.



### ➔ Expansion of the WWF and IKEA forest partnership to Brazil and Colombia

During FY23, [the IKEA business and WWF](#) continued our long-standing partnership, where forests have been in focus. Working side-by-side for over 20 years, covering 19 locations, our global partnership has been instrumental in driving responsible forest management, increasing transparency across wood supply chains and protecting ecosystems. We are, for the first time, initiating projects in South America – Brazil and Colombia. For the projects in South America, the plans were developed to focus on community forest management, landscape conservation and recovery activities.

Additionally, we are starting a new pilot project on landscape restoration in Thailand.

## ➔ Global consumer insights on the forestry sector

As one of the leading wood users in the retail sector, we strive to use our size and global reach to positively influence, and even transform, the forestry industry. We asked GlobeScan to conduct foundational research amongst consumers and experts into how the forestry sector and wood sourcing are currently perceived and understood.

The results of the 8,000 consumers surveyed across eight of our markets demonstrate that over 80% are very or somewhat concerned about the state of the world's forests. It shows that the responsible sourcing of wood is important to consumers, and 75% would prefer to buy from a company known for its forest conservation efforts.

The results demonstrate the need for greater engagement towards consumers on issues and products, as well as the value and benefits of responsible forest management and using wood. We will share the research in FY24.



#### → **Launching a first-of-its-kind rattan species DNA identification database**

Rattan can be a useful renewable forest resource in many applications. Historically, it has not been possible for the wider industry to accurately identify the different types of rattan used in supply chains and over-harvesting of rattan from forests in Vietnam and Indonesia can threaten biodiversity and ecosystems by contributing to the potential extinction of some rattan species. Therefore, in 2019, the IKEA business together with the Royal Botanic Gardens, Kew, in the UK, partnered around research on rattan species identification.

In FY23, as a result of the partnership, Kew Gardens launched a [first-of-its-kind publicly available DNA database of all rattan species](#). The database includes a new test protocol, offering a unique possibility to identify species, enabling companies to gain deeper knowledge of rattan supply chains and to act to protect threatened species. This development supports the IKEA business in increasing traceability which is a step towards ensuring no threatened species are sourced. By launching this database and sharing all the tools for free, the aim is to inspire other companies to use it to increase the traceability of their rattan supply chains as well.

#### → **Contributing to the development of EUDR deforestation legislation**

The IKEA business has long promoted responsible sourcing within our business. We have steered market transformation with respect to key raw materials and continue to use innovative approaches to forest management, protection, restoration, and regeneration. The wood used in IKEA products is [sourced from responsibly managed forests, which do not contribute to deforestation](#).

We fully support the European Union's goal to minimise the EU's contribution to deforestation and forest degradation. We urge a risk-based approach based on mandatory due diligence processes, including reporting and risk mitigation measures dependent on the market risk profile, nature of the commodity and local

conditions. To supplement the due diligence processes, vetted third-party certification schemes should be a recognised tool.

We are committed to no deforestation and no forest degradation across our primary deforestation-linked commodities (soy, palm oil, beef, leather, coffee, cocoa, rubber, wood and sugarcane), with a target date of 31 December 2025.<sup>1</sup>

During FY23, we remained an active participant in the EU Commission Expert Group/Multi-Stakeholder Platform on Protecting and Restoring the World's Forests – including the EU Timber Regulation and the Forest Law Enforcement, Governance, and Trade (FLEGT) regulation – by providing fact- and experience-based insights and contributions to the development of legislation.

#### → **Implementation of responsible sourcing along forest material supply chains**

During FY23, together with our business partners, we secured the robust requirements outlined in our supplier code of conduct, beyond first-tier suppliers.

The implementation follows a stepwise approach. The first step was completed at the end of 2022 when supply chains connected to solid wood and predefined board mills were mapped with IWAY Must requirements and verified at all first-level critical sub-contractors. Starting on 1 January 2023, we began the second step of implementation, focusing on

other predefined board mills and recycled wood supply chains with the aim to finalise the verifications at all relevant second-tier critical sub-contractors by the end of 2023.

Implementing responsible sourcing along forest material supply chains is not an easy task for the stakeholders involved, including sub-contractors. Mapping the supply chains was among the most challenging activities for suppliers because it was the first time that some sub-contractors were asked to disclose this type of information.

Despite these challenges – or perhaps because of them – the process has led to many benefits, such as a greater understanding from our sub-contractors on responsible sourcing, transparency and traceability. Thousands of sub-contractors handling forest-based material have been mapped along supply chains all the way to the forest roadside. Most supply chains are relatively short, reaching only to second-tier sub-contractors. However, a few reported supply chains are going all the way to tier five.

<sup>1</sup> Commodities and products in the scope of the European Union Deforestation-free Regulation (EUDR) will have to meet the corresponding timelines.

# Agriculture

**Agricultural raw materials are used throughout the IKEA offer. They include perennials such as coffee, tea and palm oil, as well as annual crops such as cotton and animal-based products. Cotton is the main agricultural material for the IKEA business.**

Agriculture practices have wide-ranging impacts on water usage, pollution and conservation, nature and biodiversity, CO<sub>2</sub> emissions and sequestration, animal welfare, and the lives of people and communities connected to the cultivation of agricultural materials.

In FY23, we started developing requirements for the new Agriculture Section in IWAY, the IKEA supplier code of conduct ([page 55](#)). This is an important step in our responsible sourcing efforts.<sup>1</sup> Through the requirements, we aim to take a holistic and coherent approach to responsible sourcing of agriculture raw materials addressing human rights, environmental impacts, including the risks of deforestation, and animal welfare across the total value chain.

We are also preparing a transition from single raw material focused to wider landscape focused action plans. Although we will continue to work on initiatives connected to specific raw material supply chains, our aim is to quantify our impact and efforts

in the more holistic scope that the IKEA business has in biodiversity, land and water use, climate, people and communities.

For example, we're piloting cases during the next two fiscal years that aim to source from and monitor the same farm landscapes over a longer period (estimated five years) to track progress in soil health, landscape restoration and community wellbeing.

During this process, as we continue to incorporate additional markets and their local supply chains, we are learning where we have more direct control versus where we need to engage in different ways with others. Because we operate as a franchise system, which allows for both global and unique local offers, we don't yet have a complete overview of all products sourced or sold. A systematic approach and common requirements for our food supply chains will help us to increase visibility and insight into operations, including the handling of animals.

Food ingredients in this report represent approximately half of the total food ingredients sourced for the IKEA food business (supplied by IKEA Food Supply AG). For the remaining ~50%, we're continuing to build a better understanding of the gaps and how to ensure more comprehensive reporting in the future.

## ANNUAL CROPS

### Cotton

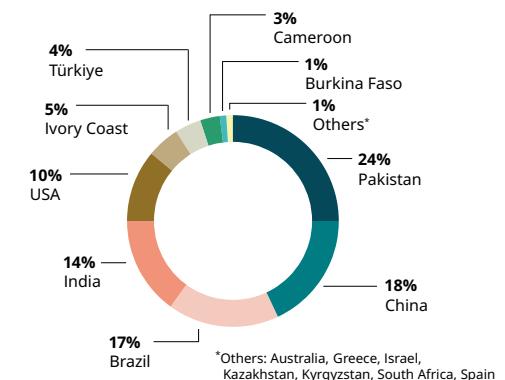
Since FY15, the IKEA business only uses virgin cotton certified by our approved schemes or recycled cotton.

In FY23, the total volume of cotton in IKEA products, including non-virgin cotton, was 109,000 tonnes (FY22 144,100 tonnes). Around 80% of our virgin cotton came from smallholder farmers, and around 20% from large land-holding farmers. We continue to emphasise physical segregation and end-to-end traceability, diversification, risk mitigation, and the promotion of circular cotton supply chains in an effort to reduce the environmental and social impacts of our cotton supply chains. [Read more about our view on cotton](#).

Cotton is one of the key focus areas in the long-term global partnership between [the IKEA business and WWF](#).



**Country of origin for cotton**  
Fresh/virgin cotton



<sup>1</sup> We use reputable sustainability standard systems in different agricultural areas to promote sustainability practices and performance for a variety of agriculture-based products in our offer.

#### ANNUAL CROPS (CONTINUATION)

##### → Economic empowerment for communities in cotton landscapes of Pakistan

In order to build resilience to the impacts of climate change in cotton landscapes, WWF and the IKEA business have been actively engaging with communities, and particularly women, in acquiring alternative skills – such as embroidery, bee farming, micro-nurseries and kitchen gardening – that can support establishing small businesses while also increasing resilience to climate change. These efforts have resulted in an almost 20% increase in family income, on average, in the communities where this applies.



##### → Integrating climate responsiveness into agriculture practices in Pakistan

Freshwater is a scarce natural resource in Pakistan. Close to 90% of available freshwater is used for agriculture. With measures taken through the WWF and IKEA partnership project and the adoption of climate-smart agriculture practices, farmers have documented savings of 24% in crop-water productivity.<sup>1</sup> Through technology and improved sowing techniques, 535 hectares of agricultural land have saved 791,908 m<sup>3</sup> of farm water and reduced nearly 24% in greenhouse gas emissions (GHG) per hectare. In addition, to mitigate the effects of warming temperatures, project farmers have used agricultural land unsuitable for cotton production to grow indigenous plants.

#### PERENNIALS

##### Palm oil

In FY23, 99.9% of the palm oil used was Roundtable on Sustainable Palm Oil (RSPO)-certified.

- **Candles:** 15,170,000 kg (100% RSPO certified)
- **Food:** IKEA Food Supply AG (IFSAG):<sup>2</sup> 733,630 kg (100% RSPO certified); and Trader 1,260 kg (96% RSPO certified)
- **Total:** 15,904,890 kg

##### Coffee

In FY23, we used 100% Rainforest Alliance-certified coffee.<sup>2</sup>

##### Cocoa

In FY23, we used 100% Rainforest Alliance-certified cocoa in IKEA Branded products.<sup>2</sup>

##### Tea

In FY23, we used 100% Rainforest Alliance-certified and Fairtrade-certified tea in our range.<sup>2</sup>



<sup>1</sup> Crop water productivity is the total crop yield divided by total amount of water used to raise the crop.

<sup>2</sup> This percentage is based on food ingredients supplied by IKEA Food Supply AG, which represents approximately half of the total food ingredients sourced for the IKEA food business. For the remaining ~50%, we continue to build a better understanding of the gaps and how to be more comprehensive for future reporting.

## ANIMAL BASED

### Animal welfare

The IKEA business is committed to ensuring animal welfare across the IKEA value chain. Our animal welfare efforts are guided by the *Five Provisions and Welfare Aims*,<sup>1</sup> a further development of the globally recognised *Five Freedoms* that goes beyond basic care.

During FY23, we have taken steps to consolidate the IKEA standpoints and requirements on animal welfare. We're merging the work driven by IKEA Food Better Programmes with additional agricultural criteria that will address animal welfare in all IKEA supply chains. Internally, within the IKEA business and together with suppliers and

external experts, we are further developing the IWAY Animal Welfare Section 6.1. We remain committed to the roadmaps and goals that we've agreed on with suppliers for the IKEA food business on chicken and pork.

The IWAY Animal Welfare Section 6.1 is an important enabler to advance animal welfare in the entire IKEA value chain. The process of further developing our approach to animal welfare, being present in coalitions and monitoring data and reporting, enables us to better understand how to facilitate improvements in animal welfare in all our supply chains.



### Chicken

In FY23, 100% of the chicken volume<sup>2</sup> was sourced according to third-party certifications that cover the majority of the IKEA animal welfare requirements.

### Pig

In FY23, 81.3% of the pork volume<sup>2</sup> was sourced according to third-party certifications that cover the majority of the IKEA animal welfare requirements.

### Cattle

**Beef:** In FY23, we developed pilots, together with selected partners in the USA, for grass-fed beef. These pilots will enable the IKEA business to align and verify methods to calculate GHG emissions and other key parameters that impact ecosystems such as biodiversity, soil health, water and community wellbeing.

**Leather:** Leather traceability and compliance has been a top priority for many years securing high standards of animal welfare and environment in our leather supply chains. Now, in addition to consolidating leather requirements into the overall animal welfare requirements, we have also taken the necessary steps to ensure our readiness for the coming European Union Deforestation-free Regulation (EUDR) legislation on deforestation by 2025.

### Seafood

In FY23, 100% of the seafood volume<sup>2</sup> was Aquaculture Stewardship Council (ASC)- or Marine Stewardship Council (MSC)-certified (2022: 98%, 2020: 91.2%, 2019: 93.7%, 2018: 91%).

### Sheep

**Wool:** In FY23, we finalised a carbon removal pilot project together with our New Zealand wool partner. This pilot aims to ensure integrity in calculating and reporting methods that follow the established GHG protocol and Science Based Targets initiative (SBTi) guidelines for CO<sub>2</sub> removal. But also, it has enabled us to learn more about soil health and biodiversity parameters that need to be understood holistically. The results from the pilot are positive and confirm the potential to remove CO<sub>2</sub> through our wool farms if regenerative practices are implemented.

<sup>1</sup> The *Five Provisions and Welfare Aims* focus on providing animals with optimal nutrition, health, behaviour and environment recognising how all of these contribute to the good mental state of the animals.

<sup>2</sup> This percentage is based on food ingredients supplied by IKEA Food Supply AG, which represents approximately half of the total food ingredients sourced for the IKEA food business. For the remaining ~50%, we continue to build a better understanding of the gaps and how to be more comprehensive for future reporting.

## Inorganics

### Inorganic raw materials are minerals used in the production of metals, glass, ceramics, chemicals<sup>1</sup> and electronic components.

The IKEA business is a relatively small consumer of inorganic materials. However, those that we do use can be found in critical applications like furniture, appliances, lighting, tableware, and pots and pans. They're also used in products specifically designed for healthier and more sustainable living, like air purifiers and rechargeable batteries.

We're always looking at how to best use resources to optimise materials for the right purpose. For example, we only use stainless steel for products in cooking and eating functions or for use in wet rooms. We also use high-strength steel in other functions, which uses less material while offering the same function and quality.

In FY23, we continued pilot mapping supply chains back to their source for both inorganic and secondary raw materials. Through this effort, we have identified the main players in upstream sourcing. We are now using this knowledge to investigate effects on our direct

suppliers – what information we need from them and how we can partner with other companies to influence more sustainable practices and sources.

We are members of the Aluminium Stewardship Initiative (ASI), contributing to their work to increase chain of custody certification in aluminium supply chains. In FY23, we collaborated with large steel- and aluminium-consuming companies to pilot certification programmes for recycled content and chain of custody for aluminium smelters.

We are also members of the Responsible Minerals Initiative (RMI) working towards social economic development in mineral production and sourcing.

We know some raw materials don't currently have a renewable substitute and that the technology to recycle other raw materials doesn't exist yet. As this process takes time, we continue to be committed to working towards securing responsibly sourced virgin inorganic materials while replacing them whenever possible. We're focused on replacing materials that have the largest climate footprint.



Photo provided by Pact

#### → Collaborations for building a responsible sourcing scheme for sand

Silicates and sands can be found in many IKEA products such as worktops, drinking and decorative glassware, tableware, ceramics, wall and floor tiles, picture frames and furniture featuring glass. Since we are reliant on silicates and sand, in FY23, the IKEA business and the University of Queensland's Sustainable Minerals Institute in Australia, collaborated on a study aimed at exploring and defining responsible sand and silicate sourcing practices.

In addition, in FY23, we participated in the [Organisation for Economic Co-operation and Development](#) (OECD) meeting to reach out to other actors in silicate and sand supply chains (with Pact also participating) to learn about their experiences and practices. Our goal is to open dialogues between mining and downstream sectors on responsible sand sourcing and finding additional partners.

<sup>1</sup> Not including fossil-based chemicals.

## Secondary raw materials (recycled)

**Secondary raw materials (also called recycled materials) are essential to transforming into a circular business (page 16). By continuously increasing the share of recycled materials in IKEA products, we also want to contribute to a circular economy where nothing is wasted and old products become new resources.**

The amount of materials used in the IKEA range is based on estimations for most types of materials. Accurate yearly figures for different amounts of materials continue to only be available for wood and paper. The disclosed climate footprint, therefore, is a conservative estimate that doesn't reflect the actual improvements for material used in the IKEA range. It also means that there is no update to the figures shared in FY21, where we reported that 56% of the materials we sourced were renewable and 17% were recycled. See the [IKEA Climate Report FY23](#) for more details.

Today, sourcing of recycled materials in scalable amounts and suitable quality is a challenge. However, one of the most critical challenges is in protecting human rights in the informal waste collection and sorting sectors.

During FY23, we continued to build up recycled material supply chains. We see a big opportunity

to work across categories within the IKEA business and work closer to the recycled sector to secure higher volumes and a wider variety of materials.

➔ **Participated in the Circulate Initiative (TCI) forum on responsible waste management in recycled plastics supply chains**

Today, there is no existing international standard for responsible waste management practices. We support efforts to create such a standard. In May 2023, we joined [The Circulate Initiative \(TCI\)](#) forum in Bangalore, India, together with other major brands, social entrepreneurs, commercial recyclers and waste picker representatives. We support the TCI Responsible Sourcing Initiative, which aims to improve human rights across recycled plastic value chains in ways that can be measured, managed, and are compliant with regulations.

In addition, we are part of the World Business Council for Sustainable Development and, since FY21, its Business Commission to Tackle Inequality (BCTI). The initiative aims to elevate business action on inequality and bring together leading businesses and other key stakeholders to create a platform for collaboration and an agenda for business action.

## Metal

➔ **Significant increase in share of recycled aluminium**

Our ambition is to have at least 80% recycled aluminium content in our products by 2030. Working with partners across the IKEA value chain, such as waste sorting and smelters, we have been able to accelerate that journey. During FY23, we have made significant progress by reaching 77% recycled aluminium content in IKEA products, up from 57% in FY22.

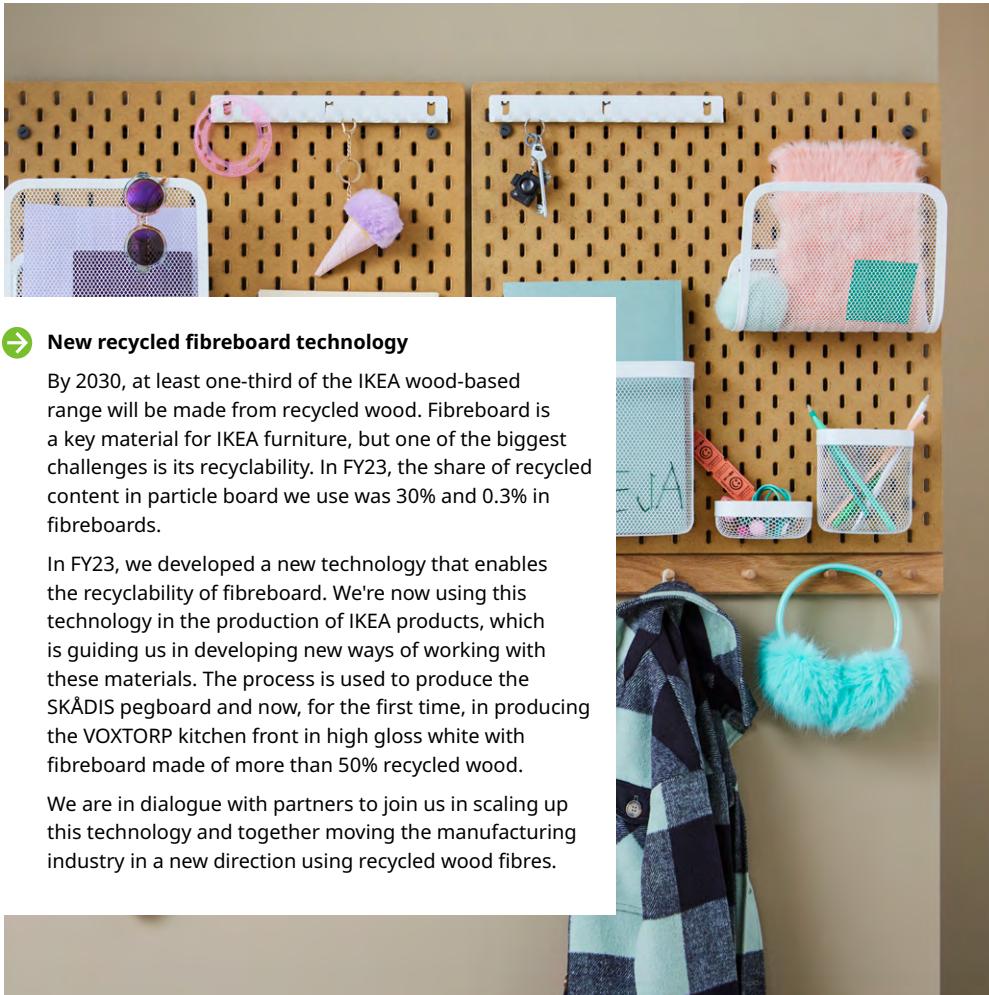
➔ **Increasing the use of recycled steel**

During FY23, our focus has been on switching to steel manufacturers who have the technical capabilities to use a greater share of recycled content, which also reduces the climate footprint in production (see the [IKEA Climate Report FY23](#)). We are selecting steel suppliers that use electric furnaces rather than burning coal. Electric furnace technology allows the production of steel with a higher share of recycled materials. We have mapped metal supply chains in Europe, China and Vietnam and are testing products with a high recycled-steel content in China.



PAX wardrobe sliding doors are now made with a minimum of 80% recycled aluminium.

## Wood



### → New recycled fibreboard technology

By 2030, at least one-third of the IKEA wood-based range will be made from recycled wood. Fibreboard is a key material for IKEA furniture, but one of the biggest challenges is its recyclability. In FY23, the share of recycled content in particle board we use was 30% and 0.3% in fibreboards.

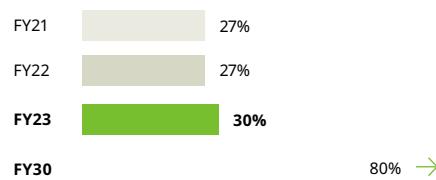
In FY23, we developed a new technology that enables the recyclability of fibreboard. We're now using this technology in the production of IKEA products, which is guiding us in developing new ways of working with these materials. The process is used to produce the SKÅDIS pegboard and now, for the first time, in producing the VOXTORP kitchen front in high gloss white with fibreboard made of more than 50% recycled wood.

We are in dialogue with partners to join us in scaling up this technology and together moving the manufacturing industry in a new direction using recycled wood fibres.



We're now producing the kitchen front VOXTORP in high gloss white, using more than 50% recycled wood in the fibreboard.

### Share of recycled wood in particle board (%)



By 2030, we aim to secure that at least 80% of our particle board is based on recycled wood.

## Textiles

### → Completed an in-depth risk assessment of textile value chains

The global post-consumer textile recycling sector is immature, which limits textiles as a source of secondary raw materials at scale. However, there is a big potential for the IKEA business, together with other large companies, to be a leader in developing the recycled textiles sector.

In FY23, together with Article One, we completed an in-depth risk assessment of textile value chains, including recycled materials. The objective was to identify any human rights risks across five key materials in the recovered materials supply chain, discovering opportunities to help strengthen risk mitigation and build capabilities to assess human rights risks in other IKEA recovered materials supply chains.

In FY23, we explored new feedstock types and streams as well as technologies to accelerate textile-to-textile recycling and continued to build new supply chains utilising post-consumer textile products such as quilts and pillows. We piloted thermo-mechanical recycling of polyester textile waste into yarns, and we partnered with the social enterprise Saahas Zero Waste in India to run a feasibility study for the collection and sorting of domestic post-consumer textile waste.

## Plastics

Given the limited availability of recycled plastic waste in Europe, it can be difficult to secure secondary plastics for use in products. In parts of the world, a maturing but largely informal waste sector exists. We support the transition of informal waste flows to formalised setups that could create a potential supply chain for secondary plastics, both to better protect the human rights of waste workers and reduce plastic pollution.

For all plastics, not just packaging, we are focused on four key movements:

- Increasing the share of recycled plastic moving toward post-consumer recycled plastics.
- Using materials in a smarter way, finding new solutions to use plastic material in the most efficient way and only using plastic on relevant applications.
- Using plastic from renewable sources, such as bio-based, in the relevant applications.
- Continuing to explore new materials and technologies, such as carbon-captured technology for plastic.

### ➔ Sustainable food packaging

We're aiming to phase out plastic from consumer packaging by 2028. However, plastic packaging might remain in some parts of the IKEA food range where it is needed to secure quality and food safety standards beyond 2028, in which case it will come from renewable or recycled sources.

A second part of the objective is to move to recyclable food packaging materials for 2025.

### ➔ Continuing the work on our Sustainable Packaging Project

In FY23, we made progress toward our goal of all IKEA food packaging being made of recyclable materials by 2025. This included the launch of SKUB PET bottles made of 99% recycled content and initiating projects to move from non-recyclable to recyclable packaging for sauces and jams in IKEA restaurants, as well as salmon and sausages in IKEA restaurants and Swedish Food Markets.

### ➔ Renewed and extended work within the informal waste collection sector

During FY23, together with IKEA Social Entrepreneurship B.V., the IKEA business renewed and extended development projects working close with informal waste collection networks. The aim of these projects is to offer more formalised work – contributing to better working conditions, stable livelihoods and reliable incomes. We want to contribute to a just transition so that workers aren't left behind as the sector becomes organised. [Read more about IKEA Social Entrepreneurship B.V. projects](#).

## Glass

Glass is fully recyclable and can be recycled again and again. The amount of energy needed to melt recycled glass is less than what is needed to melt virgin raw materials to make new products.

Some regions have a well-established and efficient collection and treatment system for post-consumer packaging glass (bottles and jars). This is good for the sustainability of the glass packaging industry, but because the collected glass is used primarily in the bottle industry, it limits access to recycled glass for IKEA products and IKEA suppliers as a feedstock. In other regions of the world, the recycling infrastructure is different, and IKEA suppliers have more access to recycled glass. We are continuously working to increase the supply of recycled glass.

The IKEA business currently offers several products that include a minimum of 50% recycled glass. We are currently working on collections with 100% recycled glass that we're planning to launch during 2024 in selected markets.



### ➔ Recycled glass to replace virgin quartz in new worktop range Lockebo

In FY23, we launched a new worktop range called Lockebo, which is made with recycled glass. The glass composite material is the same quality as virgin quartz and uses half the energy in production compared to quartz worktops. Lockebo worktops are made with recycled glass from many different sources: Glass packaging (wine bottles, glass jars and containers), leftovers from car glass manufacturers, glassware producers, as well as broken car windows.

## Chemicals

**Our ambition is that all chemicals used in or for making IKEA products should be safe throughout their whole lifecycle. We advocate for policies, strategies and regulations for safer and more sustainable chemicals, materials and products.**

Read more about the IKEA [chemical strategy](#).



### → On track to phase out formaldehyde in coatings on paper foils

We are on track to eliminate formaldehyde from coating on paper foils in IKEA products by mid-2024. All products that are made from wood-based materials can contain formaldehyde, which is common in the natural environment. High levels of formaldehyde can, however, lead to negative health effects. That's why we will continue our decades-long work to reduce formaldehyde emissions from all IKEA products. We're continuously working to lower formaldehyde emissions and are using a stepwise approach to reach formaldehyde emission levels from wood-based materials that are equal to, or lower than, levels emitted by natural wood.

### → Consultation for the USA state of Maine

We continue to engage with regulators to provide experience-based feedback through government consultations on the use and declaration of Products Containing Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS) chemicals. In FY23, the IKEA business provided feedback to the USA state of Maine in a response to the Chapter 90 Rule for PFAS, highlighting the need for a clearly defined, simple reporting process.

### → Commitment to phase out PFAS without harmful substitutions

PFAS are a large group of chemicals used in various industrial and consumer applications that are persistent and, therefore, do not degrade during use and when spread in the environment.

We recognise the significant health and environmental concerns about PFAS chemicals and acknowledge the special attention needed due to their widespread use and persistence in the environment. The IKEA business is committed to phasing-out PFAS while also avoiding any harmful substitutions.

The IKEA business has been working to phase out PFAS in our supply chain since 2009. For example, in 2015, we phased-out PFAS in textiles. During FY23, we've continued the work to identify further uses of PFAS, to add additional restrictions and phase-out plans. We are prioritising high-volume applications and applications with the largest environmental or health impacts.

As a part of our work to phase out PFAS, in 2024 we'll introduce non-stick coated cookware that does not use polytetrafluoroethylene (PTFE) material. From 2025, this will also apply to non-stick coated bakeware. During 2026, all cookware and bakeware ranges will be non-PTFE.

### Advocating for better fire and chemical safety standards

Globally, legislators have adopted different approaches when it comes to product fire safety for upholstered furniture and mattresses. While the IKEA business always aims to refrain from the use of specific chemicals in our products, as described in the IKEA chemical strategy, we always meet all local market requirements.

Existing fire safety regulations in some markets still demand specific testing requirements, such as large open flame tests, which can prevent many companies from completely avoiding the use of chemical flame retardants and hinder the chance to implement innovative solutions.

There is growing research and a common understanding of the hazards that many flame retardants have on people's health and the environment in the long term. Questions remain about the effectiveness of these types of chemicals in preventing fires over time, the toxicity of the chemicals in fires, and the implication of these chemicals on materials for future use.

That's why we are working with legislative bodies and organisations to advocate for better chemical safety standards when it comes to fire safety. In FY23, for example, we have contributed to the discussions on the revision of the UK Furniture and Furnishing Fire Safety Regulations, advocating for a change to the existing rules so a balance can be found between securing fire safety, chemical safety and enabling a circular economy.

# Fair & equal



By 2030, our ambition is to play our full part in contributing to a fair and equal society, by respecting and promoting human rights across the value chain and contributing to resilient societies.

# Commitments and goals

## Being a responsible business and contributing to resilient societies

- Respecting human rights and children's rights by operationalising the UN Guiding Principles on Business and Human Rights and the Children's Rights and Business Principles, ensuring we address the most critical human rights risks and impacts across our value chain. We also commit to promoting human rights and children's rights in society.
- Ensuring ethical business practices, including combating corruption, securing ethical handling of data and digital technologies, complying with corporate tax policies, and being transparent about taxes paid. Read more in our [Inter IKEA Group Tax Report FY23](#).
- Securing a strong approach in relation to climate, health, political and social justice crises to secure the safety, livelihoods and resilience of our co-workers and partners across our value chain.
- Engaging with communities building on our role as a home furnishing business and leader in life at home to create a positive social impact.

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

- Providing living wages and income in IKEA operations and supporting the same among our business partners and in the wider sectors of which we are a part.
- Providing and supporting safe and healthy work, labour rights, and social protection and striving towards securing stable and predictable work for

everyone in the IKEA value chain. Securing a just transition to a net-zero and circular economy with a focus on enabling decent work through, for example, upskilling and reskilling to meet future demands.

- Providing and promoting that everyone in the IKEA value chain is empowered to play an active role in their work. Everyone is free to join or form associations of their choice (or to refrain from doing so) and bargain collectively.
- Providing and promoting that everyone in the IKEA value chain is recruited in a responsible way and free to enter into and terminate employment.

## Being an equal, diverse and inclusive business

- Embracing all dimensions of human diversity and striving to reflect the demographics of the societies in which we operate. Actively working to prevent discrimination and ensuring equality in opportunity and treatment.
- Promoting accessible and inclusive workplaces, both in structure and culture, where people can be themselves and their voices are heard.
- Being a child-friendly business, securing child safeguarding, family-friendly practices, and inclusion and empowerment of children and youth.
- Securing a more inclusive and diverse IKEA value chain by integrating social businesses, minority-owned enterprises and small and medium-sized enterprises.

# FY23 summary of progress

## During FY23, our focus has been to create clarity and connections between our overall goals and commitments, and develop the actions needed to get us there.

IKEA touches the lives of millions around the world and has long promised to stand by the side of the many people. In FY23, building on more than 20 years of IWAY, our supplier code of conduct ([page 55](#)), we worked on developing an additional performance framework to strengthen our impact and support the implementation of our updated Fair & equal commitments. The framework reflects our strategic goals and aligns with the newly adopted Corporate Sustainability Due Diligence Directive (CSDDD), which requires companies to undertake due diligence on global operations regarding human rights, labour laws and environmental commitments ([page 49](#)).

Through internal and external interviews, research on good practices, relevant standards and processes, partnerships, strategic goals, KPIs and impact measurement, we have been exploring priority topics to incorporate into the framework.

We are committed to providing and supporting decent and meaningful work for all workers across our value chain. We have taken many actions to better understand the needs of drivers and seafarers, and have identified multiple opportunities to improve working conditions in the coming years ([page 49](#)).

The responsible recruitment of migrant workers continues to be a particularly critical area of focus. During FY23, the IKEA business collaborated with the International Organization for Migration (IOM) on a project concerning the human rights of migrant workers ([page 51](#)).

We also continued our work around responsible wage practices, by introducing our methodology to all parts of the business, including IKEA franchisees. We are now assessing and identifying gaps related to responsible wage practices and will develop a roadmap to close them ([page 50](#)).

In FY23, we launched an updated People Strategy, strengthening the equality, diversity and inclusion (ED&I) direction and ambition across all IKEA businesses. With "An Inclusive IKEA" as one of three focus areas, we're developing ED&I competences and creating the preconditions for ED&I topics to drive our people processes.

# FY23 key activities

## Being a responsible business

We have set a strategic commitment to operationalise our contribution to resilient societies and promote and respect human rights, in line with the [UN Guiding Principles on Business and Human Rights \(UNGPs\)](#) and the [Children's Rights and Business Principles \(CRBPs\)](#) by 2030.

### ➔ Continuing our efforts to prevent and address children's rights risks deeper in our supply chains

The IKEA business, together with the Centre for Child Rights and Business, is working to create awareness on children's rights and risks, as well as to strengthen child protection efforts deeper in our supply chain.

In FY22, we completed pilot projects to better understand the risks and impact on children in the natural fibres supply chain, in which materials are often harvested in the wild. We developed child protection guidelines and piloted child protection training for suppliers, sub-suppliers collectors and harvester.

During FY23, we supported the opening of a child-friendly space in the village of a sub-supplier for one of our key rattan furniture suppliers in Indonesia. Young children of rattan workers can now access the facilities, where they're supervised by trained caregivers. This improves child safety

by ensuring children are not left unattended or join their parents at the rattan processing site.

Farm workers who are parents have received additional training on children's rights. Youth in the community have received life skills such as training on children's rights and basic literacy skills on personal health.

During FY24, the Centre for Child Rights and Business will continue the project in Indonesia and in Vietnam. The IKEA business, together with our suppliers, will use the knowledge gained to create awareness deeper in our supply chains.



### WAR IN UKRAINE



#### Restarting supplier operations in Ukraine in a stepwise approach with heightened human rights due diligence

When the war began in 2022, we paused our operations in Ukraine to prioritise the safety and security of co-workers and partners. Since then, we have been monitoring the situation, both from a humanitarian and a business perspective. We have remained in close dialogue with our business partners in Ukraine with the long-term goal to restart operations.

According to the UNGPs, in times of conflict, companies are expected to conduct heightened human rights due diligence.

As we continue to evaluate the situation, we're using a risk-based approach and take into account our responsibilities under both human rights and international humanitarian law.

After extensive evaluation, including risk assessments, auditing, and conducting heightened

human rights due diligence and discussions, we were able to restart operations with a few direct partners in the southwestern region of Ukraine, where the situation is most stable. We continue to monitor and conduct further evaluations.

In addition to supporting our business partners close to affected areas, the IKEA business has also been supporting organisations such as UNHCR, UNICEF, and Save the Children since the beginning of the invasion, providing both monetary and in-kind donations for children and their families.

During FY23, in close co-operation with UNHCR, the IKEA business provided over 850,000 home furnishing products from Ingka Group retail (with an estimated retail value of EUR 9 million) to support people who have been forced to leave their homes.

## → **Global survey of drivers' working conditions in the IKEA supply chain**

For the second time, we conducted Drivers' Voice – a global, anonymous survey of truck drivers in the IKEA supply chain. From IKEA distribution centres and stores to our suppliers, the survey covered 90 locations across 20 countries, capturing responses from over 2000 truck drivers.

We found the majority of drivers view their experience with IKEA driver facilities positively. In comparison to the previous survey, participants reported fewer delays waiting for goods to be loaded.

Based on the feedback from Drivers' Voice, we are now addressing potential improvements at individual IKEA locations. To tackle industry-wide challenges, we also continue our work with the Responsible Trucking Initiative – a collaboration with other shippers and transport providers committed to addressing social risks and working conditions of truck drivers.



## → **Improving road safety**

Road safety is fundamental to IKEA supply chain operations. We recognise our shared responsibility to contribute towards the UN Sustainability Development Goal of halving the global number of deaths and injuries from road crashes by 2030.

This year, together with one of our transport and logistics service providers and five sub-contractors, we piloted a road safety management system in Vietnam to better understand driving behaviour within IKEA goods transport and engage drivers on road safety topics.

In addition to improving drivers' road safety awareness, the project also involved company leaders and led to the creation of an internal road safety management system. Through systematic engagement, we create a foundation for reducing risks to drivers and other road users.

## → **Securing seafarers' rights in the IKEA supply chain**

In FY23, to address the topic of seafarers' rights and wellbeing, we began to develop ocean carrier requirements to ensure decent work for seafarers on vessels and ships in the IKEA value chain. The requirements are being developed in collaboration with our ocean transport service providers and other external stakeholders and follow the Maritime Labor Convention and other applicable maritime conventions.

These requirements will be applicable to ocean transport service providers and will be introduced to our business partners during FY24.

## → **Building our approach to ethical handling of data and digital technologies**

Data and digital technologies come with increasing ethical, regulatory and human rights considerations. We have committed to a human-centric approach for our digital touchpoints and data-driven processes and have been developing this across the IKEA business in FY23.

We started to set requirements for the responsible adoption of artificial intelligence and robotics for automation, began developing features in our digital interfaces for people with disabilities or impairments, and identified guidelines for online personalisation. During FY24, we will continue to learn, partner and develop to ensure the ethical handling of data and digital technologies.



## → **Promoting human rights**

Promoting human rights includes working together with partners ([page 57](#)) and contributing to public discussion with our perspectives.

In April 2023, Inter IKEA Group joined more than 40 other companies, businesses, and networks in reaffirming our support for the [EU's Corporate Sustainability Due Diligence Directive \(CSDDD\)](#), promoting and respecting human rights in line with international standards of the UNGPs and the OECD Guidelines for Multinational Enterprises.

In December 2023, the EU agreed to a position to adopt the CSDDD marking, a breakthrough for the critical issues of child labour, slavery, labour exploitation, pollution, environmental degradation and biodiversity loss.

## Decent and meaningful work

We're committed to providing and supporting decent and meaningful work across the value chain.

### → Responsible wage practices

Our journey to take a holistic approach to responsible wage practices (RWP), putting equal focus on equality at work, pay principles, competence, dialogue and a living wage, continues across all IKEA businesses.

In FY23, RWP was introduced and began being implemented in all parts of our business. The pace of implementation is determined by various business realities and local prerequisites.

A baseline assessment was completed in 31 IKEA retail markets,<sup>1</sup> showing areas for improvement, including competence development. Action plans are now in place to improve identified areas and to establish systematic ways of working with RWP processes. Other IKEA franchisees are in the exploration phase and planning for RWP baseline assessments in FY24.

To better support the implementation of RWP into various IKEA businesses and beyond, we have been gathering and sharing learnings, both from internal partners and from other companies, as well as external parties like the Fair Wage Network and WageIndicator Foundation.

We actively support the global movement towards decent work and living wages and the ambition to publish a global database on living wages.

### IKEA INDUSTRY

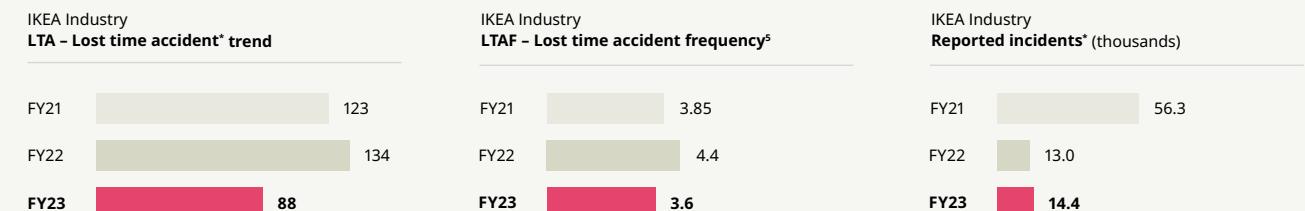


IKEA Industry striving to make workplaces safe, everyday

IKEA Industry is the Inter IKEA owned strategic manufacturer that produces IKEA home furnishing products. Health and safety is a top priority to secure a safe workplace for the over 14,000 IKEA Industry co-workers. Incident reporting is an important driver in identifying improvements to prevent future accidents, and in FY23, 14,400 incidents were reported (FY22: 13,000).

To support a safe working place, we closely monitor, record and act on incidents<sup>2</sup> with the aim of decreasing the number of accidents<sup>3</sup> year on year.

Our goal is for all co-workers to be safe at work and return home safely every day. In FY23, we saw a decrease not only in reported lost time accidents (LTA)<sup>4</sup> but in the frequency of these accidents as well (FY22: 134, 4.4).



\* Accidents requiring a minimum of one day sick leave.

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

<sup>2</sup> An unsafe condition, unsafe behaviour or a near miss.

<sup>3</sup> An occurrence resulting in damage or injury.

<sup>4</sup> An on-the-job accident that results in an employee being absent from the workplace for a minimum of one full day work day.

<sup>5</sup> Number of accidents reported per working hours.

## → Strengthening rights of migrant workers

The responsible recruitment of migrant workers continues to be a particularly critical area of focus. During FY23, the IKEA business collaborated with the [International Organization for Migration \(IOM\)](#) on a project concerning Migrant-Centered Human Rights Due Diligence Assessment. The aim was to gain deeper insights into the risks linked to both cross-border and in-country recruitment of migrant workers.

Training was provided 388 IKEA co-workers and 1050 workers from our suppliers based around the world. The training sessions will continue in FY24. Results from the project showed a need for industry-wide collaboration and collective action on the topic of responsible recruitment of migrant workers. To better protect migrant workers in supply chains and prevent challenges and risks associated with the labour migration process, both in country of origin and country of destination, businesses need to focus efforts on three areas: reviewing auditing systems, providing training to ensure a good understanding of the labour migration process and ability to identify risks in the context of local migration, and ensuring access to effective grievance mechanisms and remediation processes.

## → Addressing concerns through a grievance mechanism

In FY23, Inter IKEA Group continued work to establish a grievance mechanism encompassing the IKEA value chain so that workers and other stakeholders have an avenue to reach out to us and raise a concern ([page 58](#)).

A pilot programme, expected to start in FY24 across three markets, will study how to best communicate and operate the grievance mechanism.



## → Inclusion of young workers in the IKEA supply chain

We continue to work with a project launched in 2021 that aims to further strengthen the inclusion of young workers in the IKEA supply chain, including providing decent work and learning opportunities. Last year, 16 factories located in East Asia, Southeast Asia and South America participated in the project. Together with our suppliers, we focused on capacity-building, gap assessments and system improvements.

We held training sessions on the recruitment process for young workers, such as each country's legal requirements and obligations. Topics included: appropriate work for young workers by industry, systems for recruitment and employment, and communication and dialogue with young workers.

We also performed gap assessments on responsible recruitment mechanisms, including reviewing policies to promote decent work opportunities, written processes for recruitment and employment, training and job rotation plans for young workers.

In FY24, we will continue to promote inclusion of young workers and the youth development programme to our business partners in other regions, for example, in South Asia.

## → Defining the IKEA approach to a just transition

We have committed to take action to strengthen the resilience of people in our value chain and in the communities where we operate, focusing on those who are most vulnerable. This includes supporting people as society transitions to net-zero industries and a circular economy, through upskilling and reskilling to meet future demands and ensure no one is left behind.

We are currently working to define what a just transition means for the IKEA business, applying a rights-based lens, reflecting on the impacts of our environmental commitments and targets on people, as well as connecting with and involving those most vulnerable.

## Equality, diversity and inclusion

The IKEA business is actively working to support and welcome people from all backgrounds and identities in our operations.

### IKEA People Strategy for a more inclusive IKEA

In FY23, we launched an updated People Strategy to strengthening the equality, diversity and inclusion (ED&I) direction and ambition across all IKEA businesses, creating a foundation for working with the topic across our value chain. With "An Inclusive IKEA" one of three focus areas, we're developing ED&I competences, mainly among leaders and co-workers in our People & Culture group. This work will create the preconditions to lead ED&I topics in a systematic way across human resource processes and as an integrated part of the business agenda. In order to set measurable, quantitative and qualitative targets, the development of people analytics and a co-worker insights survey has been prioritised and will be introduced in FY24.

The following concrete steps have been taken.

- Launched holistic ED&I competence development training with management team workshops offered and facilitated across IKEA markets, including unconscious bias training and LGBTQ+ inclusion.
- Developed and launched a practical guide to accelerate ED&I focused on four identity dimensions: gender,<sup>1</sup> age, ethnicity and persons with disabilities. It enables assessment and goal-setting activities that will bring ED&I in line with the business agenda.
- Established the ED&I franchisee network, bringing together ED&I leaders across the IKEA franchise system.
- Established co-worker resource communities across the IKEA business, inviting co-workers to contribute to a more inclusive IKEA business and workplace.

Co-worker gender diversity in FY23 

IKEA franchisees	% Co-workers	% Managers
Ingka Group	54  46	50  50
Al-Futtaim	29  71	25  75
Dairy Farm	49  51	42  58
Ikano Group	47  53	52  48
Miklatorg	59  41	56  44
Al-Homaizi <sup>2</sup>	22  78	30  70
House Market	60  40	48  52
Sarton	48  52	49  51
Al-Sulaiman	26  74	23  77
MAPA	46  54	40  60
Northen Birch	47  53	48  52
Falabella	49  51	47  53

### Gender balance has improved

In FY23, the gender balance improved in many IKEA businesses compared to FY22. During the year, 6 out of 12 franchisees took steps to increase the number of women co-workers, and 8 out of 12 increased the number of women managers.

3 out of 12 IKEA franchisees have reached at least 50% of their management positions filled by women, with 6 out of 12 reaching over 40%.

In Ingka Group, 50% of managers and 48% of CEOs identified as women in FY23, an increase from 45% in FY22.

We are working to expand our view on how to measure dimensions of diversity, including gender. Read more about our diversity data in the [Inter IKEA Holding B.V. Annual Report for FY23](#).

Inter IKEA Group	% Co-workers	% Managers	% Management team	% Supervisory board
Inter IKEA Holding			40  60	33  67
Franchise <sup>3</sup>	52  48	44  56	67  33	
Range	55  45	46  54	55  45	
Supply	43  57	34  66	58  42	

<sup>1</sup> Persons of all gender identities refer to women, men, persons of non-binary gender identities, and persons with different gender expressions.

<sup>2</sup> Figures for Al-Homaizi are inclusive of in-sourced support functions.

<sup>3</sup> Including IKEA Älmhult and Inter IKEA Group functions.

→ **Steps taken across many IKEA organisations to improve gender balance and other aspects of diversity**

During FY23, the franchisee Ingka Group focused on three strategic priorities: gender, ethnicity, and disabilities. Ingka successfully piloted a new programme called "Equal UP!", which aims to identify and address barriers to equal opportunities for people from underrepresented ethnic and cultural backgrounds. Ingka also created an approach to global disability inclusion – building competencies, accountability, and leadership – while continuing their efforts on inclusive succession planning; 55% of those in the talent pipeline for key positions identify as women and 50% of the people in Ingka leadership programmes identify as women.

The franchisee, Al Futtaim, which operates in Dubai, Abu Dhabi, Oman and Egypt, has a commitment to increase the ratio of people identifying as women to 35% by 2025. Next year, targets will be set for departments to influence change in various areas of the business. Additionally, a community of women in leadership will be established to support women's empowerment.

Sarton Group, the franchisee operating in the Spanish Islands, Dominican Republic and Puerto Rico, has implemented workplace and sexual harassment protocols in all locations



and gender and domestic violence protocols in the Dominican Republic and Puerto Rico, taking greater responsibilities beyond the workplace. In the Dominican Republic, Sarton has been working together with the Ministry of Women and the United Nations Development Programme (UNDP) towards an equality seal.

With operations in Singapore, Thailand, Malaysia, the Philippines and Mexico, the franchisee, IKANO has taken important steps to support the LGBTQ+ community in both Thailand and the Philippines. IKEA Thailand celebrated Pride Month by co-hosting a public seminar on how to prevent LGBTQ+ discrimination and harassment in the workplace.

An IKEA Philippines' campaign for LGBTQ+ inclusion was awarded bronze at the Asia Pacific Tambuli Awards 2023, which recognises purpose-driven brands.

Inter IKEA Holding B.V. and Inter IKEA Systems B.V. have set a minimum target of at least 40% for the least represented gender (male or female) in their respective Management Boards and Supervisory Boards by the end of 2030. Inter IKEA Group aims to have equal representation (50%) of females and males in management teams by the end of 2030. An action plan has been prepared to reach the goals and develop a gender-balanced, long-term succession pipeline.

→ **Gender balance in the trucking industry**

In FY23, efforts were made to promote gender balance in the transport and logistics industry, particularly in India, where there is a significant shortage of truck drivers. Almost 25% of commercial vehicles remain unused due to this shortage.

In India, IKEA Supply Chain Operations partnered with Ashok Leyland, a leading truck manufacturer, and – using their database – identified six women from Northern India, who had already trained to drive heavy vehicles, to participate in further training at Ashok Leyland's Rajasthan facility. In May 2023, they relocated to the city of Pune to become our first-ever women truck drivers at an IKEA distribution centre.

The plan is to expand this model to continue diversifying the truck driving industry in India.

## → **Internship to expand the diversity of engineers in Sweden**

The IKEA business is participating in the Jobbsprånget internship programme, an initiative by the Swedish Royal Academy of Engineering Sciences. The aim of the initiative is to support academics new to Sweden who find it challenging to enter the Swedish job market. During the pilot, we were able to employ talented, highly motivated and experienced engineers from other cultures and markets. As of FY23, over 100 interns have found employment through the programme, with more than 50 in the IKEA business.

## → **New UNHCR pledge**

At the UNHCR Global Refugee Forum in December 2023, Ingka Group made a new commitment to support 3,000 refugees and asylum seekers by the end of 2027 through their Skills for Employment programme in IKEA retail. Surpassing its 2019 commitment to support 2,500 people by 2023, the programme has supported 2,935 asylum seekers and refugees to date, with 54% going on to find jobs inside or outside IKEA. Additionally, since 2022, the company has directly hired 332 forcibly displaced people through its Displaced Talent programme.

## → **IKEA Social Entrepreneurship**

In FY23, IKEA Social Entrepreneurship had a total of 12 social business partners producing products sold at IKEA stores. Through these partnerships the IKEA business can support people from vulnerable groups around the world in finding employment and a steady income. The number of people employed at social business partners producing IKEA products in FY23 grew to 11,200. Over 6,000 of these are from our newest social business partner, Karupannya. In total, over 20,000 jobs and income opportunities were sustained by our social business partners in FY23, producing products for IKEA and other businesses.

Our partnership with Jordan River Foundation (JRF) has developed over five years, stabilising and growing over time. As of FY23, over 370 refugee women and Jordanian artisans are producing handcrafted products for IKEA stores.

At the UNHCR Global Refugee Forum in December 2023, we renewed our commitment to employ 400 women at JRF by 2027.

We continued to launch products that sell globally, year-round, to increase volumes and create consistency in production and income security at social businesses.

To continue to play our full part in contributing to a fair and equal society we provide ongoing support for social entrepreneurs in and beyond our value chain.

In FY23, IKEA Social Entrepreneurship B.V supported 95 social enterprises in 23 countries around the world through a combination of impact investment and capacity-building accelerator programmes. Two funds were newly established: one for supporting refugee and migrant employment in Poland and Romania, the other providing capital for social enterprises in the waste sector in India. With a focus on circularity, inclusive employment and sustainable agriculture, five accelerator programmes supported 80 social enterprises to strengthen their business and increase their impact for people from vulnerable and marginalised groups. Read more examples from [IKEA Social Entrepreneurship](#).



*The latest global collection created together with social businesses was launched in FY23 and had an increase in sales of over 35% compared to last year's global collection, VÄRDANDE.*

# IWAY – the IKEA supplier code of conduct



**IWAY is the IKEA way of responsibly procuring products, services, materials and components. It's a complete sustainability system for working together with all suppliers throughout our value chain. It's also the IKEA supplier code of conduct and a development programme for supplier sustainability practices.**

In FY23, we continued the implementation of the IWAY Digital Platform Work Section 6.0 among suppliers who rely on digital platforms to provide services for the IKEA business. These

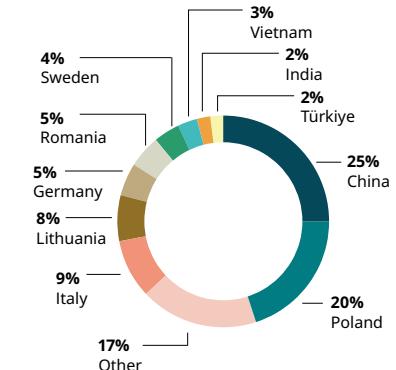
services typically include customer delivery and installation with workers who often function independently and don't maintain an employment relationship with the suppliers or digital platforms. One challenge in such instances is implementing requirements for systems to register working hours.

During the year, to support suppliers implementing IWAY, we offered more than 1,000 implementation activities. These include capacity-building and training on topics like internal auditing, health and safety and responsible recruitment. [Read more about how we work with IWAY.](#)

While IWAY has a focus on supporting our suppliers with their continuous development journey, compliance with mandatory IWAY requirements remains the foundation of our partnerships with suppliers. In FY23, more than 1,000 verification activities were performed in the Inter IKEA Group supply chain. They include gap assessments for new suppliers and full or focused audits for existing suppliers. Following the pandemic, audits are back on track, with remote audits being just one of the types of verification activities. [Read more about IWAY audits.](#)

The IWAY System is continuously developed and improved to maintain relevance. During FY23, we launched new IWAY requirements for ocean transport service providers, strengthening requirements on decent work for seafarers working on vessels and ships in the IKEA value chain ([page 49](#)). In addition, we have started work to strengthen the IWAY Animal Welfare Section with additional criteria addressing animal welfare in all IKEA supply chains ([page 40](#)). We also started developing requirements for agriculture supply chains, strengthening our responsible sourcing in both environmental and social aspects. In parallel we started to develop the roadmap for supply chain compliance with mandatory requirements in the upcoming IWAY Agriculture Section.

**Top home furnishing purchasing markets**  
(% of total volumes purchased)



*In total, we have around 800 home furnishings suppliers for Inter IKEA Group. The largest home furnishing purchasing region in terms of volumes is Europe.<sup>1</sup> We believe in building long-term relationships with our suppliers and emphasise supplier development. The average length of collaboration with our home furnishing suppliers is 11 years. We take efforts to understand specific local contexts and take a consistent and risk-based approach to securing good social, environmental and working conditions.*

<sup>1</sup> The purchasing share for EU in value is 64%.

## → Competence development a focus of collaboration with our suppliers

Competence development is one of the key components of the IWAY implementation support to suppliers. All IKEA suppliers perform internal audits to assess compliance with IWAY requirements at least once a year. Having an internal verification process and system in place enables the suppliers to proactively address deviations, as well as develop knowledge and understanding of the IWAY requirements and their implementation in their organisation. Supplier-led IWAY audits do not replace IWAY audits performed by IKEA teams or third-party auditors.

During FY23, regional teams of IKEA co-workers supported 22 suppliers implementing supplier-led verification activities. Supporting and strengthening their ability to self-manage, the IWAY system builds competences and enhanced outcomes and leads to discussion on sustainability topics between IKEA co-workers and suppliers.

## → Verifying no child labour at suppliers

During the IWAY audits and verification activities performed in FY23, no suspected or confirmed cases of child labour were identified. We closely monitor for this at all our suppliers and are continuing to work to prevent and address children's rights risks deeper in supply chains ([page 48](#)).

## → Non-conformities in working hours registration, accident insurance and the responsible recruitment of migrant workers discovered during audits

During IWAY audits performed at suppliers in FY23, the most commonly identified non-conformities to IWAY Must requirements were connected to the following issues:

- Insufficient systems for registering working hours, including overtime, were found at 13 suppliers.
- Non-compliance to the accident insurance requirement was identified at seven suppliers. The accident insurance requirement was strengthened in IWAY 6 and now includes occupational illnesses. Including occupational illnesses is new in some regions and has led to non-conformities, despite implementation support to suppliers.
- We identified cases of non-conformity on responsible recruitment of migrant workers at three suppliers. Securing compliance with IWAY requirements on responsible recruitment of migrant workers is an important area that we are working on in all markets where we operate.

As with all IWAY deviations, we take these issues very seriously and are following the IWAY process of identifying root causes, securing that suppliers implement corrective actions, and phasing out suppliers who don't address the issues in a reliable and consistent way. During FY23, we ended our partnership with seven suppliers due to IWAY non-compliance.

## Inter IKEA Group suppliers and service providers actively working with IWAY<sup>1</sup>

IKEA supplier type <sup>2</sup>	Number of production and service units <sup>3</sup> FY23	Description	IWAY Basic requirements fulfilled (% of all suppliers)			
			FY20	FY21	FY22	FY23
Home furnishing suppliers	1,383	Manufacture IKEA home furnishing products	95	99	99	99.8
Transport and distribution suppliers (often referred to as partners and service providers) <sup>4</sup>	395	Transport IKEA products from suppliers to, and between stores and distribution centres	94	97	99	99.8
Food suppliers	441	Provide the food and ingredients for the IKEA bistros, restaurants, and Swedish Food Markets	99	99	99	99.9
IKEA Components	1,215	Provide components and materials used in IKEA home furnishing products to IKEA suppliers and sub-contractors	95	98	99	99.9
IKEA global media productions	32	Provide pulp, paper, and print services for global media productions <sup>5</sup>	93	94	95	99.5
Critical sub-contractors	4,995	Critical home furnishing sub-contractors where compliance towards IWAY Must has been verified	95	80 <sup>6</sup>	89	71 <sup>7</sup>

<sup>1</sup> To create one competence centre for purchasing the supply of raw materials and components, as of 1 September 2021, the purchase of direct material for IKEA owned factories of IKEA Industry is led from IKEA Components.

<sup>2</sup> The table does not include local suppliers to IKEA franchisees.

<sup>3</sup> Some suppliers and service providers have multiple production and service units. IWAY applies on a unit level.

<sup>4</sup> No air freight is used for our product transport.

<sup>5</sup> This figure doesn't include digital suppliers.

<sup>6</sup> The FY21 result is lower compared to FY20 due to the impact of the COVID-19 pandemic on audits at sub-contractors, where many verification activities were reduced or put on hold due to worldwide travel restrictions.

<sup>7</sup> The FY23 result is lower compared to FY22 as a number of verifications have recently expired and are in the process of being reviewed.

# Stakeholder engagement

An essential part of reaching the IKEA sustainability goals is working together with others. It's important to develop strong and meaningful relationships. When we work together, we can drive and support change, learn, inspire each other and find the best solutions. Our key stakeholder groups are:

- **Co-workers:** The 219,000 IKEA co-workers from around the world share a special set of values and a vision to enable people to live a better, more sustainable everyday life. They come together in diverse, inclusive and open IKEA environments, where each can offer something unique. Every co-worker plays a role in creating a better business.
- **Communities:** We engage in the communities where we operate to learn and share ideas while working collaboratively to create positive impacts on the environment, livelihoods and local economies.
- **Suppliers and partners:** Working with over 1,600 direct suppliers and service providers in the areas of transport, logistics and distribution services, components, and food to minimise the environmental footprint of the total IKEA supply chain and beyond, while improving working conditions. There are millions of workers who
  - through our suppliers and service providers
  - source, make and transport our products and

components, provide food for our restaurants and supply essential services to IKEA companies.

- **Customers:** In order to live up to the IKEA vision of creating a better everyday life for the many people, we need to understand the needs of our customers. The IKEA business engages with customers in many ways, such as in stores, online, by visiting them at home and via IKEA FAMILY. Each year, IKEA co-workers conduct thousands of home visits around the world. The data and insights collected are used in the development of IKEA products and services. Since 2016, we've also conducted an annual global survey about life at home around the world.<sup>1</sup> The results are published in the Life at Home Report.
- **Partners and collaborators:** The IKEA business partners and collaborates with many external organisations that are committed to tackling large and complex global sustainability challenges that both impact and are impacted by the IKEA business. Our partners and collaborators include businesses, governments, universities and NGOs.

Below is a select list of partners and collaborators we worked with during FY23. Read more about [IKEA stakeholder engagement](#).

- Business for Nature
- Business for Social Responsibility (BSR)
- The Centre for Child Rights and Business
- Climate and Clean Air Coalition (CCAC)
- Consumers Goods Forum (CGF)
- Ellen MacArthur Foundation (EMF)
- EuroCommerce
- European Furniture Industries Confederation (EFIC)
- Exponential Roadmap Initiative (ERI)
- GlobeScan
- ILO Child Labour Platform
- Inner Development Goals
- Institute for Human Rights and Business (IHRB)
- International Chamber of Commerce (ICC)
- International Organization for Migration (IOM)
- International Social and Environmental Accreditation and Labelling (ISEAL) Alliance
- Leadership Group for Responsible Recruitment (LGRR)
- Nordic Business Network for Human Rights (NBNHR)
- Nordic Innovation Ethical AI Expert Group
- One Young World
- Our Normal
- Real Play Coalition<sup>2</sup>
- Science Based Targets initiative (SBTi)
- Science Based Targets Network (SBTN)
- Stockholm Environment Institute (SEI)
- The Climate Group and its EV100, EV100+ and RE100 initiatives
- The 10 YFP/One Planet Network
- UNFCCC, including Race to Zero
- UN Global Compact
- UNICEF
- World Business Council for Sustainable Development (WBCSD)
- World Economic Forum
- We Mean Business Coalition
- World Resources Institute (WRI)
- WWF
- 50L Home Coalition

<sup>1</sup> Through Ingka Group.

<sup>2</sup> This is an Ingka Group initiative.

# Sustainability governance

Sustainability is an integrated part of our business and is led from a holistic perspective with an aligned overall direction. Each part of the IKEA business contributes to the total IKEA sustainability agenda.

## Strategic Sustainability Council

The total IKEA sustainability direction (ambitions and commitments) is set by the Strategic Sustainability Council, hosted and led by Inter IKEA Systems B.V., chaired by the CEO of Inter IKEA Group. It's comprised of representatives from Inter IKEA Group and the franchisees to ensure alignment across the IKEA franchise system while respecting their independence.

Sustainability working groups, with experts from Inter IKEA Group and franchisees, discuss and align strategic initiatives to fulfil the IKEA sustainability strategy.

## Inter IKEA Group sustainability management

Inter IKEA Group sustainability management is responsible for aligning and 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.

### Ethics and integrity

The IKEA way of doing business is strongly rooted in the IKEA values and culture – which is reflected in our actions, decisions and behaviours. This behavioural part is reflected in how we do business and how we interact with each other, our business partners and customers. The IKEA business requirements cover a wide range of topics, including business ethics. Important documents covering business requirements are:

- [Code of conduct: for Inter IKEA Group co-workers](#)
- [IConduct: for IKEA franchisees](#)
- [IWAY: for IKEA suppliers and service providers](#)

The Inter IKEA Group Code of Conduct, introduced in 2016, is undergoing a revision and is expected to launch in FY24. It will be accompanied by wider communication on ethics. The objective is to foster an ethical workplace and to stimulate dialogue on ethical dilemmas.

### Raising a concern

The IKEA business promotes a culture of inclusiveness, and everyone is encouraged and should feel empowered to come forward and raise any concerns they might have. Inter IKEA Group offers different options to raise concerns via our feedback culture, either by addressing the situation to the person directly, with a manager or a People & Culture colleague, or through the Raise a Concern platform.

- [Read more about the Inter IKEA Group Raise a Concern environment.](#)

In FY23, 129 concerns related to Inter IKEA Group were reported. The majority of the concerns were reported in the supply operations, which have the most co-workers. Most cases reported concerned either HR or business ethics related topics (e.g., harassment, discrimination, leadership behaviour, conflict of interest and bribery). 82% of the concerns raised were found to be (partly) substantiated, leading to different disciplinary actions and process improvements.

Inter IKEA Group is committed to operating a sustainable business with respect for human rights and ensuring fair and safe working conditions in our value chain. Our supplier code of conduct, IWAY, explains our expectations towards our business partners thereon. One of the requirements in IWAY is that our business partners should have a grievance mechanism in place for their workers.

In FY23, Inter IKEA Group continued exploring the possibilities for setting up a grievance mechanism for the IKEA value chain so that workers can also reach out to the IKEA business to raise a concern as last resort. We aim to fulfil our commitments to engage stakeholders and provide the means by which people can bring serious non-compliance issues with IWAY to our attention. A pilot is expected to start in FY24 in three selected markets to study how to best communicate and operate the grievance mechanism.

The IKEA Sustainability Report and the Climate Report summarise the combined performance of companies operating within the IKEA franchise system and/or in the IKEA value chain. These reports do not address any formal reporting requirement that may be applicable to companies covered in the report. Inter IKEA Group will report under the EU Corporate Sustainability Reporting Directive when applicable in FY26, for which preparations are ongoing.

### Read more

For tax and financial compliance-related reporting, please refer to company-specific reports. Inter IKEA Group publishes its reports on [Inter.IKEA.com](#).

IKEA franchisees often issue their own reports, which may include both the IKEA business and other businesses. Please refer to these reports for more detailed information about each franchisee.

# SDG index

The United Nations Sustainable Development Goals (SDGs) provide a framework for collective action to tackle global issues, such as poverty, gender equality and climate change. 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. The SDGs have been used as one of the key inputs when the People & Planet Positive strategy and the ambitions for 2030 were developed. In FY24, we will review how we contribute to the SDGs and report on the outcomes of our work.

In this table, we summarise how the IKEA business, through its strategy, contributes to the SDGs.

Sustainable Development Goals	Influence through our strategy	Sustainable Development Goals	Influence through our strategy
 <b>1. No poverty</b>	Fair & equal	 <b>10. Reduced inequalities</b>	Fair & equal <a href="#">IWAY</a>
 <b>2. Zero hunger</b>	<a href="#">Healthy &amp; sustainable living</a> <a href="#">Regenerating resources</a>	 <b>11. Sustainable cities &amp; communities</b>	<a href="#">Healthy &amp; sustainable living</a> <a href="#">IWAY</a>
 <b>3. Good health &amp; well-being</b>	<a href="#">Healthy &amp; sustainable living</a>	 <b>12. Responsible consumption &amp; production</b>	<a href="#">Healthy &amp; sustainable living</a> <a href="#">Our circularity agenda</a> <a href="#">Regenerating resources</a> <a href="#">IWAY</a>
 <b>4. Quality education</b>	Fair & equal	 <b>13. Climate action</b>	<a href="#">Our climate agenda</a> <a href="#">IWAY</a>
 <b>5. Gender equality</b>	Fair & equal	 <b>14. Life below water</b>	<a href="#">Regenerating resources</a>
 <b>6. Clean water &amp; sanitation</b>	<a href="#">Healthy &amp; sustainable living</a> <a href="#">Regenerating resources</a>	 <b>15. Life on land</b>	<a href="#">Regenerating resources</a>
 <b>7. Affordable &amp; clean energy</b>	<a href="#">Healthy &amp; sustainable living</a> <a href="#">Our climate agenda</a>	 <b>16. Peace, justice and strong institutions</b>	Fair & equal
 <b>8. Decent work &amp; economic growth</b>	Fair & equal <a href="#">IWAY</a>	 <b>17. Partnerships for the goals</b>	<a href="#">Our circularity agenda</a> <a href="#">Regenerating resources</a> <a href="#">Our climate agenda</a> Fair & equal
 <b>9. Industry, innovation and infrastructure</b>	<a href="#">Our circularity agenda</a> <a href="#">Our climate agenda</a>		