



Inter IKEA

Sustainability

Summary

Report

FY17



Contents

Introduction

- Introduction **3**
- IKEA Business and Inter IKEA in FY17 **4**
- Sustainability achievements and challenges in FY17 **5**
- A message from Torbjörn **7**
- A message from Lena **8**
- This is IKEA **9**
- About this report **10**

Healthy and sustainable living

- Developing a healthier and more sustainable range **12**
- Healthy and sustainable food **13**
- A circular offer **14**
- co-createIKEA **15**
- Putting safety first **15**

Energy and resources

- The IKEA approach to becoming a circular business **17**
- Tackling climate change **17**
- Responsible sourcing **18**
- Supplier and product development **25**
- Water **27**
- Climate footprint **28**
- Waste **32**

People and communities

- Respecting and supporting human rights **34**
- Fair wages **34**
- IWAY – the IKEA supplier code of conduct programme **35**
- Supporting migrant workers in the supply chain **37**
- Smallholders and home-based workers **37**
- Social entrepreneurs **38**
- Upholding children's rights and supporting opportunities for young people **39**
- Partnering with communities for positive change **40**
- Co-worker health, safety and wellbeing at IKEA Industry **41**
- IKEA co-workers **42**

Governance and ethics

- Sustainability governance and management **43**
- Business ethics **44**

Indices and performance

- Contributing to the Sustainable Development Goals **45**
- Performance against People & Planet Positive targets FY17-FY20 **47**

The financial year 2017 of the Inter IKEA Group refers to the period between 1 September 2016 and 31 August 2017. Inter IKEA Group is defined as Inter IKEA Holding B.V. and its controlled entities.



**We can and will
always work to have
a positive impact**

The IKEA business¹ has come a long way since its foundation in the 1940s in the rugged landscape of Småland, southern Sweden. It's the story of a brand that has enabled millions of people to create a better everyday life. Today, the IKEA Brand is well known around the world.

Almost 200,000 people work for different IKEA companies, and around one million people are employed by IKEA suppliers. The IKEA business is operated through a franchise system. Together with customers, co-workers, franchisees and other partners, we want to be a good example of how much you can achieve by working together and trying to be a force for good.

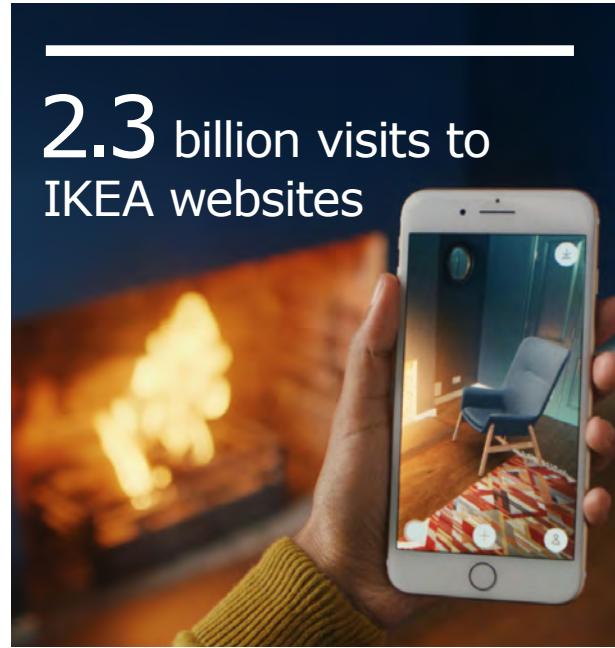
The IKEA vision and values guide us in how we work across the IKEA business. That includes caring for people and the planet. Making more from less and finding new, creative ways to deal with limited resources are part of the IKEA way of working. Today, this is more important than ever as the world faces huge challenges such as climate change, increasing inequality and unsustainable consumption.

¹ The IKEA business refers to all companies that operate under the IKEA trademark.

The IKEA business in FY17²



403
IKEA stores in
49 countries³



2.3 billion visits to
IKEA websites



194,000
co-workers

14 new IKEA stores
worldwide

EUR 38.3 billion
IKEA retail sales⁴

Inter IKEA Group in FY17



9,500 products
in the IKEA range



1,000 home
furnishing suppliers
in 51 countries



28,000 co-workers

41% of Inter IKEA
co-workers are women

² Figures are for the financial year that ended 31 August 2017.

³ The IKEA retail business including the IKEA stores are operated by independent franchisees under franchise agreement with Inter IKEA Systems B.V. (part of Inter IKEA Group).

⁴ Retail sales exclude consumption tax and include sales of services.

Sustainability achievements and challenges in FY17

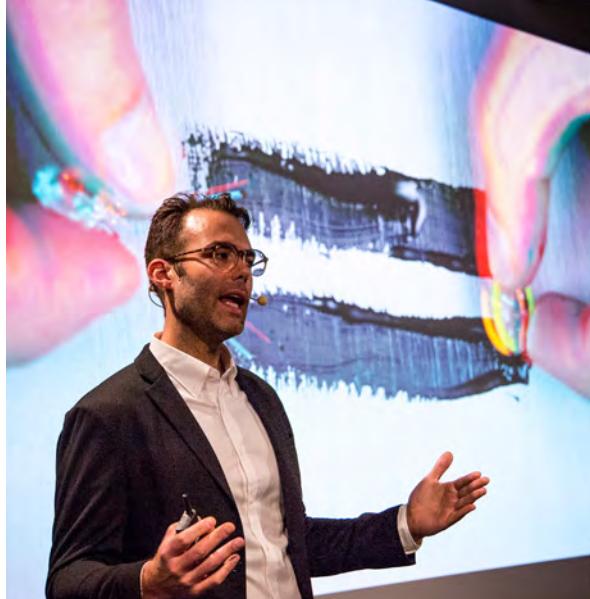
Over 500 different affordable products with functions that enable more sustainable living

- These include affordable solutions for water efficiency, energy efficiency, renewable energy, and waste sorting.
- The RYET LED bulb available for EUR 0.99, making energy efficient lighting affordable for the many people.
- Home Solar available in five IKEA markets.⁵



Ten start-ups in IKEA Bootcamp

- See [page 15](#).



Circular IKEA Business

- Continued the journey by developing the IKEA range and services for customers to extend the lives of their products. See [page 14](#).

Renewable energy

- EUR 7 million invested in renewable energy by IKEA Industry.
- INGKA Holding B.V., the largest group of IKEA franchisees, has 416 wind turbines and 750,000 solar panels on its buildings around the world, generating the equivalent of 73% of the energy it used in FY17.⁵
- We support our suppliers to transition to renewable energy. At least 48 of our suppliers generate over 90% of the energy they use from renewable sources. See [page 29](#).



Food is Precious!

- Prevented over 200,000 kg of food from going to waste – saving over 865 tonnes of carbon emissions. See [page 32](#).

100% of cotton⁶ and 77% of wood⁷ from more sustainable sources

- See [pages 18-22](#).

ISTAD plastic bags made from plastic from renewable sources

- 85% of the raw material comes from the waste that's left over after the sugar cane is processed for the food industry. See [page 26](#).



⁵ See [INGKA Holding B.V. Sustainability Summary Report](#)

⁶ More sustainable sources for cotton include cotton grown to the Better Cotton Standard; by farmers working towards Better Cotton, recycled cotton and more sustainable cotton from the USA (such as the 'e3 Cotton Program').

⁷ More sustainable sources for wood include Forest Stewardship Council™ certified or recycled wood.

Sustainability achievements and challenges in FY17

A workplace empowering people to learn

- The IKEA learning offer "My learning" was improved for use by all 194,000 IKEA co-workers. See [page 42](#).



Supporting vulnerable groups into employment

- Stores in eight IKEA markets launched programmes to get refugees their first work experience in a new country with IKEA.⁸
- Five additional suppliers joined the I Home partnership, which keeps migrant workers with their families. See [page 40](#).
- 19 partnerships with social entrepreneurs. See [pages 37-40](#).



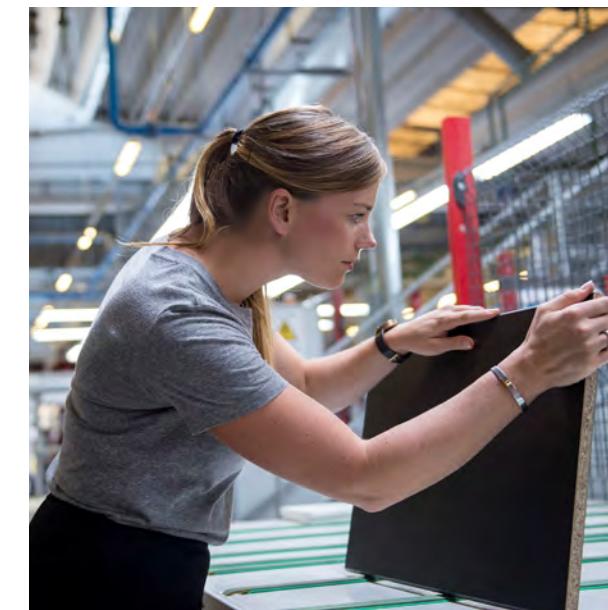
Long-term partnerships with suppliers

- 11 years is the average number of years of partnership with an IKEA Home Furnishing supplier.
- 98% of home furnishing suppliers approved to IWAY, the IKEA supplier code of conduct programme. See [page 35](#).

Examples of challenges

Recycled plastics and materials

- Globally, there are not enough clean recycled materials. This has slowed our transition towards using more recycled materials in products. We will continue to increase our focus on securing recycled plastics and materials in our supply chain going forward.



Fair wages and working conditions

- Decent working conditions are fundamental for good business. And we have come a long way in improving our supply chain using IWAY – our supplier code of conduct. Today, many people are migrating around the world. This increases the risk of unfair employment practices, specifically in certain regions and industries. In response, we are increasing our efforts to define and secure decent work across our supply chain.



Tackling climate change is a challenge we all share

- As a growing business and large user of raw materials, a key challenge for the IKEA business is to reduce greenhouse gas emissions in absolute terms.

⁸ See [INGKA Holding B.V. Sustainability Summary Report](#).



The world is changing, and the IKEA business is changing with it. But one thing will always remain the same: our vision to create a better everyday life for the many people.

This vision guides us every day. Around the world, we continue our efforts to inspire people with affordable and sustainable products and solutions. And we aspire to create a positive impact on people, society and the planet. To make these ambitions a reality, the IKEA business will continue to develop and grow.

Growth for us means expanding our vision to even more of the many people. We will only be successful when we succeed to create a better world, which is why sustainability is a key focus for the IKEA business. Along with affordability and accessibility, sustainability is one of our main priorities under the IKEA direction for the future.

Today the IKEA range is more affordable and sustainable than ever before. I am convinced that sustainability and good design can be affordable for the many. In FY17, we introduced the RYET LED bulb in most markets at a price of around one euro, enabling more people to save energy and money. This is an important achievement, and it's vital that we continue to make our products more affordable as we expand and enable people to live a more sustainable life.

We continue to develop partnerships beyond the IKEA business. Our aim is to co-create solutions to society's challenges with those who share our values and ambitions. We want to be clear and outspoken about our point of view on challenges that are important to people, and lead by example to influence change.

One example is our social entrepreneurship programme, where we partner with social enterprises to develop limited edition products and collections. These collaborations provide employment for people in underprivileged communities close to the IKEA value chain. It's one way we contribute to lasting change for the many people together with IKEA customers.

The IKEA business is operated through a franchise system. It was simplified and improved when the range, supply and production activities were transferred to Inter IKEA Group and brought closer to the IKEA franchisor. FY17 was the first year we worked together in the new structure. This new set-up will help us to clarify and consolidate our sustainability ambitions across the whole IKEA franchise system and value chain. We are many companies united under one brand and with a common and strong sustainability agenda.

In 2018, we will introduce the next big steps for the IKEA business: focusing on inspiring healthy and sustainable living for the many people, transforming the way we work to become circular and climate positive, and promoting a fair and equal world for the many people we impact across the value chain. Transforming into a circular business is one of our biggest ambitions and opportunities for the future.

We are just at the beginning, and most things remain to be done. But I am optimistic and excited about the future, and we will continue to work together throughout the IKEA value chain. We will do this together with our co-workers, partners and customers, and step by step we will contribute to making the world a better place to live in.

Torbjörn Lööf
CEO, Inter IKEA Group



IKEA is a global brand with many co-workers and businesses around the world. With our creativity, innovation, knowledge in life at home and shared values, we have a great and unique opportunity to be a good example for positive change in society.

Over the years we have come a long way towards transforming the IKEA business to become more sustainable. The world is rapidly changing but we remain optimistic about the future and we are as committed as ever to creating a better everyday life for the many people and to being People & Planet Positive.

Our aim is to create real change, always guided by the IKEA vision and values to care for people and the planet. Our approach is to lead with facts and always challenge old truths. We work long-term as many of the positive changes we want to see will take time.

Forestry is one example of the way we work. Our commitment, to source 100% of the wood we use from more sustainable materials (FSC and recycled sources) requires a transformation not only of the IKEA business, but also across the entire industry. The IKEA forestry teams must increase the availability of certified wood – there simply isn't enough. In FY17, 77% of the wood sourced for use in IKEA products came from sources defined as more sustainable. It's a big step because forestry is so vital to the IKEA business.

But beyond wood products, every one of the 9,500 IKEA products is developed through our Democratic Design approach where sustainability is a key dimension. Together with IKEA franchisees, we are focusing not only on ensuring that we

source sustainable materials, but also that we consider products throughout their lifecycle. Our ambition is to become a circular business. We have just started this journey, but we're making progress that you can already see in the IKEA product range. The KUNGBACKA kitchen cabinet doors, for example, are made from recycled plastic and recycled wood. It's a huge achievement, especially in kitchens where the products are made from multiple materials that must be clean, tough and long lasting – we guarantee our kitchen cabinets for 25 years.

While our choice of materials and how we design and create products are crucial, people are at the heart of everything we do. To reach our goals we must work together, nurturing a culture of innovation, collaboration and an entrepreneurial spirit across the value chain. We must also be fair and inclusive, continuing to create responsible supply chains with fair wages, good working practices, ethical recruitment of migrant workers, supporting craft workers and providing opportunities for smallholders and social entrepreneurs.

I'm extremely proud of our work within the handmade carpets industry in India, for example. Together with our suppliers we have created a whole new industry set-up employing 850 women: that's 850 more women empowered by decent work.

Only by challenging ourselves and setting ambitions and commitments that are larger than what we can achieve alone will we create an even bigger positive impact. The updated IKEA sustainability strategy, which will be communicated during 2018, is created to do just that: with new ambitions, guided by the UN's Sustainable Development Goals, that push us and enable us to prepare for the world of 2030 and beyond. And by working with others, I'm confident that together we will create a positive impact.

Lena Pripp-Kovac
Sustainability Manager,
IKEA Range & Supply, Inter IKEA Group

This is IKEA

IKEA: one brand – many companies

The IKEA business is operated through a franchise system. That means many companies with different owners work under the IKEA trademark. All work towards the shared IKEA vision – to create a better everyday life for the many people – which guides every decision.

The IKEA business idea is to offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them. The IKEA retail business is operated by independent franchisees under franchise agreement with Inter IKEA Systems B.V. (see simplified overview). Through the IKEA business and together with IKEA franchisees, we can make sustainable solutions affordable to the many people.

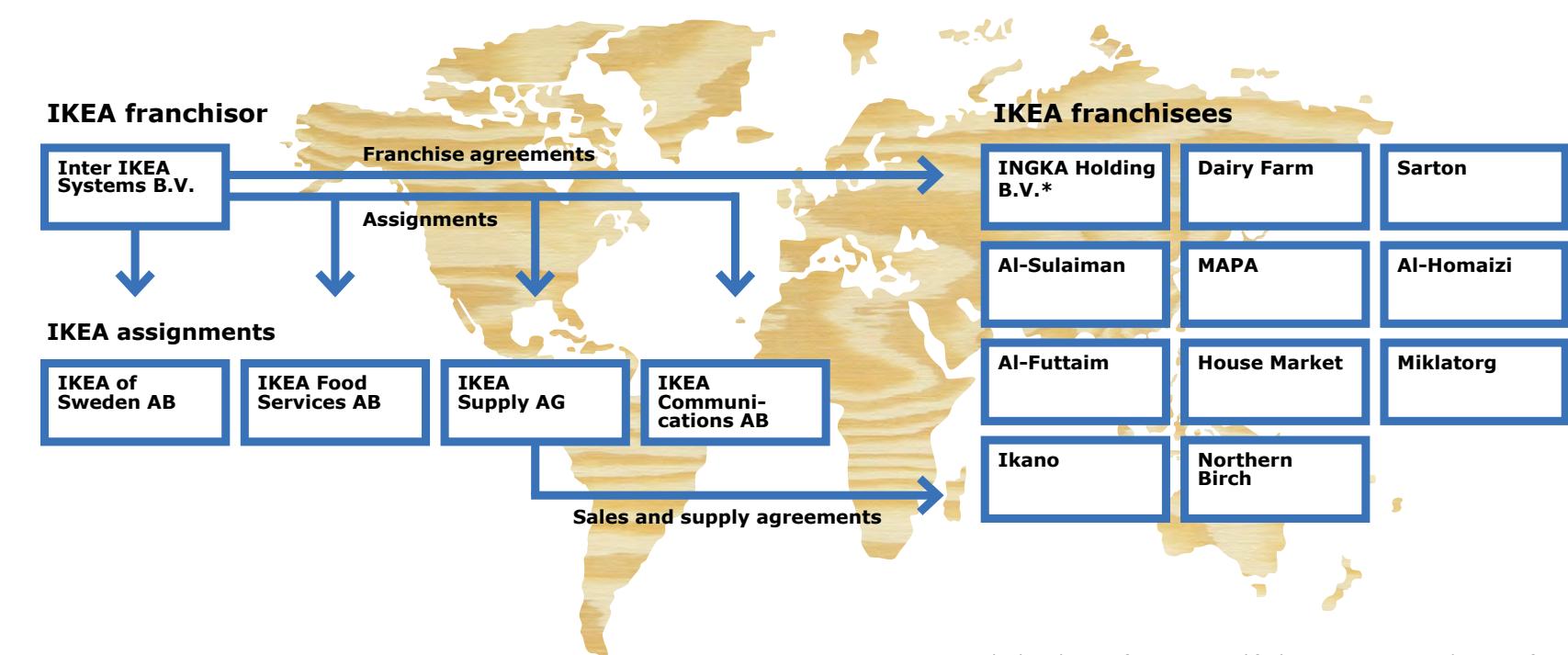
Inter IKEA Group

The overall purpose of Inter IKEA Group is to secure continuous improvement, development, expansion, innovation and a long life for the IKEA Concept. Inter IKEA is composed of three core businesses:

- **Franchising** – Inter IKEA Systems B.V. is the worldwide IKEA franchisor and owner of the IKEA Concept. The day-to-day retail business is run by 11 independent groups of franchisees. Inter IKEA Systems B.V. is responsible for providing franchisees with the best possible conditions for implementing and operating the IKEA Concept, and to creating a strong platform for sustainable growth.
- **Developing and supplying the IKEA range** – IKEA Range & Supply is responsible for designing and supplying the global IKEA range. This means working throughout the whole value chain – from supplier to customer. IKEA Range & Supply includes: IKEA of Sweden AB, IKEA Communications AB, IKEA Food Services AB, IKEA Supply AG and related businesses. All work under assignment from Inter IKEA Systems B.V.
- **Production** – IKEA Industry manufactures IKEA home furnishing products and produces approximately 10-12% of the total IKEA range, with its main focus on furniture. It is the largest producer of wooden furniture in the world.

Find out more at www.inter-ikea.com, and see page 43 for more on sustainability governance and Inter IKEA Group.

The IKEA® franchise system a simplified overview



The list above refers, in a simplified way, to companies/groups of companies operating IKEA retail businesses in one or more markets. The listed names do not represent the legal company name of the franchisee companies that have entered into franchise agreements with Inter IKEA Systems B.V.

*INGKA Holding B.V. refers to INGKA Holding B.V. and its controlled entities.

About this report

This is the first sustainability report of Inter IKEA Group. It summarises performance during FY17 covering the IKEA product and food range, supply, production and franchising. To clarify roles and improve the franchise system, IKEA range, supply and production activities were transferred to Inter IKEA Group from INGKA Holding B.V. on 31 August 2016. INGKA Holding B.V. is the largest group of IKEA franchisees with 355 stores in 29 markets (in FY17). The commitments made by IKEA Range & Supply and IKEA Industry under the INGKA Holding B.V. ownership have remained applicable during FY17 in the new Inter IKEA Group structure. In previous years, sustainability performance of IKEA Range & Supply and IKEA Industry was reported in the INGKA Holding B.V. sustainability reports. For information on sustainability performance across INGKA Holding B.V., please see the INGKA Holding B.V. Sustainability Summary Report FY17. Find out more at ikea.com.

This report follows the structure of the People & Planet Positive 2020 strategy, which was launched by INGKA Holding B.V. in 2012. It focuses on three drivers of change:

■ Healthy and sustainable living – providing the products, services and inspiration that enable people to live more sustainable and healthy lives.

■ Resources and energy – transforming the IKEA operations to be as resource efficient as possible, generating and using renewable energy, and sourcing the materials for our products responsibly.

■ People and communities – creating a positive impact for the people across the IKEA value chain – from the co-workers in our stores to the cotton farmers we source from and the communities around us.

For an overview of commitments, targets and indicators made in the People and Planet Positive 2020 strategy, see [page 47](#).

The financial year 2017 (FY17) of Inter IKEA Group is from 1 September 2016 to 31 August 2017. Throughout this report, "Inter IKEA Group" is referred to as "Inter IKEA".

For information on the financial performance of Inter IKEA Group in FY17, including taxes, see the [Inter IKEA Group Financial Summary](#).

This is an interim year. During 2018, Inter IKEA Systems B.V. will launch the updated IKEA sustainability strategy – People & Planet Positive - with new ambitions and commitments for the whole franchise system and value chain leading up to 2030.

Data

Inter IKEA Group's reporting and data collection processes involve many internal and external stakeholders. Our climate and energy footprints are calculated in accordance with the GHG Protocol Corporate Standard and respective guidance documents.

We strive to use primary data where possible, and only use secondary data where necessary. Primary data is used for all scope 1 and 2 emissions, 1st tier suppliers and product use footprint. Energy-related information is obtained from real-time meters at each site, invoices or transport providers.

Emission categories of raw materials and food ingredients use footprint factors provided by Quantis using the Ecoinvent database and proxies where lifecycle assessment data is not available.

Reported data may be affected by uncertainties in scientific knowledge or in the contextual data used in calculations, especially for scope 3. We use the most up-to-date emission factors from publicly available sources like the International Energy Agency and DEFRA, and from local electricity and heat suppliers.

We aim to ensure all information and data are relevant, transparent, consistent, accurate and complete, and that they provide an objective picture of Inter IKEA Group operations. The data in this report covers Inter IKEA Group operations. Data for each franchisee is not covered within the scope of this report. Any exclusion is stated in the report.



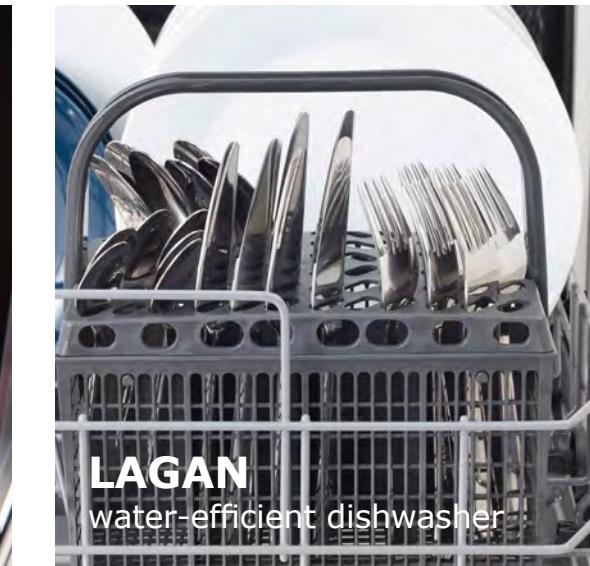
Healthy and sustainable living

Homes and the way people live have a huge impact on health and wellbeing, and on the planet. Households account for one-third of global energy use and one-tenth of water use.

People are already searching for solutions that enable them to live healthier and more sustainable lives, and to conserve resources by prolonging the life of the things they own. At the same time, the world around us is changing. Population growth and urbanisation mean more people are living in smaller spaces with limited access to nature.

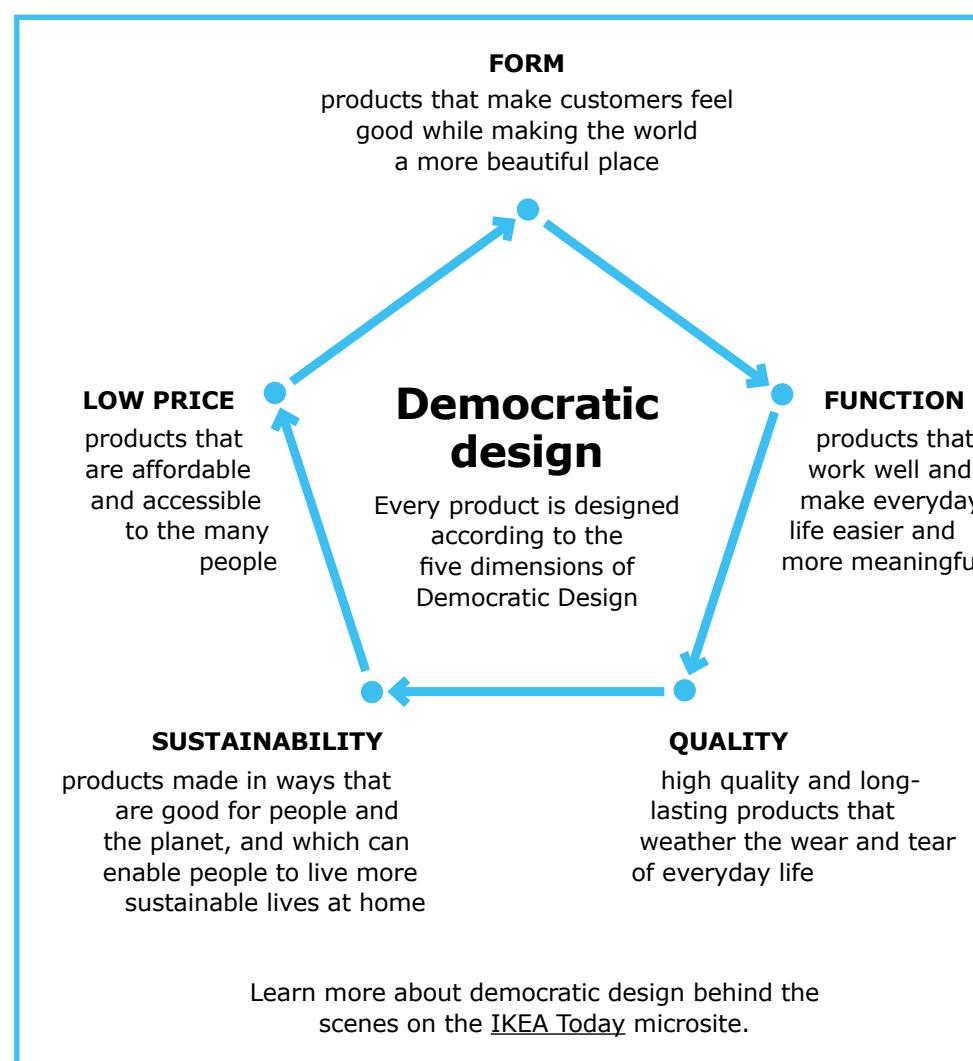
With billions of visitors to IKEA stores and IKEA.com, together we have a huge opportunity to lead by example. Across the global IKEA business there is a lot of knowledge about life at home. This enables us to offer the knowledge, ideas and affordable solutions that make healthy and sustainable living desirable. And by working together with partners across the IKEA business, we will enable and inspire people to become part of a sharing and circular economy.

Developing a healthier and more sustainable range



Around 2,000 new IKEA products are launched every year, contributing to the range of more than 9,500 products. All are designed according to the five dimensions of Democratic Design (see right). This means products have both sustainable functions and built-in sustainability. Read more about how materials are sourced on [page 18](#), and the approach to becoming a resource-efficient and circular business on [page 17](#).

Many IKEA products are also specifically designed to enable people to live healthier and more sustainable lives at home. There are over 500 IKEA products with specific health or sustainability functions. These products focus on improving water and energy efficiency, generating renewable energy, sorting waste and living a healthier life.



Healthy and sustainable living products

The IKEA healthy and sustainable product range enables customers to:

SAVE ENERGY

LED bulbs use up to 85% less energy than traditional incandescent bulbs, and last for up to 20 years. But transformational change will only happen if solutions like LED lighting are accessible to the many people. That's why IKEA LED RYET lightbulbs are available for just €0.99.¹ In FY17, IKEA customers purchased over 91 million LED bulbs. And by only offering LED lighting in the IKEA product range, in FY17 IKEA customers were able to reduce their energy consumption around the globe by 3.3 billion kWh.²

REDUCE AND SORT WASTE

Sorting household waste for recycling means materials like plastic, paper and metal can be turned from waste into a resource. Products like VARIERA bins make waste sorting easy. They're easy to carry, lock in odours and can be customised to fit any space. Enabling all

homes to treat waste as a resource is part of moving towards a circular society.

SAVE WATER

Many IKEA taps combine pressure-compensating aerators and cold-start functions, which save water and energy. And water-efficient dishwashers, like LAGAN, use less water than handwashing, saving time and money. Innovations in water-efficiency will become increasingly important in a water-scarce world.

ACCESS CLEAN AIR

We're looking into many solutions for improving air quality, such as material innovations and green plants. In the home, burning cooking fuels causes air pollution, so we've invested in reducing the price of induction hobs to make them more accessible. And they're more efficient – the affordable TILLREDA portable hob is 40% more energy efficient than conventional hobs.

¹ Prices may vary across markets.

² Assuming that the customer changes one incandescent light bulb to an LED bulb and that it's lit 3h/day for one year.

At Inter IKEA, we want to build on the healthy and sustainability product offer, and together with IKEA franchisees use influence and knowledge of life at home to enable IKEA customers to change their lifestyles. Over the years, a lot of research has been done across the IKEA business into how people live in different markets, such as the IKEA Life at Home report. And a tool is being developed to consolidate this knowledge. By learning more, we can create the products, services and inspiration to make healthy and sustainable living part of the everyday.

Stimulating play for healthy and sustainable living

Every child has the right to play. It's vital to their development, and for a better everyday life at home. In FY17, the third IKEA Play Report was published – investigating what encourages play in both children and adults across different markets. It found that play is used across cultures as a tool to sustain a healthy life, and it encourages creativity and happiness. These findings will support us in our ambition to inspire and enable more playful everyday lives.

Examples of IKEA products that enable children to develop healthy and sustainable behaviours that they can bring into adulthood are:

- **PLUFSIG folding gym mat** is perfect for children to get active and develop their motor and coordination skills. And it neatly folds away when play time is over.
- **DUKTIG soft toy vegetable set** encourages children to develop a positive relationship with healthy and sustainable foods.

DUKTIG
soft toys



PLUFSIG
folding gym mats



Healthy and sustainable food

Food is at the heart of everyday life, and 660 million people experienced the IKEA Food offer in FY17. IKEA Food aims to create a healthier and more sustainable food offer that's both delicious and affordable, and encourages a positive relationship with food. We are making progress towards this ambition, but we acknowledge that many things still remain to be done.

There are many barriers to eating a healthy and sustainable diet – such as cost, convenience, or enjoyment. But eating good food is vital to a healthy life, and it shouldn't be the second-best option or unaffordable for people with thin wallets.

The IKEA Food range follows the principles of Democratic Design (see page 12), and new food products should score highly in all five dimensions. Good food starts with good ingredients, so in FY17 IKEA Food started working with nutrition experts to develop guidance on the ingredients to be encouraged, limited and avoided in food product development. And we will continue to assess the nutritional value of IKEA meals and food products against the Balanced Meal standard.

- **MUNSBIT snacks** (Swedish for small and tasty), our new range of snacks, are a great example of a healthier alternative. These on-the-go treats include fruit and nut snacks, as well as dairy-free fruit and oat smoothies.
- **Veggie balls** are a healthy and sustainable alternative to traditional meat balls. And more plant-based options are being planned for 2018.



MUNSBIT
snacks



PÅTÅR
coffee

IKEA Food works to source the raw ingredients for food from more sustainable sources, using certifications where relevant. Find out more on page 23.

- **PÅTÅR** (Swedish for refill) is a family of organic and UTZ-certified coffee products.
- **IKEA Jams** are all organic.
- **IKEA-branded Chocolate bars** contain UTZ-certified cocoa.
- The **SJÖRAPPORT** series offers a wide range of ASC or MSC certified seafood products.

A circular offer

Transforming IKEA into a “circular” business is a big ambition and challenge for the future. It will impact the business in all aspects: from how products and services are developed, materials sourced, the IKEA supply chain developed and logistics set up to how customers are met.

During FY16 a global piece of research was conducted to find out why customers choose to keep things or throw them away. Functionality and an emotional connection to products are key factors, as well as condition, style, and quality. These findings were used in FY17 to further develop the IKEA circular design principles. All product development teams are being trained on how to implement these principles to fulfil the ambition for every product in the IKEA range to have circular capabilities, such as being designed for easy care, repair and recyclability.



Recovering sofas using the waste hierarchy

All sofas recovered with takeback services are dealt with using the waste hierarchy see [page 32](#). Where possible, sofas are given a second life through resale, with repairs made where necessary. If they’re beyond repair, the aim is to recycle them. Where the infrastructure doesn’t exist, sofas are incinerated and energy is recovered where possible.



It's not waste, it's a resource

That’s the attitude a product development team took with leftover PET bottles and wood. The result? A beautiful new KUNGSBACKA kitchen front, made from recycled materials, launched in FY17.

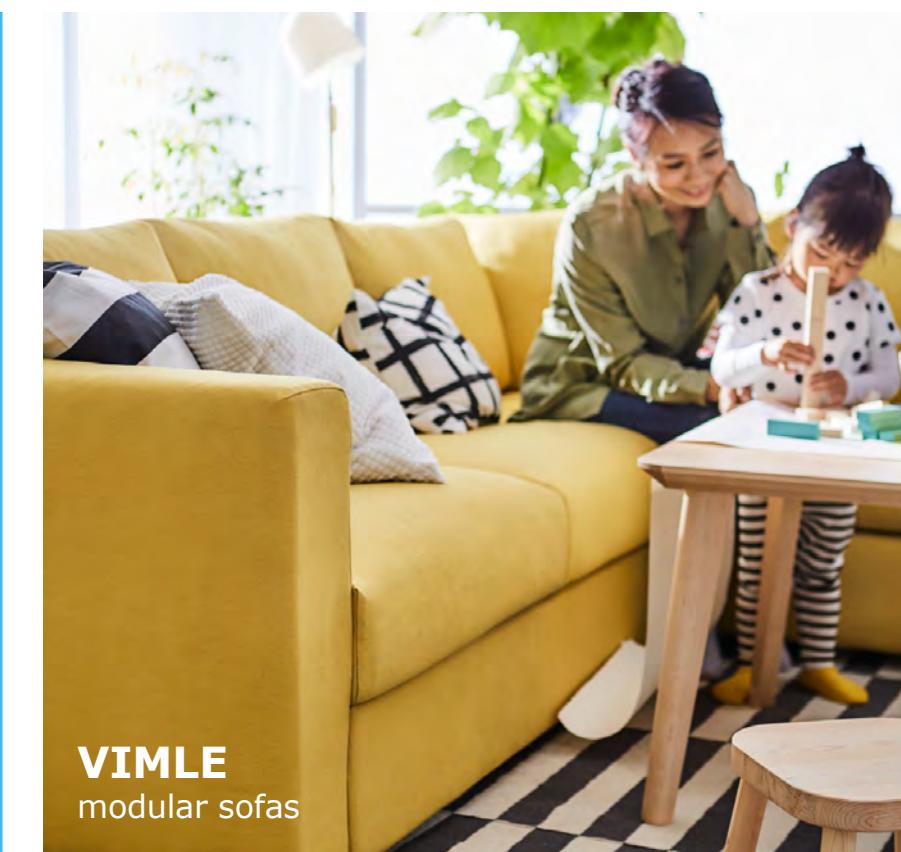
Today, recycled materials are used in many IKEA products. But to make a true transformation and a real impact, recycled materials must be used as any other material in our large volume products. In FY17, we did research to learn how we can further integrate recycled materials into IKEA products.

Services for product repair and recycling

To support IKEA customers to prolong the life of their products, we provide more than a million spare parts for products every year.

Furniture takeback services are offered at a growing number of IKEA stores. For example, at IKEA stores in Japan, customers can sell back their old furniture for resale in store. Within the first six months of launching in FY17, around 1,900 second-hand items were returned and 1,600 were repaired, refurbished and resold. Please see the [INGKA Holding B.V. Sustainability Summary report FY17](#).

Sofa and mattress takeback services are offered in around two-thirds of IKEA retail markets, with more markets to follow in FY18. Delivering takeback services is an ambitious challenge, especially in markets with limited recycling infrastructure. In FY17, markets that have overcome obstacles of limited infrastructure shared their knowledge to help remaining markets roll out takeback services. For example, IKEA Indonesia partnered with the local charity organisation Yayasan Yasmin to deliver takeback services.



VIMLE SOFA
(left) is designed in modules so that configuration can be easily changed to suit changes in the living situations. Parts, including covers, can be exchanged over time.

co-createIKEA

The IKEA business is opening up to be even more inclusive and democratic, including with the way IKEA products and solutions are developed. The aim is to build a global community of co-creators, all working towards the shared vision of creating a better everyday life for the many people. This includes working with innovation labs, start-ups and universities, both online and in physical co-create labs.



co-createIKEA labs

As part of co-createIKEA, pop-up labs will bring together businesses, universities, NGOs and entrepreneurs with the many people, to explore the big problems of affordability, accessibility and sustainability. The labs will move every six to twelve months to the best hot-spots around the world for solving the big problems, drawing on local ideas and solutions.



IKEA Bootcamp

In partnership with Rainmaking, a global cooperative of entrepreneurs, the IKEA Bootcamp programme aims to engage start-up businesses to explore new ways to reach the many people with smart products and services that have a positive impact on people and planet.

At the launch in FY17, there were over 1,200 applications from 86 countries. Ten teams were selected (above) to receive mentoring and workshops from Inter IKEA co-workers. At the end of the programme they pitched their ideas to investors and Inter IKEA co-workers.

Putting safety first

Chemicals

Chemical substances are useful in making many IKEA products – they bring beautiful colours and texture to materials, glue parts together, and can provide a protective layer to make products last longer.

All chemicals used in or for making IKEA products should be safe for customers and co-workers. And our standards often go beyond legal requirements, phasing out chemicals that are suspected of being harmful or causing allergic reactions. For example, we are continuously working to lower levels of formaldehydes in wood-based materials by working with suppliers and sub-suppliers to improve sourcing and production techniques. The aim is that formaldehyde emission levels in IKEA wood-based products will be reduced to the same level as natural wood.

The IKEA Chemical Strategy is updated regularly to reflect changing demands and new evidence on the hazards of different chemicals. Based on the strategy, our aim is to create safe and healthy products through five strategic objectives:

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

IKEA product safety

Product safety is a top priority. Risk assessments are conducted throughout the IKEA product design and production processes. Product testing processes ensure compliance with all relevant IKEA requirements, which in many cases exceed legislation. And action is taken to correct problems with any products that don't live up to high safety standards. If we find an immediate safety risk for IKEA customers we will act with our strongest tool – to recall the product. We will not hesitate to take such action – the safety of customers simply comes first.

Tragically, tip-over accidents are an industry-wide problem, and have happened with IKEA furniture. Attaching furniture to the wall is key to preventing these accidents. The 'Secure it!' campaign, launched by IKEA franchisees in FY16, further raised awareness about prevention, and urges customers to follow the assembly instructions carefully. Customers who have misplaced their tip-over restraint can order replacements online or pick them up from any IKEA store, free of charge.



Energy and resources

Climate change and resource scarcity are already impacting the IKEA business and affecting the lives of people throughout the IKEA value chain. To become people and planet positive, we must continue to source our materials responsibly, use resources more efficiently and dramatically reduce greenhouse gas emissions. We will do all this while growing the IKEA business, by decoupling material use from growth. One of the biggest ambitions for the future is to transform today's IKEA business into a circular operation, built on clean, renewable energy and regenerative resources.

The IKEA approach to becoming a circular business

Transforming the IKEA business to become circular is an ambition that impacts the entire value chain – from how we design and create products, source materials, develop the IKEA supply chain and set up logistics, to how and where we meet customers. Across the IKEA business, waste is already seen as a valuable resource, and products are considered material banks for the future, with the potential to be transformed into secondary materials. And we are exploring new materials and ways to prolong the lives of products and materials.

Throughout the IKEA business, we are working, together with partners, towards a circular offer for customers (see page 14) – thinking differently about resources, materials and waste, while inspiring other organisations and individuals to do the same.

We are at the beginning of the journey, but the ambition of the IKEA business is to:

■ Enable customers to be part of the solution – We work to understand people's needs and the problems facing consumers around the world – from how we acquire things, to how we retain and restore value in the things we love and get rid of things we no longer want, exploring opportunities to address these problems. Together with franchisees, we offer spare parts and fittings for all IKEA products. And there are over 100 local initiatives that contribute towards learning about the circular economy (see [page 14](#)).

■ Create a complete offer of products – designed with circular capabilities. A set of circular design principles have been developed as the way for us to ensure that all products within the IKEA range will fulfill our ambition to become fully circular. It's about designing all our products from the very beginning to be repurposed, repaired, reused, resold and recycled, generating as little waste as possible. The ambition is for the circular design principles to be a guideline for every product that is developed. Some IKEA products already have some of these circular capabilities built in (see [pages 14 and 25](#)).

■ Improve resource utilisation throughout the value chain – using only renewable or recycled materials, or both, and turning waste into resources to ensure that nothing goes to landfill (see [pages 25 and 32](#)).



Tackling climate change

Climate change is one of the biggest challenges facing humanity. The signing of the Paris Climate Agreement in 2016 was a big step towards coordinated global action to limit the global temperature increase to 2°C, aiming for 1.5°C, by the end of the century. We fully support this milestone, and are developing targets for the IKEA business in line with the Paris commitment.

Leading by example is one of the core IKEA values. That's why, together with customers, franchisees, suppliers and partners, we will demonstrate leadership to tackle climate change – going beyond our own footprint. We will continue to focus on energy efficiency, renewable energy, renewable fuels & materials and circularity. The greatest influence we can have is in developing products that are made from sustainable materials and that enable customers to live sustainably (see [page 12](#)). Making more from less and being entrepreneurial have always been cornerstones of the IKEA philosophy.

Responsible sourcing

We always aim to source the raw materials for IKEA products in a responsible way – developing standards that include environmental, social and animal welfare criteria. All of the materials we use to make IKEA products are part of our responsible sourcing agenda. We constantly work to improve this agenda – regularly reviewing definitions and standards and updating them as applicable as part of the process to make responsible sourcing the norm across the IKEA business and beyond. For the materials we use the most, like wood and cotton, we focus in particular on meeting recognised standards for more sustainable sourcing. In FY17, 77% of the wood and 100% of the cotton sourced for use in IKEA products came from sources defined as more sustainable.¹

Wood and paper

We love wood because it is long-lasting, renewable, recyclable and beautiful. It's also versatile, and as well as being used to make furniture, it can be transformed into textiles, plastics, and fuels. But we know that forests are complex ecosystems that need to be protected and well-managed. As a large user of wood, sourcing from over 50 countries, the IKEA business can have a significant impact on the world's forests and the timber industry. That's why we place sustainable forest management at the core of our business – working to eliminate forest degradation and deforestation and promoting its importance beyond our own value chain. We are always looking for innovative ways to manage, protect, restore and regenerate forests.



Making more from less is part of the IKEA culture. That's why every piece of wood is cut and shaped to minimise unnecessary waste in production. And we look for new and smarter ways to design and build our furniture to ensure the best possible product with minimum impact on the planet. In FY17, we used 16.5 million m³ of roundwood equivalent (RWE) in our products. For the first time, this figure also includes the paper we use, which makes up 582,000 m³ of the total.

We want to become forest positive, contributing well beyond our own needs to make responsible forestry the norm, transform the industry and drive societal change. We will do this by continuing to promote responsible

forestry, and working to eliminate forest degradation and deforestation.

All of the wood used in IKEA products is sourced in compliance with the IKEA IWAY Forestry Section, working towards the aim of sourcing 100% from more sustainable sources (Forest Stewardship Council® – FSC® – certified or recycled) by 2020. In FY17 we reached 77%, maintaining our position as the world's biggest user of FSC certified wood. But we are starting to reach the limits of the availability of FSC certified wood in the countries we source from.

Today, 75% of the wood we use comes from low-risk² places such as most EU countries and

the US. The remainder needs to be sourced from countries where there is currently a higher risk of non-sustainable practices, such as China, Romania, Russia and Vietnam. Since September 2016, all of the wood we source from these countries has been from more sustainable sources. Achieving this required hard work and collaboration from our forestry teams, suppliers, their partners and IKEA forestry partnerships around the world. To reach our target of securing 100% of our wood from more sustainable sources by 2020, we need to scale up our forest-positive work and think even bigger.

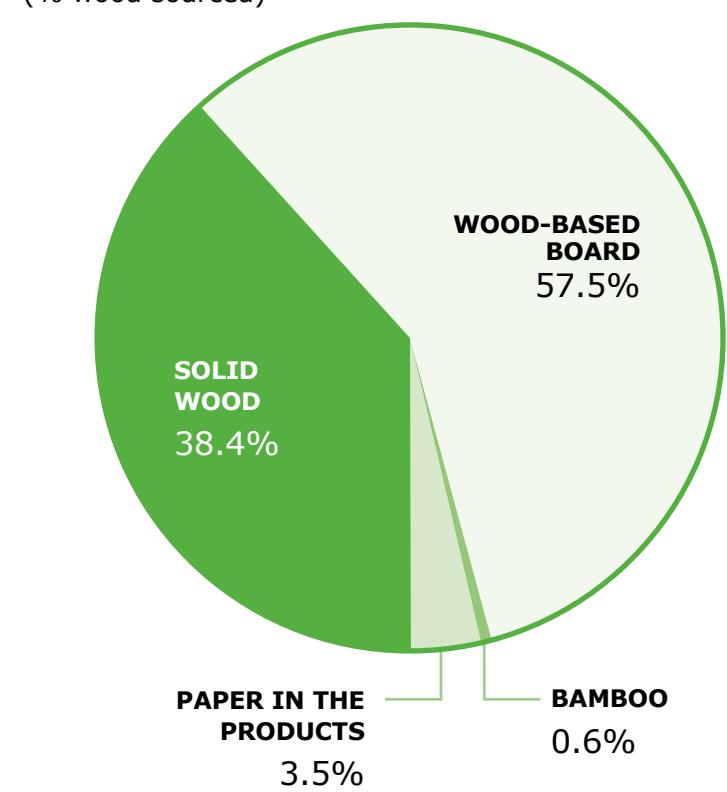
¹ More sustainable sources for wood includes Forest Stewardship Council® certified or recycled wood. More sustainable sources for cotton includes cotton grown to the Better Cotton Standard; by farmers working towards Better Cotton, recycled cotton and more sustainable cotton from the USA (such as the e3 Cotton Program).

² Low-risk defines places where there is a low risk of five IWAY MUST forestry minimum requirements being breached (these relate to illegal harvesting, forest related social conflicts; Intact Natural Forests (INF); High Conservation Value Forests (HCVF); forests being converted to plantations; and/or GMO occurrence).

Countries we source wood from – FY17 (% wood sourced)



Type of wood sourced – FY17 (% wood sourced)



Across the IKEA business, we partner with NGOs and other businesses to increase the global supply of wood from more sustainable sources. Together with WWF and others, the IKEA business has helped to combat illegal logging and promote the responsible timber trade – from five forest projects in seven countries in 2002, to collaborations today in 14 countries on a variety of projects. The partnership with WWF helps to increase commitments, actions, transparency, and leadership among companies, communities, and consumers, benefiting both people and the environment.

This work includes responsible certification, one part of which is mapping and protecting High Conservation Value Forests to secure ecological and social forest values. So far, the collaboration with WWF has helped to improve forest management in Europe and Asia, and contributed to increasing FSC certified forest areas by around 35 million hectares – roughly the size of Germany – in the target countries.

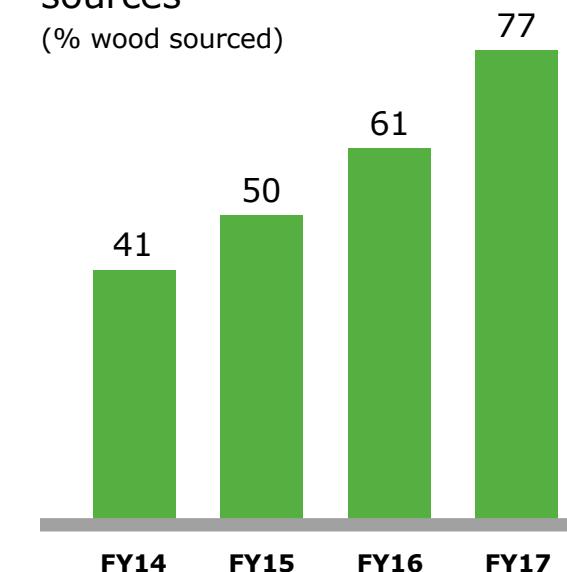
INCLUDING SMALLHOLDER FARMERS IN OUR SUPPLY CHAIN AND USING NEW MATERIALS

Smallholder farmers are a vital source of wood, and we want to help them be included in responsible sourcing programmes. We work with them to scale up the production of new materials such as bamboo, acacia and rattan. These materials are versatile, strong and fast growing, making them a great renewable resource. Smallholders often experience challenges to achieving internationally-recognised certifications such as FSC, which can be expensive and complicated. A number of projects aim to tackle this.

- In **Thailand**, we partner with WWF to identify ways to improve the sustainability of smallholder forestry practices for rubber plantations.
- In **Vietnam, Laos and Cambodia**, we partner with WWF to improve forestry practices of acacia, bamboo and rattan growers, and help them to share costs, responsibilities and insights to reach FSC certification.
- We have increased the amount of **sustainable bamboo and acacia** used to make IKEA products. In FY17, 100% of the acacia we sourced from Vietnam, where most of our acacia comes from, was FSC certified.
- In **Germany**, we work with FSC to better understand opportunities to increase forest certification for private forest owners. We also engage with other industries and policy-makers to promote FSC.
- In **Indonesia**, we partner with the Rainforest Alliance to identify criteria for improving small-forest-holder practices.

These initiatives promote responsible forestry practices, support government forest restoration plans and help the private sector meet legal requirements.

Wood from more sustainable sources (% wood sourced)



BECOMING FOREST POSITIVE: FOREST MANAGEMENT AND CONSERVATION

We work to drive FSC certification globally. In FY17, we used about 3% of the world's FSC certified wood, and through our partnerships with WWF, helped to certify 18% of FSC certified forests around the world. We did this by combining improved forest management with conservation. Our partnership with WWF has helped to identify over 82,000 hectares of old-growth forests for protection in Romania, Bulgaria and Ukraine, of which around 30,000 hectares in Romania and Ukraine received UNESCO World Heritage status.

MEASURING THE IMPACT OF FSC

It can be difficult to secure and track sustainable forest management. That's why FSC is important, particularly in the preservation of high conservation value forests. To better evaluate and communicate the impact of FSC, in FY14, a partnership called the Value and Impact Analysis initiative (VIA) was launched with Tetra Pak, Kingfisher, and other partners ([see here for full list of partners](#)).

The initiative has shown that of the 91 million hectares of carbon-rich boreal forests that were under FSC management in 2014, over 16 million hectares (almost 20%) have been set aside for protection. Boreal forests help to regulate the Earth's climate by storing vast amounts of carbon, support indigenous communities, and provide habitats for large mammals including black bears, wolves and Siberian tigers. This is just one example of the impact that FSC can have for the world's forests and biodiversity.

AUDITING AND COMPLIANCE

We work closely with suppliers to support them to meet our requirements for more sustainably sourced wood. All suppliers must comply with the IWAY Forestry Section (see box), which contains minimum requirements for wood, bamboo, paper and board suppliers.

Audits of our wood supply chain

FSC Chain of Custody certification	FY17
IKEA suppliers that are FSC Chain of Custody certified (%)	79.1
Total wood volume from FSC Chain of Custody certified suppliers (%)	98.8
IWAY Forestry Section audits	
Number of IKEA audits — under IWAY Forestry Section and IKEA wood supply chain audits (two of which were performed by 3rd party auditors)	173
Wood volumes that underwent an IKEA audit that comply with IKEA forestry standards (%)	96.8

We encourage suppliers to work towards FSC Chain of Custody certification (CoC) to ensure that the certified wood they use is not contaminated. Suppliers are audited based on the standards they use.

- Suppliers who have achieved FSC CoC certification and make IKEA products from FSC certified wood are audited predominantly on an annual basis by independent FSC accredited certification organisations.
- Suppliers not covered by FSC CoC certification are audited by IKEA auditors or independent auditors acting on behalf of Inter IKEA.
- IKEA audits of suppliers in higher-risk areas can cover the entire supply chain back to the forest, including wood processing.

Relevant forestry co-workers are trained to understand and maintain these standards. Training people involved in wood purchasing operations is part of our obligation under the EU Timber Regulation.



IKEA CO-WORKERS
visit a forest in Romania (left).

3 Suppliers using wood-based materials in products.

IWAY Forestry Section

What is it?

- The IWAY Forestry Section sets minimum requirements for all suppliers and underpins all our forestry work.
- In FY17, there were 422 forestry-applicable³ suppliers and 22 trained forestry and wood supply specialists supporting business teams within the forestry agenda.
- The requirements state that wood must come from legally harvested, conflict-free forests, and not from high conservation value natural forests, converted tropical and sub-tropical forests or genetically modified tree plantations.

What's new for FY17?

- A new IWAY Forestry Section has been implemented and rolled out to IKEA home-furnishing suppliers and is operational from January 2018.
- This revision is important because it: simplifies the document; adds materials such as paper, rattan, natural fibre (non-industrial), bamboo, and wood-plastic composites; secures better compliance with the EU Timber Regulation (by including paper in the forestry scope); strengthens the due diligence system; sets more sustainable sourcing in high forestry risk countries as a requirement, not just a goal; and closes existing gaps in the routine.

Cotton

In FY17, we used 145,000 metric tonnes of cotton, around 1% of the world's total supply. Cotton is a beautiful, useful material but conventional cotton production is water-intensive and often relies on toxic pesticides and fertilisers. We want to change that – not just for the cotton we use, but for the entire industry.

We are making progress across the IKEA business. All cotton used for IKEA products is sourced from more sustainable sources⁴ – improving farmers' yields and incomes, reducing negative environmental impacts and improving livelihoods. And in 2017, for the second year running, the IKEA Brand ranked first in the Sustainable Cotton Ranking by Pesticide Action Network (UK), Solidaridad and WWF, which assesses consumer-facing companies that use significant amounts of cotton and/or play an influential role in sustainable cotton practices. These are important steps. And we want to go even further – setting new goals in FY18 and continuing to move away from conventional cotton production. To ensure a stable and sustainable supply of cotton in the future, and to improve the lives of farmers around the world, we must also go beyond our own value chain. That is why we collaborate with partners like the Better Cotton Initiative (BCI), of which we are a founding member, to transform the wider industry (see box).



Cotton fact box

We want all of the textiles we use in our products to be sustainable. We are always making improvements and increasing the use of materials from more sustainable sources. Our strategy and approach include measures to reduce the use of cotton, use more recycled cotton and in some cases replace cotton with innovative new materials (see page 25). But we do not plan to stop using it entirely – it is a beautiful, versatile natural material and many people depend on it for their livelihood. That's why we work to transform the cotton industry to become more sustainable.

Why does cotton impact people and the planet?

- Conventional cotton production is very water-intensive and often relies on toxic chemicals.
- Cotton is a monoculture – meaning that, with conventional cotton production practices, there is very limited biodiversity in the places where it grows.
- Cotton production can pollute the area where it is grown.
- High costs of chemicals and irrigation can leave farmers close to or below the poverty line.

What's cotton from more sustainable sources?

- It includes recycled cotton, and cotton grown to standards such as the Better Cotton Initiative (BCI) and the e3 Cotton Program in the USA.

- Cotton that comes from farmers who have implemented practices to use less water, fewer chemical fertilisers and pesticides, and are also able to increase their profits.

What does BCI do and how does the IKEA supply chain work with them?

- BCI exists to make global cotton production better for the people who produce it, better for the environment it grows in, and better for the sector's future.
- BCI's aim is to make 30% of the world's cotton production Better Cotton by 2020 by sharing learning and experiences with the wider industry.
- BCI connects people and organisations from across the cotton sector, to promote measurable and continuous improvements for the environment, farming communities and the economies of cotton-producing areas.
- BCI hopes to increase demand for, as well as supply of, Better Cotton.
- IKEA is a founding member of BCI and one of the world's largest users of Better Cotton.
- Our Cotton Leader sits on the BCI council and advises new members of BCI.
- We run projects with government agencies and global and local agencies in our sourcing countries.

⁴ That includes recycled cotton (17%), cotton grown to the Better Cotton Initiative (BCI) standard (77%), and farmers working towards Better Cotton or other more sustainable cotton, such as the 'e3 Cotton Program' in the USA (6%).



We work with WWF on many projects to train and support cotton farmers around the world. One of these projects is a partnership with the Gujarat Green Revolution Company (GGRC), an arm of the Gujarat state government in India, to encourage more sustainable methods of cotton farming that increase revenues for farmers. In FY17, we launched an app, developed with WWF and GGRC, to help farmers grow cotton more efficiently and sustainably (see box).

We train suppliers and sub-suppliers on the requirements and working methods for sustainable cotton. In FY17, 46 training sessions were conducted with suppliers. And we completed 55 traceability audits in the cotton value chain, which confirmed the use of cotton from more sustainable sources.

In FY18, we will collaborate with more businesses, NGOs and local governments, using technology to expand our farm water-efficiency initiatives. See [page 25](#) for more information on our water positive ambition. And we'll maintain our 100% more sustainable cotton commitment for the fourth year, while working across our supply chain to improve working conditions.

We will work together with BCI towards the aim they have set to make 30% of global cotton production Better by 2020. And, along with BCI we aim to directly or indirectly impact five million farmers and have Better Cotton Principles embedded in nine countries.

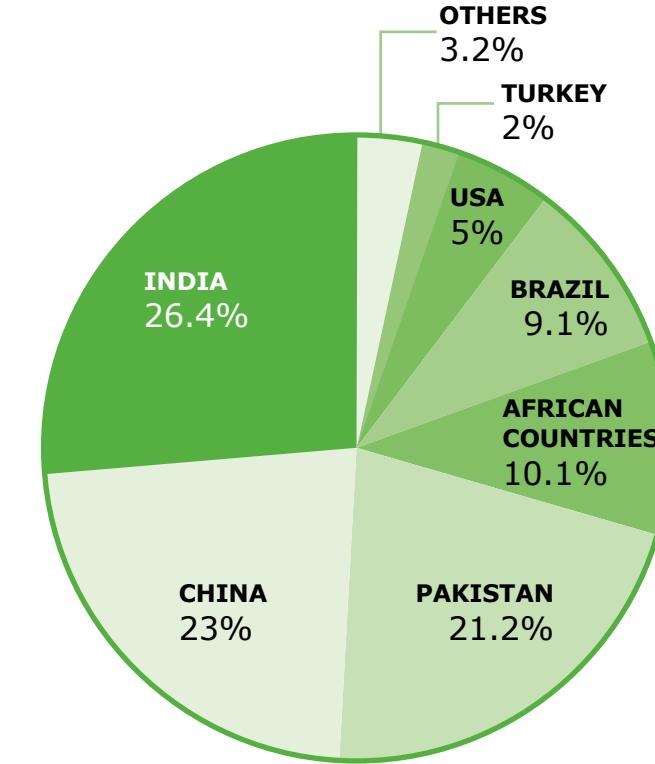
In FY17, the IKEA business completed a closely-monitored project in Turkmenistan, working with a small number of farmers and one supplier to build understanding and competencies around more sustainable cotton practices and labour rights. While our assessments and audits found no breaches, the overall situation in the country regarding forced and bonded labour had not improved and we had limited influence beyond projects such as this. Therefore, we currently do not allow cotton from Turkmenistan or neighbouring Uzbekistan to be used in IKEA products. We will continue to look for opportunities to further influence and progress the decent work and more sustainable cotton agenda in different regions.

Cotton Doctor App

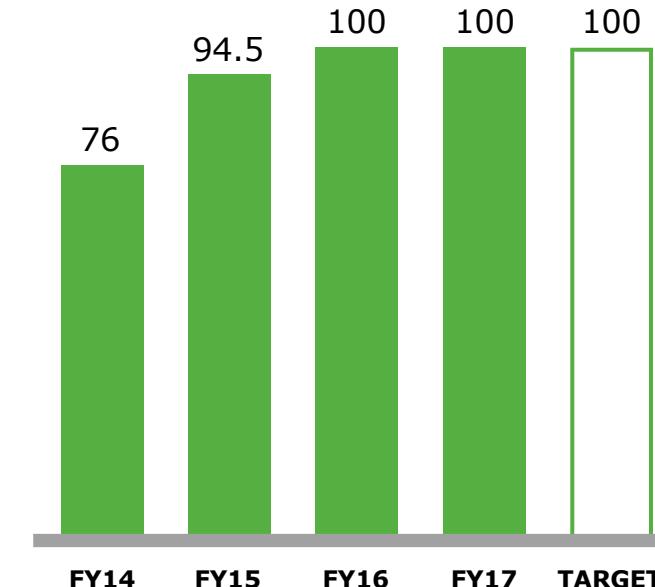
Developed in collaboration with WWF and GGRC, the COTTON DOCTOR app helps Gujarati farmers to maximise their cotton production. It sends weather updates and assists farmers in making informed decisions on cotton growing. It provides:

- forecasts on weather, pest infestation and disease, so that farmers can take proper measures to minimise losses
- irrigation advice including updates on weather, soil moisture of farm plots and crop biomass monitoring to enable farmers to optimise water use
- nutrient application advice throughout the growing stages of the cotton crop, using satellite images
- climate alerts to advise on the best times to sow cotton
- an interactive diagnosis feature for farmers to feed in information by text, photo and video, which is then addressed by cotton experts.

Countries we source cotton from – FY17
(% cotton sourced)



Cotton from more sustainable sources - FY17
(% cotton sourced)



Food

Every year, 660 million people experience the IKEA Food offer at IKEA Restaurants, Bistros and Swedish Food Markets in 49 countries. IKEA Food aims to source all of its food, feed and packaging from more sustainable sources that are good for the planet and everything on it. It is a long journey but we are committed to achieving this aim. This means working towards better standards of animal welfare within the supply chain, both at the farm level and during transport and slaughter, and ensuring the rights of people and communities throughout the supply chain. See [page 35](#) for more details on how we work with our suppliers through IWAY.

SOY

Soy is a nutritious plant-based food source for humans and animals. But its production can contribute to deforestation. The majority of soy we use is in animal feed. There are three main challenges in this area.

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

Despite this, we are making progress. Since FY16, all of the salmon sourced for the IKEA global range has used soy feed certified to Round Table on Responsible Soy (RTRS) or ProTerra standards. In FY17, 63% of the chicken sourced globally

used soy feed from sources certified to the standards mentioned above or from countries with a low risk of deforestation. In October 2017 we joined other companies and NGOs in signing a letter of support for the Cerrado Manifesto, with the ambition to halt deforestation and native vegetation loss in the Cerrado, Brazil. And we are exploring other partnerships because we know we cannot achieve systemic change alone.

COCOA, COFFEE AND TEA

Since FY16, Rainforest Alliance and Fairtrade tea have been included in our definition of more sustainably sourced tea, in addition to UTZ.⁵ This enabled us to increase the number of stores selling tea from more sustainable sources to 70% in FY17, from 60% in FY16. With the launch of PÅTÅR – Swedish for “refill” – our coffee is now both UTZ certified and organic according to EU standards. The cocoa in IKEA branded chocolate bars is also UTZ certified.

FISH AND SEAFOOD

We remain committed to only sourcing Aquaculture Stewardship Council (ASC) or Marine Stewardship Council (MSC) certified fish and seafood, with full chain of custody verified to IKEA stores. By committing to this standard globally, we have been able to expand ASC and MSC labels to countries that previously hadn't used them – such as Qatar and the UAE. One remaining exception is crayfish: there is currently no certified crayfish available in the world. Instead of removing crayfish from menus, we are working in partnership with MSC to encourage fisheries to adopt certification.



ISTE TALLSMAK
UTZ certified ice tea



CHOKLAD MÖRK 70%
UTZ certified cocoa



SJÖRAPPORT
MSC certified shrimps'



VEGGIE BALLS
plant-based alternative

Animal welfare

We do not accept inhumane treatment or cruelty to animals. We continually review our approach to animal welfare and we are assessing new requirements and possibilities to secure even better practices and changes in FY18.

The goal is to ensure that the animals in our supply chain – whether cattle, pigs, poultry, sheep, goats or fish – are treated humanely, with the opportunity to express natural behaviours. We have set Animal Welfare guidelines and are in the process of implementing separate programmes and verification processes for each species.

We collaborate with suppliers that share our values, and take part in constructive, collaborative partnerships and dialogue with experts, veterinarians, governments, academics, NGOs, and other businesses.

BEEF, PORK, CHICKEN, EGGS AND DAIRY

In FY17, IKEA Food has continued to develop the IKEA Food Better Programmes to support the shift towards better animal welfare and a more sustainable food system. These programmes are a global baseline for animal welfare, public health, and our environmental footprint at the farm level. We are working towards separate programmes for each species, covering all the major animal species in our food supply chain – beef cattle, broiler chickens (for meat), dairy cattle, laying hens, pigs, and salmon. Our ambition is for these programmes to be fully implemented for all species by 2025. To live up to this ambition, we will develop individual roadmaps with specific milestones to guide our efforts during FY18.

5 The mission of UTZ is to create a world where sustainable farming is the norm, enabling better opportunities for farmers and their families, and helping to protect the planet.

The IKEA commitment to source free-range eggs is implemented by IKEA retailers, and in FY17, IKEA retailers reported to source around 80% free-range or cage-free whole, fresh or liquid eggs in line with our laying hen commitment.

DOWN AND FEATHERS

Down and feathers add comfort to some IKEA soft furnishing products – primarily a selected range of pillows and comforters. We only source feathers from the duck food industry. No down or feathers from geese are used in IKEA products due to the much greater risk of live plucking – a cruel practice that does not meet the IKEA standards for animal welfare.

Since requirements for the conditions in, and transport to, slaughterhouses were developed in FY14, annual audits have been performed at all slaughterhouses for ducks. In FY17 we started performing audits for farms, in addition to the audits for slaughterhouses and transport, based on requirements developed in FY16.

For information about our work to identify new materials, see [page 25](#).

WOOL

In FY17, we continued to develop traceability for compliance with animal welfare standards for wool. We have gained better knowledge and understanding of the value chain which will enable us to implement requirements at every stage. We are at the start of a process to ensure that all of the wool we source is from value chains that are traceable and compliant with the Responsible Wool Standard, a voluntary global standard that addresses the welfare of sheep and the land they graze on.

LEATHER

All of the leather in IKEA home furnishing products is sourced from just 11 tanneries.

Working with fewer suppliers helps us to secure traceability and high standards of animal welfare, as well as minimise social and environmental risks.

Leather production involves many steps and has a complex supply chain. In FY17, we mapped 100% of the slaughterhouses in our leather supply chain and we are assessing their performance against the new IKEA Range & Supply slaughterhouse standard. In FY18, we will continue to focus on securing chain of custody verification routines and securing social, environmental and animal welfare standards.

We aim to further improve traceability, by working together with the leather industry, food industry and other businesses.

We are part of the Textile Exchange Responsible Leather Initiative, an organisation that will work together with the food industry to address issues in the global leather supply chain.

The tanning process to soften leather uses chrome – a toxic chemical that can be harmful to the environment and workers. Since FY16, all the leather used to make IKEA products has been sourced from chrome-free processes.

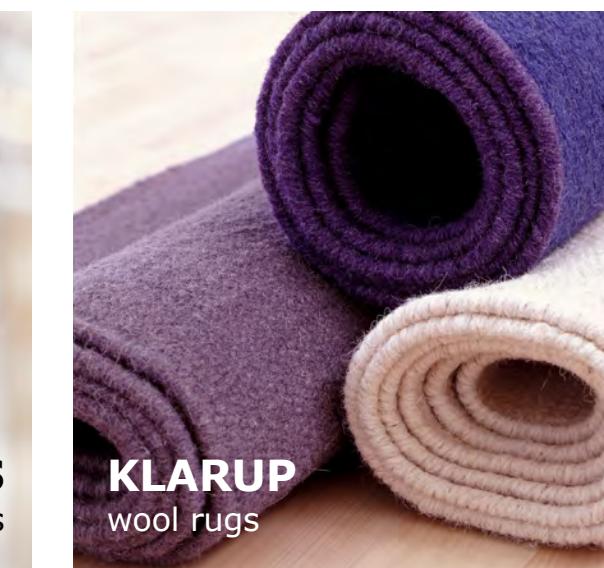
Palm oil

We use relatively small quantities of palm oil, around 40,000 tonnes annually. The majority of the palm oil we source – around 90% – is in our candles, around 4% is used in other home furnishing products and the remainder in food. We have minimised the use of palm oil and are committed to ensuring that the palm oil we do use is grown and processed in a responsible way.

Palm oil is classified as being from more sustainable sources if it comes from Roundtable on Sustainable Palm Oil (RSPO) certified, segregated sources. In FY17, 98.5% of the palm oil in IKEA products came from more sustainable sources, and it remains a



ÖSTERNÄS
leather handles



KLARUP
wool rugs



HÖNSBÄR
down and feather quilts

challenge to attain 100% segregated sources in the local food supply chains. For the remaining 1.5%, we purchase certificates that generate a premium for producers working to RSPO standards, even when the palm oil itself is not segregated.

STRENGTHENING STANDARDS IN THE SUPPLY CHAIN

RSPO certification sets out eight social, environmental and economic principles to protect people and the planet. The IKEA palm oil sourcing strategy includes two additional criteria. Palm oil must not:

- contribute to the destruction of high value forests
- come from plantations that have been newly developed on peat, since peat wetlands are important carbon stores with high biodiversity value.

All suppliers must now ensure that the palm oil used in IKEA products meets these additional criteria, or is replaced by alternative raw materials. Candle suppliers have produced roadmaps showing how they will reach this target. We work closely with these suppliers, and their sub-suppliers, to monitor their

progress, and where necessary, support them to strengthen commitments.

During on the ground assessments in FY17, we identified challenges around the responsible recruitment of migrant workers in the palm oil industry. We work to secure human rights and high standards for co-workers at our suppliers through IWAY, our supplier code of conduct ([see page 35](#)). We are pleased that RSPO has recognised these challenges and is strengthening its principles and criteria relating to human rights issues in palm oil supply chains. And we welcome RSPO's renewed focus on its smallholder approach, as we believe that smallholders are the key to sustainably produced palm oil. We provided input to the RSPO's updated and strengthened Principles & Criteria.

We are partnering with the United Nations Development Programme, the government of Indonesia and other global corporations to implement the Indonesian Sustainable Palm Oil (ISPO) Standard. The project aims to reduce deforestation and improve smallholder incomes and yields, making palm oil production more sustainable. We support the creation of the Indonesian National Action Plan for Palm Oil.

98.5%
palm oil from
RSPO certified,
segregated
sources

Supplier and product development

Renewable and recycled materials

We aim to use more renewable and recycled materials in our home furnishing products, and move towards eliminating virgin fossil-based materials in our plastic products. We have already achieved this with some new IKEA products.

- **ISTAD plastic bags**, relaunched in FY17, are the first large-scale product in the IKEA range made from plastic based on renewable material rather than fossil oil. At least 85% of the raw material now comes from leftovers from the sugarcane industry, and the bags can be easily recycled at the end of their life. As we sell an estimated 1.4 billion bags a year, this innovation will save the equivalent of around 75,000 barrels of fossil-based oil annually.
- **KUNGSBACKA kitchen fronts**, made from recycled PET bottles and recycled wood (see [page 14](#)).
- **TJENA paper boxes** are made of 80% recycled paper that can in turn be recycled at the end of its life.
- **TOMAT spray bottles and SKRUTT desk pads** are made from recycled plastic and paper packaging.

In addition, 98% of the packaging used for IKEA products is made from renewable, recyclable or recycled materials.

In FY17, research was conducted to better understand the global availability of recycled materials and the possibility of purchasing, upgrading and using them. A total of 97 materials were analysed,



ISTAD
bags made from plastic based
on renewable materials



TOMAT
spray bottle



TJENA
paper boxes



SKRUTT
desk pads

resulting in the identification of high-priority focus materials in the areas of wood, plastic, paper, metals and textile, aiming for the fullest circular capability.

DEVELOPMENT OF NEW MATERIALS

Sustainability, affordability, attractiveness and safety – all are qualities we want for IKEA products. And that's what drives innovations in the materials used to make them. Research and development can take years, and we are always exploring new possibilities. There have already been breakthroughs with the potential to transform the way IKEA products are developed, and the materials used.

Textiles

We aim to move away from virgin fossil-based materials for textiles and are investigating new cellulose fibres to be used alongside more sustainably sourced cotton. These include hemp, flax and jute. And, together with partners, we have developed a new textile material using wood-based fibres. It is a sustainable material developed to be a good quality fabric at a low price. This will be introduced in our range over the next few years. We are also exploring the use of polyester made from bio-based materials. Together with our suppliers and research partners, we are developing new production techniques for bio-based polyesters in order to make the price and quality comparable to fossil-based polyester.

We use PU foam, a material made from a non-recyclable fossil-based feedstock, in comfort products like mattresses and sofas. We are looking into reducing the need for

PU foam in our products, replacing it with solutions that are made from recycled and/or recyclable materials. One of these solutions is V-LAP (Vertically Lapped Polyester fibre). The V-LAP technology enables us to produce a comfort material from up to 70% recycled content that can be turned into new comfort products after customer use. And it requires 10% less material for the same comfort as traditional PU foam. The first IKEA products containing V-LAP – seating pads and a new dining chair – will be on sale in 2019.

Wood

Many IKEA products are made with wood-based board and for decades new generations of board material have been developed for use in IKEA products. One ongoing initiative is the development of D-alpha board material, which uses less material and requires a production facility six times smaller than the traditional one. This means we can offer a well-functioning material at a price affordable for more of the many people. We have also developed a unique production technique to produce board material from recycled paper, called M-board. Research focusing on 32 materials in the categories of wood, plastic, metal and textiles has been carried out into the global availability of recycled materials and how the IKEA business could purchase, upgrade, and use them.

Read more about how we design our products to be fit for a circular business on [pages 14 and 17](#).

Supplier development

Collaborating with suppliers is key to transforming secondary materials and creating new materials. We organise our work with home furnishing suppliers in seven category areas to allow a focus on common themes, to share best practice and to set consistent standards across industries.

Across each category area, we are making progress to source and create renewable and recycled materials, and reduce the environmental impact of production and materials. We work with seven supplier category areas:

FLATLINE

Products made from particleboard and fibreboard (MDF, HDF, hardboard).

WOOD & FIBRES

Products made from hardwood (such as pine and spruce), layer-glued wood, bamboo, paper and natural fibres.

COMFORT

Mattresses, upholstered and filled products.

TEXTILES

Fabrics, home textiles, furniture covers, carpets, blinds, curtains and textile storage solutions.

ELECTRONICS

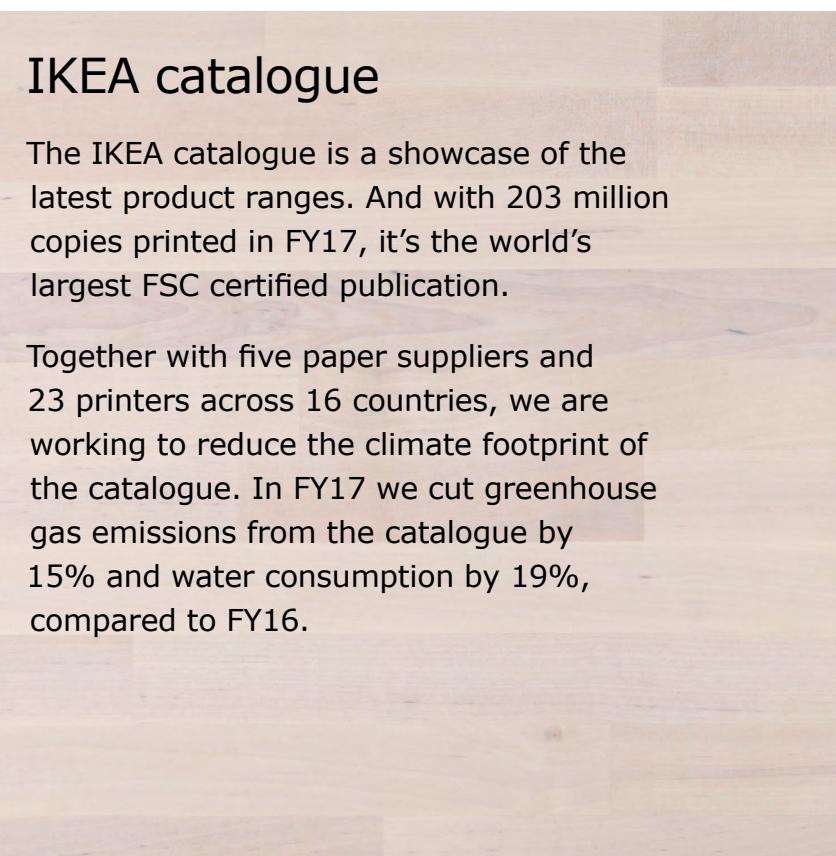
Appliances, lighting and home electronic products.

METAL, PLASTIC & FLOAT GLASS

Products made from metals, plastic and float glass.

SPECIFIC HOME FURNISHING BUSINESS

Small household items such as candles, ceramics, frames, green plants and toys.



Supplier sustainability index

We use the Supplier Sustainability Index (SSI) to collect information from IKEA home furnishing and component suppliers annually. It helps to measure the impact of our supplier development and, together with our suppliers, identify potential improvements. SSI assesses whether a supplier has the right pre-conditions in place and whether key improvements have been made to reduce the overall footprint. It measures suppliers' performance in four areas with:

- Strategy and management systems.
- Sourcing and procurement of energy, water, chemicals and materials.
- Manufacturing processes and resource use.
- Non-utilised resources including waste, chemicals, materials and water.

In China, an Inter IKEA collaboration with two students from the Environmental Defense Fund Fellowship supported two suppliers to raise their SSI scores. By identifying the root causes of problems and implementing a plan to improve, including the installation of new energy-efficient technology, one supplier raised its SSI score by 27% and the other by 18% in just two months. The project showed how the SSI provides an opportunity to encourage and support suppliers to improve, rather than placing limitations on them.

Water

Across the IKEA business, we strive to conserve water and encourage good water stewardship throughout the supply chain – from the way operations are managed to sourcing raw materials and working with suppliers.

The IKEA water ambitions are guided by the Water Working Group – a cross-functional team comprising leaders from across the IKEA business. The Water Working Group has developed guidelines for good water stewardship. Following these guidelines, we aim to:

- reduce the impact of our own and our suppliers' operations
- support sustainable water management in river basins
- increase access to clean water.

The Water Working Group has enabled the creation of a common global approach to water and has led to improved awareness across the business. At Inter IKEA, we have delivered waste water training programmes for co-workers and suppliers and have implemented waste water treatment plants at home furnishing suppliers, which will soon become a requirement under IWAY. We are using our learnings from the Water Working Group and projects undertaken by the Procurement team to develop a workbook and guidelines for all suppliers.

In FY18, we will continue to create awareness of water issues across the IKEA business, and work with relevant stakeholders to create and implement mitigation plans. And an IKEA business partnership with WWF will help to

Water use by Inter IKEA unit (m³)

	FY14	FY15	FY16	FY17
IKEA Industry	1,440,386	1,494,951	1,480,354	1,597,197
IKEA Components	4,711	8,010	9,331	17,044
Purchasing	24,507,975	25,692,285	24,904,176	23,331,230
Total	25,953,072	27,195,246	26,393,861	24,945,471

develop a broader collaborative approach on water stewardship.

We participate in events to share insights and learn about ways to become better water stewards. In FY17, the Environmental Leader at IKEA Industry was invited to give a keynote speech at World Water Week in Stockholm.

IKEA INDUSTRY – WORKING WITH WATER

The IKEA Industry Water Manual includes detailed internal demands and information on different types of water supply, waste water, and examples of how to treat, re-use or recycle waste water before sending to the recipient or external treatment companies. It contains a Water Positive Matrix, with specific actions to improve water stewardship at each site by 2020, including raising awareness of regional future water risks and scarcity.

In FY17, an IKEA Industry site in Paços de Ferreira, Portugal, implemented a treatment system to reuse the waste water from glue production. And in Malacky, Slovakia, a system was implemented to enable the use of drainage water from perforated pipes. By using drainage water in production, this process saves 70,000m³ per year of high-quality tap water which can instead be used as drinking water by local residents.

We will implement the findings of the pilot at all of our ceramics suppliers in South East Asia, with the goal of achieving 100% water recycling for ceramics suppliers in this region. Suppliers benefit from reduced water-related costs and business risks, and we benefit from minimised water-related business risks in water-scarce regions and insights on how to impact our supplier categories and water recycling and conservation efforts. This will support our commitment to become a good water steward in the regions where we operate.

Cotton is one of the most water-intensive materials used in IKEA products. Read about our work to source cotton from more sustainable sources on [pages 21 and 22](#).

It is a priority for us to provide co-workers with clean and safe water to drink. IKEA Industry has installed water dispensers at all sites, replacing the use of plastic bottles for co-worker drinking water. This will help especially to increase awareness and interest about protecting the local water cycle and will in addition reduce plastic waste and transport, lowering emissions.

OCEAN PLASTICS

The world's oceans provide more than half of the oxygen we breathe, regulate the climate and support livelihoods for millions of people. But alarming reports state that at the current rate, there will be more plastic in them than fish by 2050.⁶ There is a growing movement to address this problem and we are determined to contribute not only to eliminating plastic waste but also to assessing what can be done to remove the plastic already in our oceans.

Following a pre-study in FY17, we will launch a project to investigate the causes and effects of microplastics, the opportunities for creating products that avoid plastic pollution, and how best to support the clean-up and regeneration of the oceans.



VIKTORIA GRANSTRÖM
Environmental Leader at
IKEA Industry.

⁶ https://www.ellenmacarthurfoundation.org/assets/downloads/EllenMacArthurFoundation/TheNewPlasticsEconomy_Pages.pdf

Climate footprint



The climate footprint of the IKEA value chain

The estimated total climate footprint from the IKEA value chain is 26 million tonnes of CO₂e,⁷ corresponding to 0.1% of the world's greenhouse gas emissions. We have a big responsibility, and opportunity, to contribute to limiting global warming to 2°C, aiming towards 1.5°C, in line with the Paris Agreement.

The footprint stretches across the lifecycle of IKEA products – from the sourcing of raw materials to manufacturing, use in customers' homes and the transport in between. One of the main causes is the use of fossil energy throughout the value chain. Other contributors are the production of meat for IKEA Food products, use of fertilisers and land use transformation.

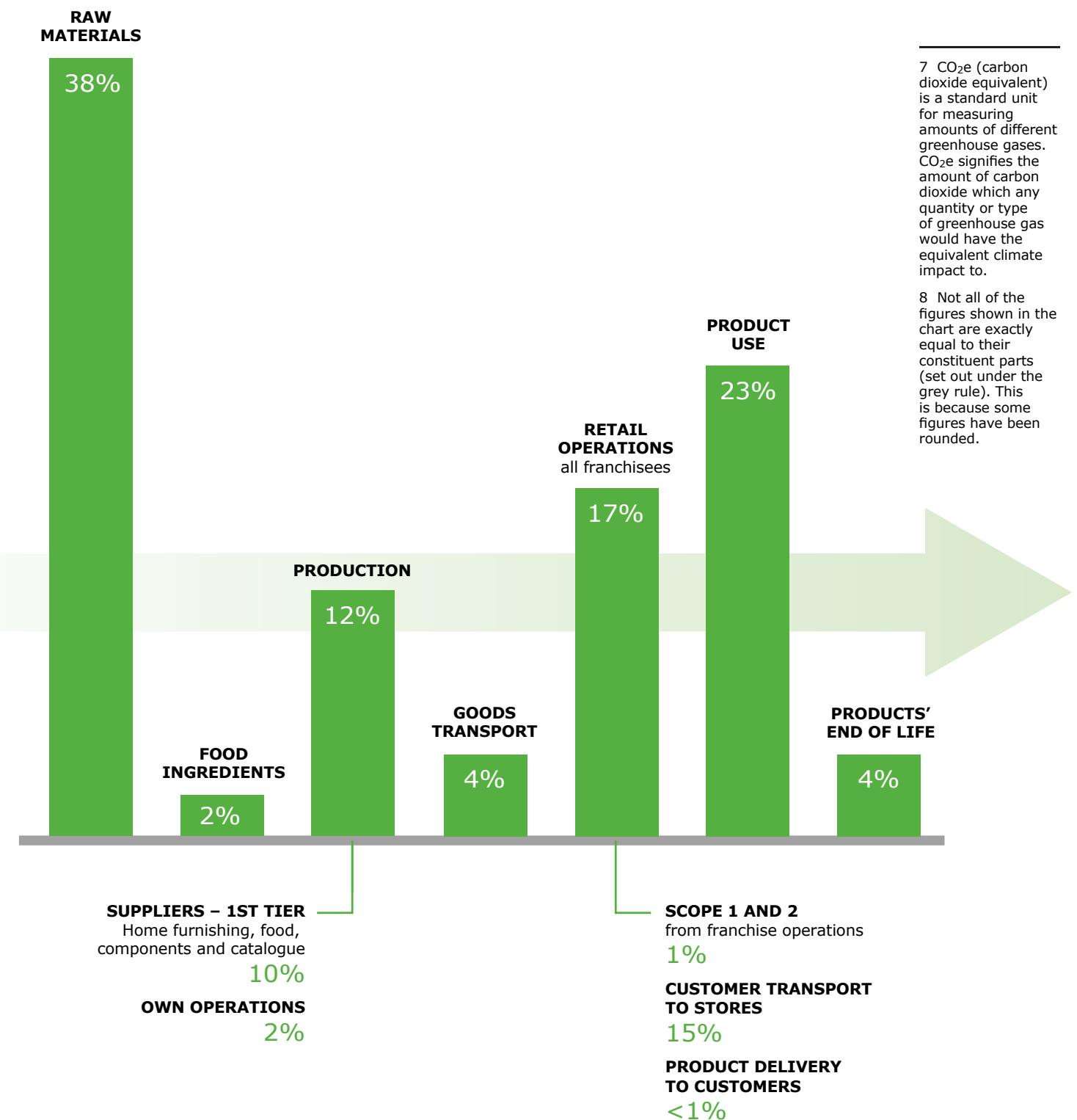
The aim is to significantly reduce the footprint from the IKEA value chain in absolute terms compared to FY16 – decoupling growth from climate footprint. This means ensuring responsible sourcing of materials and energy-efficient production, and transitioning to

electric vehicles and clean energy sources.

In FY17, the climate footprint increased by 4%, 26 million tonnes CO₂e (from 25 million tonnes CO₂e in FY16). This trend needs to change, and during FY18 absolute reduction goals will be set, with specific actions and directions to achieve the absolute reductions required to keep within the limits of one planet. In FY17, all models were updated to be actionable and a simulation tool was developed to forecast the likely footprint if we maintained 'business as usual', as well as the impact of any improvement actions. This has created a clear direction for how to tackle the contribution to climate change from the IKEA value chain.

Read about the climate footprint of INGKA Holding B.V., the largest group of IKEA franchisees, in the [INGKA Holding B.V. Sustainability Summary Report](#).

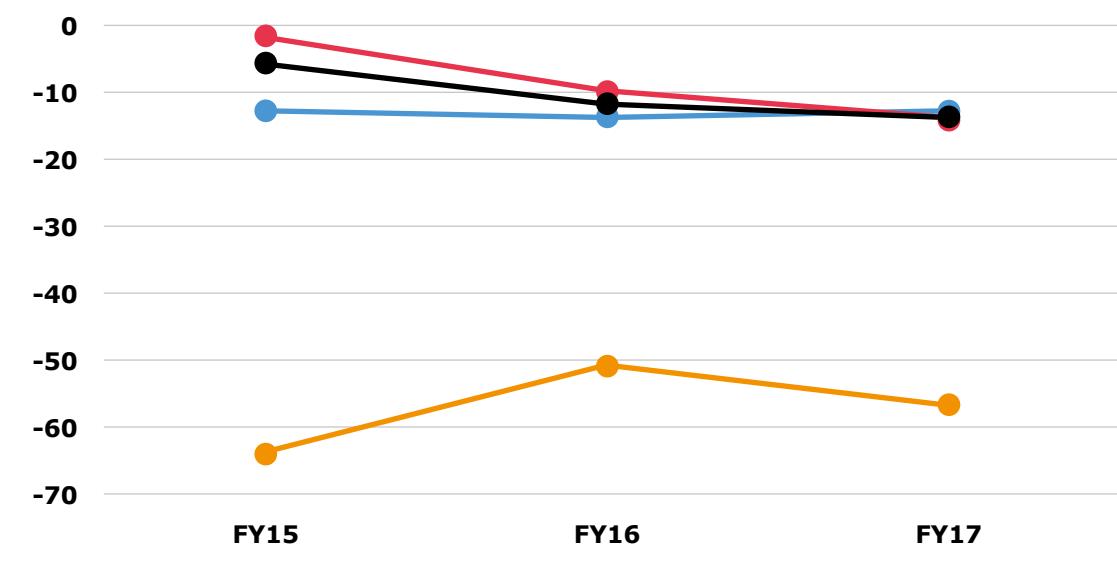
Climate footprint at each stage of the IKEA value chain - FY17⁸



Total emissions from main Inter IKEA operations - Scope 1 and 2 (tonnes CO₂e)

	FY15	FY16	FY17
IKEA Industry	358,063	199,672	465,630
IKEA Components	1,244	1,481	854
Total	359,307	201,153	466,484

Energy efficiency – main Inter IKEA operations (% improvement in relative terms⁹ against baselines)



- KEY**
- IKEA Industry Divisions – flatline and solid wood – baseline year FY10
 - IKEA Industry Division – board – baseline year FY10
 - IKEA Components, Packaging & Distribution Units – baseline year FY13
 - Total

TOTAL EMISSIONS FROM MAIN INTER IKEA OPERATIONS, SCOPE 1 AND 2

Following the transfer of range, supply and production activities to Inter IKEA Group from INGKA Holding B.V., Inter IKEA Group cannot claim use of the renewable electricity generated by the INGKA Holding B.V. owned wind farms.

For FY17 IKEA Industry can only report renewable energy share based on national levels. In FY18, the transfer of electricity from INGKA Holding B.V. wind farms to IKEA Industry will be restored with the help of an external power company and it is expected that figures will improve beyond FY16.

ENERGY EFFICIENCY – MAIN INTER IKEA OPERATIONS

(below left) measures our relative improvement compared to set baselines and shows our improvement regardless of business growth. Being conscious of resources is a key IKEA value. And we always try to be more and more energy efficient. Being energy efficient also enables us to convert a higher percentage of energy to renewable sources. The decrease for Components between FY13 and FY15 is due mainly to a large expansion for one of the sites, where the new extension had very high energy efficiency standards, causing the figure to drop significantly.

Renewable energy

A critical part of addressing climate change is the move to renewable energy. To make more renewable energy available for the many, we promote on-site generation of renewable energy across our franchise system and direct suppliers. Where sufficient renewable energy cannot be generated on-site, we aim to purchase it from the grid.

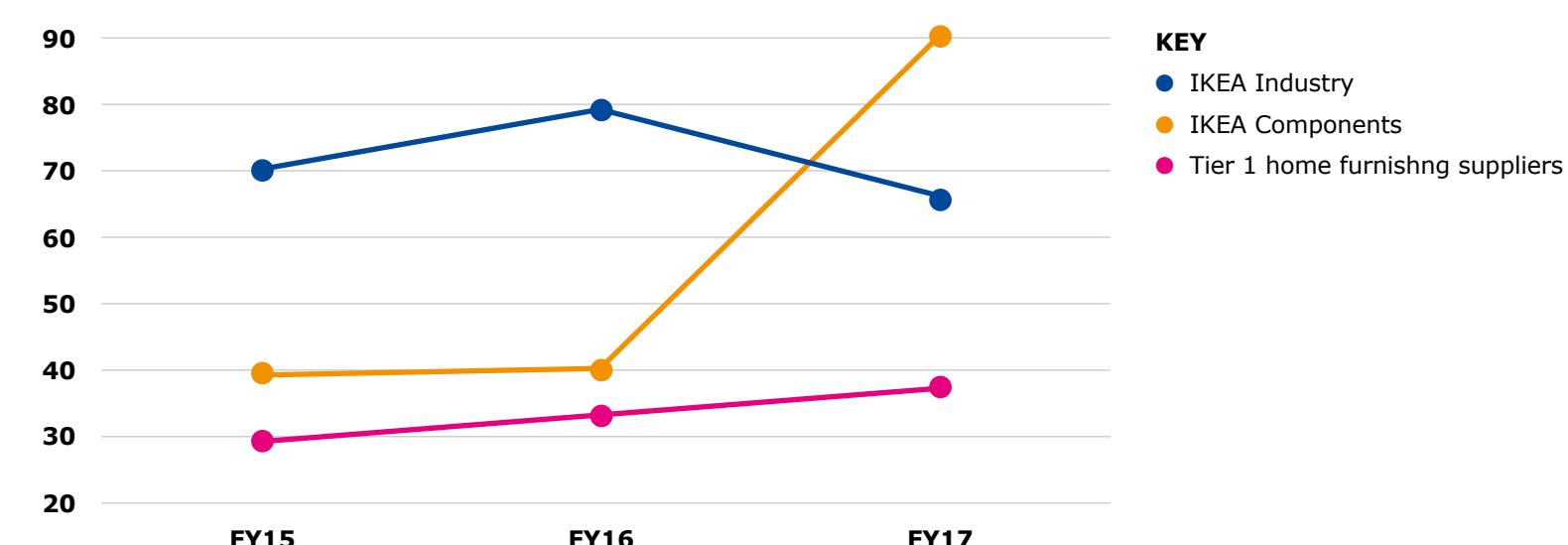
In our transformation to renewable energy, we are focusing on both electricity and heat. Electricity accounts for about half the footprint. It is easier to convert to renewable sources for electricity than heat, given the current revolution in the solar and wind industry. Many of our suppliers produce for others, alongside Inter IKEA. We work together with our suppliers across their entire factories – not just the manufacturing for IKEA products. This enables us to address a footprint around four times bigger than that of our production. Together we can have a much bigger impact.

We want to lead by example. In FY17 the IKEA Components unit in Slovakia got 100% of its purchased electricity from renewable sources. As this unit is much larger than other IKEA Components sites, this has significantly reduced total emissions for IKEA Components (see table – top left).

And IKEA Industry made two significant investments.

- A new energy plant to heat its site in Novgorod, Russia, which will be launched in FY18. Heat energy is generated from biomass instead of natural gas, reducing greenhouse gas emissions by 80%.
- EUR 7 million to install 18,240 solar panels that will cover 70,745 m² at a production unit in Paços de Ferreira, Portugal. When complete, in early 2018, it will be one of the largest self-consumption installations in Europe, generating enough energy to power over 2,700 homes, and preventing 2,358 tonnes CO₂e of emissions each year.

Renewable energy - main Inter IKEA operations (% of total energy produced and bought)



⁹ Total energy consumption in kWh/m² produced furniture (Flatline and Solid Wood) or /m³ produced boards (Boards).

Raw materials

The largest footprint across the IKEA value chain comes from the extraction and processing of the raw materials used in IKEA products and the catalogue, corresponding to 38% of the total footprint. Unlike for our direct suppliers, we can't measure this footprint directly. That's why, in FY17, we partnered with an external lifecycle expert, Quantis, to better break down this footprint and understand what actions to take to fulfil our commitment to the Paris Agreement to limit global warming to 2°C.

These insights will inform more specific directions for each of the main materials used to make IKEA products.

Although wood-based materials¹⁰ make up around 60% of the materials used to make IKEA products, they only represent 23% of the total climate footprint for raw materials. Plastic and metal materials, though used less, account for about 40%. That's why moving towards recycled and renewable materials is key. We must also continue to focus on lightweight constructions and sustainably-sourced materials. By promoting renewable energy from the beginning of the raw material production process, not just at our direct suppliers, we can significantly reduce emissions and environmental impact across the IKEA business.

Production

At Inter IKEA, we want to work with our suppliers to support them to shift to renewable energy – sharing knowledge and promoting new solutions for renewable energy and energy efficiency. In FY17, we hosted a knowledge-sharing event in Bucharest. We invited 19 of our Southern European suppliers from across all of our supplier categories. External speakers and technology providers shared insights and knowledge on topics including compressed air, power quality, and building certifications. Another workshop in Warsaw, Poland, aimed to stimulate discussions between suppliers and technology providers.

We are proud that many of our home furnishing suppliers have made the transition to renewable energy. For example, a flatline supplier in Lithuania generates all of its heat from renewable sources, and provides additional renewable energy from its own boiler to the local district heating network, enabling more people to access renewable energy. At least 48 of our suppliers generate over 90% of the energy they use from renewable sources, and at least 19 suppliers are at 99-100%. Around half of the suppliers at 99-100% are within the wooden furniture industry, with almost 80% located in Europe and the rest in China, Vietnam, India and Brazil.

The manufacturing of IKEA products and the catalogue – by direct suppliers, IKEA Industry and IKEA Components – accounts for 12% of the total climate footprint. Around half of the footprint comes from electricity, purchased or generated on-site, and the rest from heat and fuels. That's why the focus is on switching to renewable sources for both electricity and heat.

IKEA INDUSTRY AND IKEA COMPONENTS

In FY17, IKEA Industry launched an energy management manual, focused on the Plan-Do-Check-Act (PDCA) cycle to reduce energy consumption, and trained over 90 co-workers in how to use it. It will be implemented at all IKEA Industry sites during FY18 and FY19.

Other energy-efficiency initiatives include:

- internal energy-saving and climate awareness workshops with factory management teams, resulting in reports outlining savings potential, and training programmes for technical teams
- development and installation of advanced "on-demand" control systems for dust extraction
- installation of control systems for compressors
- low energy curing systems for surface lacquering processes
- installation of LED lighting at Inter IKEA Group sites.

IKEA Components sites in Slovakia and China converted to LED lighting and installed many other energy saving features. In the Slovak factory, a central heating, ventilation, and air conditioning (HVAC) system was installed, enabling centralised and coordinated control of these technologies and simplification of consumption measuring processes. The Slovakian site also installed chargers for electric vehicles, enabling guests and co-workers to charge their electric cars for free.



Product use at home

The impact of IKEA products in use in customers' homes accounts for 23% of the total climate footprint of the IKEA value chain. Broken down into product categories, this consists of energy-efficient LED lighting (74%), appliances (23%) and the rest from the burning of candles.

All IKEA products are designed to be as efficient as possible, and we look for innovative solutions to minimise the climate impact throughout the lifecycle of every product.

Many of our products enable customers to live more sustainably at home, by saving energy, cutting water use, sorting and reducing waste and living more healthily. For example, the RYET LED bulb is available for EUR 0.99, making energy efficient lighting affordable for the many people. See Healthy & sustainable living, page 12.

Transport

Product transport accounts for 4% of the greenhouse gas emissions generated by the total IKEA business. At Inter IKEA, we have developed a programme focusing on *reducing* the number of shipments, *replacing* fossil fuels with alternatives and *rethinking*, to integrate innovation into the transport supply chain.

REDUCE

One way to reduce the number of shipments is to fit more products on every truck or ship. IKEA product developers look for ways to make products easier and more efficient to transport, including by flat-packing and designing them to be stackable. Fitting more products in the same space means fewer trucks on the road, trains on the rails and ships at sea, and a lower price for customers.

Ongoing collaboration between product developers, packaging makers, suppliers and distributors has enabled an increase in the number of goods per shipment by 4.2% since FY12. We are on track to achieve the target to reduce transport related carbon emissions by 30% per m³ product sold by FY20.

REPLACE

Alternative fuels with low climate impact and alternative modes of transport are effective ways to minimise the climate impact of IKEA transport. In FY17 we developed and rolled out an internal programme to explain our standpoints on alternative fuels.

At Inter IKEA, we aim to use advanced biofuels based on waste that do not compete directly with food crops, striving to avoid the use of palm oil in alternative fuels. We have also started testing electric goods transportation and recently completed a pilot project using electric trucks to transport goods from the Port of Los Angeles to a nearby warehouse. Additional electric transportation projects are

being investigated for FY18.

Although natural gas is a fossil fuel, it significantly reduces local air pollutants and noise. That's why natural gas is an effective bridging fuel to establish the infrastructure for biogas, which has much lower greenhouse gas emissions.

In FY17, IKEA Transport Asia Pacific launched its second biofuel pilot in partnership with a Chinese environmental technology company that manufactures and blends biofuel from waste cooking oil, and operates its own fuelling station in Shanghai. The initiative not only reduces transport emissions, but also removes used cooking oil from the food chain. In addition, we pioneered the use of biofuel with 10% hydro-treated vegetable oil (HVO) in land transportation with another Chinese company. Pure HVO can cut CO₂ emissions by up to 85%, while reducing emissions of sulphur dioxide, nitrogen oxides and particulate matter.

Alternatives to road transport, such as rail, barge or short-distance sea shipping, could significantly reduce emissions of greenhouse gases and local air pollutants, as well as reducing road congestion and improving safety. Currently 19% of land transport shipments are undertaken by an alternative mode of transport and work is underway to increase this share.

RETHINK

Reducing and replacing are great first steps, but to make a big impact requires bold thinking. We will work to improve our technology to measure greenhouse gas emissions, and set tough targets. To be a leader in sustainable transport, collaboration on new initiatives and solutions is key, including working closely with transport providers.

At Inter IKEA, we are exploring measures to improve network set-ups to reduce transport distances, including locating distribution centres closer to stores and using equipment more efficiently.

OCEAN TRANSPORT

New ships emit significantly less greenhouse gas emissions and other air pollutants; however, because ships have a long operational life, it can take a while to reduce the impact of ocean transport. At Inter IKEA, we partner with industry members through the Clean Cargo Working Group to look for ways to reduce shipping emissions.

All shipping lines will have to comply with the new IMO sulphur regulations from 2020, which will reduce toxic chemicals in oceans and the atmosphere. From FY18 onwards, we will start measuring and reporting sulphur emissions from our ocean transport to monitor these reductions.

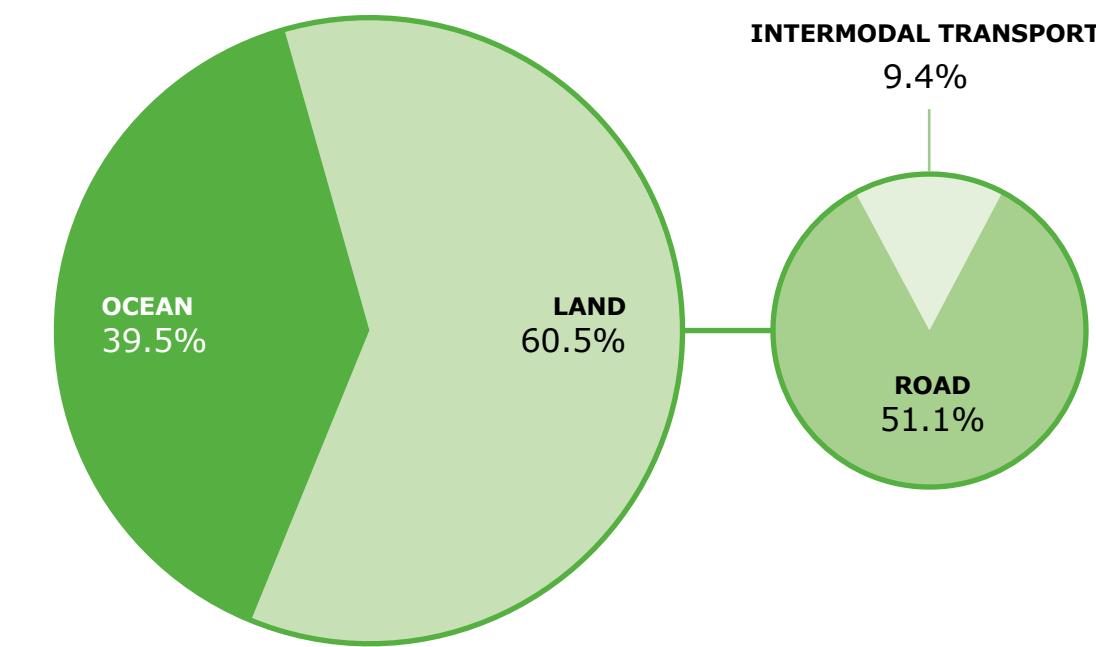
IKEA Supply AG (part of Inter IKEA) is a signatory to the Arctic Commitment, initiated by leading environmental NGOs to reduce the potentially harmful impacts of shipping in the fragile Arctic environment. IKEA Supply AG supports the phase-out of heavy fuel oil from Arctic shipping. No IKEA products are shipped via the Arctic and there are no plans to do so. Read more about the Arctic Commitment [here](#).

Product transport efficiency

	FY16	FY17
Goods per shipment		
Net cubic metres of transported goods per shipment	56.6	56.9
Increase in cubic metres of product per shipment (%)	0.9	0.5
Climate impact		
Greenhouse gas emissions per cubic metre of products sold	26.3	24.4
Reduction in greenhouse gas emissions per cubic metre of products sold compared with FY12 (%)	-23.9	-29.5

Share of greenhouse gas emissions from ocean and land transport - FY17

(thousand tonnes CO₂e)



Waste

As part of our ambition for the IKEA business to be a circular business, we want to move away from the idea of 'waste'. Where we cannot reduce or eliminate waste, we see it as a valuable resource, providing material for future products. We work with the waste hierarchy, first prolonging the life of products by ensuring quality and versatility, then eliminating waste across our operations and recycling waste that is generated, or sending it for energy recovery. Landfill is a last resort.

RETAIL

Waste from IKEA stores makes up more than 77.2% of the total waste across the IKEA business. At Inter IKEA, we work with IKEA franchisees to reduce waste in stores (see the [INGKA Holding B.V. Sustainability Summary Report](#)) and offer customers the option to take

back products for recycling or reuse – see [page 14](#) for further details.

Sometimes, products or packaging can be damaged in transit. By working with each stage of a product's journey – from product and packaging designers to stores – it's possible to identify signs of damage early on and improve reporting.

Every product is designed according to the five dimensions of Democratic Design, to ensure high quality, built-in sustainability and optimum lifespan ([see page 12](#)).

FOOD

Every day, roughly 30% of the food produced around the world is wasted. The goal of the IKEA business is to cut food waste by 50% in IKEA food operations by the end of FY20.

In FY17, the 'Food is Precious' initiative was launched to enable IKEA co-workers to identify ways to prevent food waste. As part of the initiative, 'smart scales' are connected to kitchen bins in the IKEA food operations to

measure wasted food and help understand the reasons behind it.

By the end of FY17, 25% of all IKEA stores had implemented the smart-scale solution. Over 200,000 kg¹¹ of food was saved in FY17 – saving over 865 tonnes of carbon emissions and nearly 450,000 meals.

We believe we can have a greater impact when we work together. That's why the IKEA business is represented in the Champions 12.3 coalition, hosted by the World Resources Institute, which brings together leaders from governments, businesses, international organisations, research institutes and civil society to work together to reduce food loss and waste, in line with Sustainable Development Goal 12, target 3.

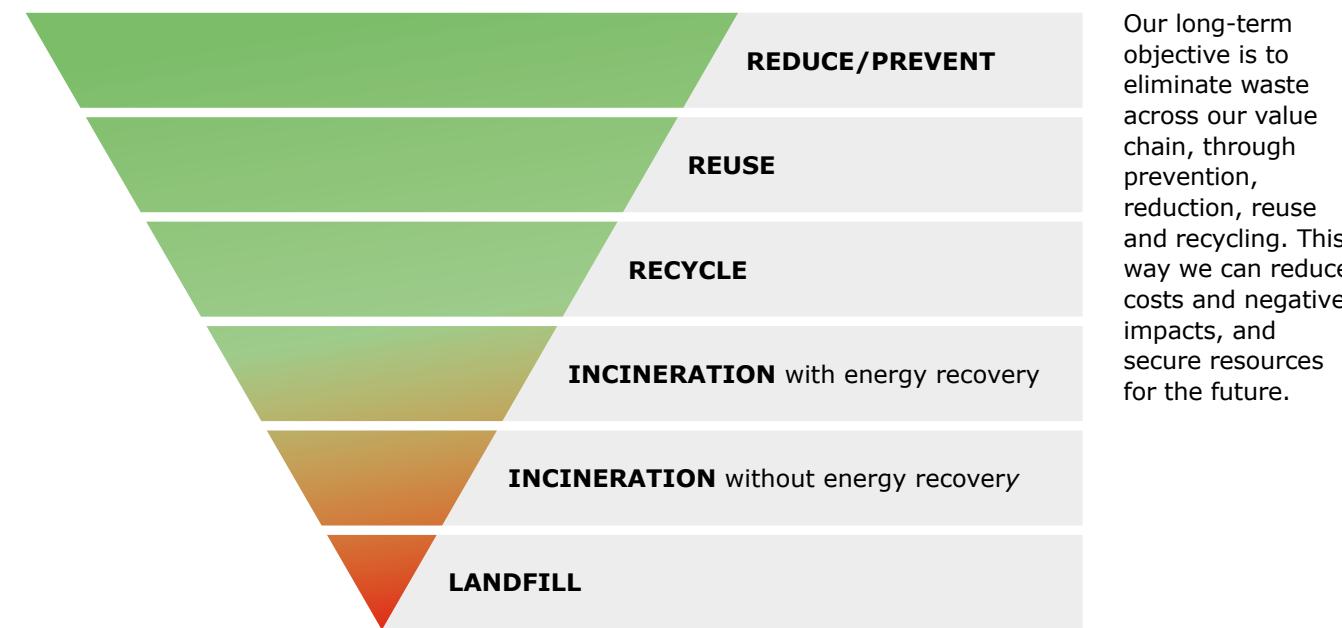
MANAGING WASTE AT IKEA INDUSTRY

In FY17, IKEA Industry recycled 82% of its waste (excluding wooden material), sent 12% for energy recovery, and 6% to landfill. Over a third – 35% – of units sent zero waste to landfill. Over half – 51% – recycled over 80% of the waste generated.

Wood is IKEA Industry's most used material (the largest material fraction). In FY17, 1,194,910 tonnes of wooden residue were generated, but only 0.1% was considered waste. In solid wood furniture production, some residual wood, in the form of sawdust, chips and bark, is inevitable. Where suitable, sawdust and chips are used as raw material in paper mills and board industries. The rest is used as energy in IKEA Industry's own production or for the production of biofuel, as wood pellets and briquettes.

IKEA Industry works with the five highest impact waste types for each site, setting goals for each material fraction, and establishing action plans. The IKEA Industry Waste Manual provides detailed instructions for co-workers on how to manage, handle, store and prevent waste.

Waste hierarchy



Our long-term objective is to eliminate waste across our value chain, through prevention, reduction, reuse and recycling. This way we can reduce costs and negative impacts, and secure resources for the future.

¹¹ 1kg in weight equivalent to 4.3kg in carbon emissions. We measure this by combining the FAO and WRAP estimates (4.6 and 3.9 respectively).

FAO: http://www.fao.org/fileadmin/templates/nr/sustainability_pathways/docs/FWF_and_climate_change.pdf

WRAP: <http://www.wrap.org.uk/sites/files/wrap/Overview%20of%20Waste%20in%20the%20UK%20Hospitality%20and%20Food%20Service%20Sector%20FINAL.pdf>

We combine the estimates to get a more rounded and reliable view, as there are many variables.

¹² IKEA Industry figures exclude wood waste.

Waste disposal rates – FY17

(% of total)

Unit	Recycled	Incinerated for energy recovery	Sent to landfill	Incinerated without energy recovery
IKEA Industry¹⁴	82	12	6	-
IKEA Components	96	4	1	0
IKEA of Sweden	69	23	7	1

Waste produced and % of total waste recycled or incinerated for energy recovery

(tonnes)

Unit	Total waste produced FY17	% of total waste recycled or incinerated for energy recovery FY17
IKEA Industry¹²	46,372	94
IKEA Components	3,289	98.5
IKEA of Sweden	1,489,200	92
Total	1,538,861	92.1

People and communities



We want to create a better everyday life for the many people, including the people working in the IKEA supply chain, our diverse and talented co-workers, and the communities in which we operate.

We have a responsibility to everyone we come into contact with: to respect and support their fundamental human rights and ensure that our impact on their lives is positive. To extend this impact beyond our own operations, we share our views and experience with others, and form lasting partnerships.

WEAVERS IN INDIA

working on the punja loom, contributing to the transformation of the handmade-carpet industry, see more on page 37.

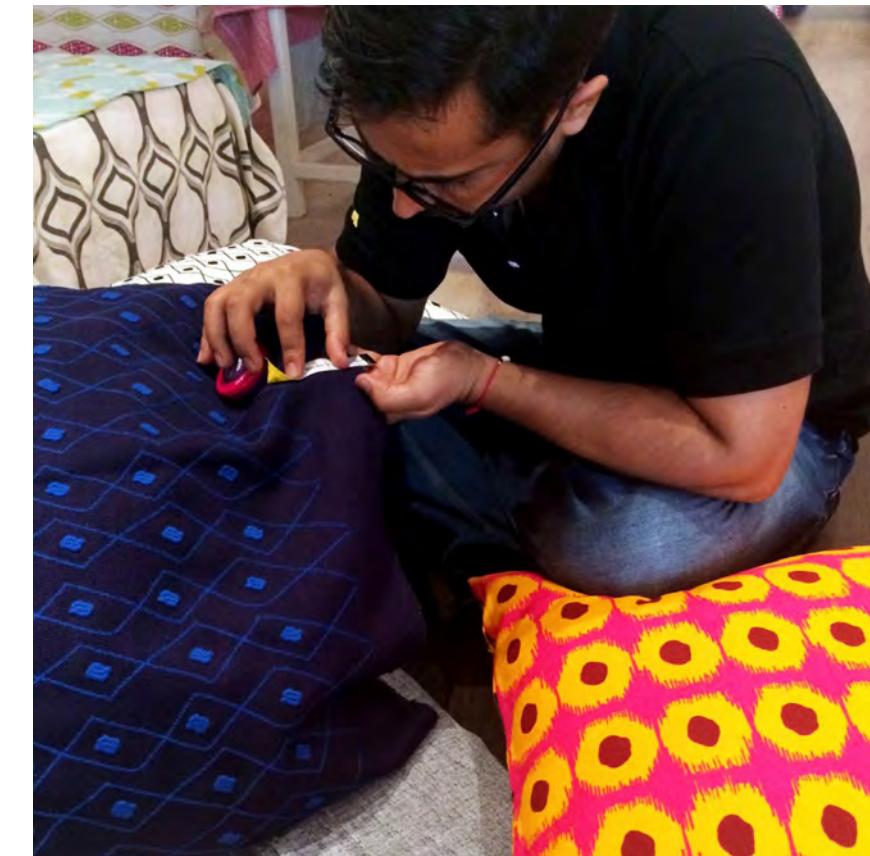
Respecting and supporting human rights

Respect for human rights is central to the way the IKEA business works. Together with our partners, we want to empower people to create a better everyday life for themselves, whatever their circumstances. We set standards for our own operations, IKEA suppliers and business partners – together creating a positive impact for people across our value chain.

The IKEA business has a people-centred culture, where togetherness and respect for others are shared responsibilities and ways of working. Inter IKEA places a strong emphasis on communicating the importance of human rights to co-workers and suppliers. Respecting human rights requires as a minimum:

- setting clear expectations for ourselves and our suppliers
- monitoring implementation and impact across our business
- influencing change or taking action to remedy where needed

We constantly work to strengthen our due diligence processes and identify emerging issues and risks, to prevent negative impacts and to find opportunities to have a positive impact on people's lives.



Fair wages

In many countries, the minimum wage – the legal or collectively agreed amount a person should be paid per hour – is not enough to provide for people's basic needs. These include healthcare, transport, clothing, children's education, basic housing, a nutritious low-cost diet, and the ability to save. This has led to the need for the development of the "living wage" concept.

There are many factors that influence whether a living wage can be achieved. These include urban and rural differences, the wider package of employment benefits, links between working hours and wages, and the relationship between pay systems and productivity. We take a holistic approach to account for all of these factors.

The IKEA business has been working with the [Fair Wage Network](#), drawing on their expertise and practical tools to guide the IKEA approach. There have been 52 pilot assessments to date, including 15 IKEA home furnishing suppliers in five countries and seven IKEA Industry Group units in three countries.

At Inter IKEA, we will use the learnings to create an integrated approach across the IKEA value chain, aiming for fair, decent and competitive employment practices, supported by good working conditions and strong compliance.

IWAY – the IKEA supplier code of conduct programme

Millions of people work in the IKEA supply chain, including approximately 600,000 people at tier 1 home furnishing suppliers alone.

We have a responsibility to secure good social, environmental and working conditions for the many people in the IKEA supply chain. We work to build strong foundations of mutual respect and transparency with our suppliers. The IKEA supplier code of conduct – IWAY – has been at the heart of our approach for 18 years. It sets out our minimum requirements on environmental, social and working conditions. It is a starting point for developing shared values and expectations with our suppliers.

Since its inception in 2000, IWAY has been regularly updated to address emerging social and environmental risks. IWAY requirements apply to IKEA suppliers. They include a set of requirements applicable to every supplier. There are additional requirements for certain parts of the supply chain – for example forestry (see [page 20](#)) and transport (see [page 36](#)) – or to clarify the IKEA position on specific issues such as the prevention of child labour and support for young workers (see [page 39](#)).

IWAY AUDITS

Communicating requirements and tracking progress through regular audits helps us to maintain consistent standards. Training and support is provided to resolve ongoing or emerging challenges, and we work with



suppliers to help them make a clear link between better working conditions and business success.

Where suppliers in scope were not IWAY approved in FY17, or not in the process of being phased out, implementation plans are in place and on track to achieve IWAY approval – read more on [page 51](#).

We also support a number of home furnishing suppliers to train and audit their own suppliers (IKEA sub-suppliers). For some issues, such as child labour, we may undertake targeted audits with sub-suppliers to better understand the nature of the risk and the current situation in the lower tiers of the supply chain.

Our suppliers¹

Category	Number of suppliers within IWAY scope	Description	% IWAY approval in FY16	% IWAY approval in FY17
Home furnishing suppliers	970 ²	Make our home furnishing products.	97	98
Transport suppliers – land and ocean³	236 ⁴	Transport our products to stores and distribution centres.	90 (land only)	97
Global food suppliers	79 ⁵	Provide the food and ingredients for the core range in IKEA Bistros, Restaurants and Swedish Food Markets.	63	87
IKEA Components	232 ⁶	Provide components and materials to IKEA suppliers and sub-suppliers that are used in IKEA home furnishing products. ⁷	97	99
IKEA Industry	IKEA Industry units: 40 Direct material suppliers: 552 On-site service providers: 144	Supply solid wood, board on frame and board-based furniture to IKEA and companies in the IKEA supply chain. ⁸ IKEA Industry is in the process of implementing IWAY with suppliers and is currently on track with planned implementation.	38	IKEA Industry units: 100 Direct material suppliers: 46 On-site service providers: 100 Overall: 60
IKEA Catalogue	46	Provide the pulp, paper and print services for the printed IKEA catalogue. ⁹	80	63
Approval with IWAY Must requirements at critical home-furnishing sub-suppliers. ¹⁰			99	91

¹ This includes Inter IKEA Group suppliers. It does not include suppliers to IKEA retailers.

² Includes six suppliers due to be phased out in FY18.

³ No airplanes are used in our goods supply chain, unless in exceptional circumstances.

⁴ Includes 214 land and 22 ocean suppliers. 15 suppliers are new and are not yet included in the audit process. Six were not approved following IWAY audit.

⁵ Includes four suppliers in the process of being phased out.

⁶ Includes direct suppliers only.

⁷ Includes suppliers to IKEA packaging units in China and Slovakia.

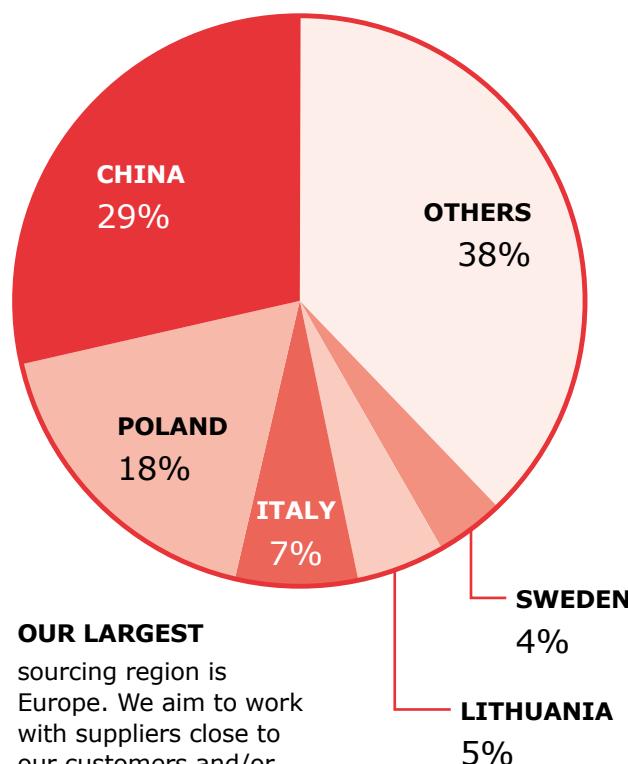
⁸ Includes IKEA Industry units, direct material suppliers and on-site service providers.

⁹ Does not include digital suppliers.

¹⁰ IWAY Musts are the immediate requirements that IKEA suppliers must meet before a contract can be signed – critical home-furnishing sub-suppliers are audited against these requirements.



Top 5 home furnishing purchasing countries (% of total FY17)¹¹



BEYOND AUDITS

We monitor and seek improvement in suppliers' compliance rate – a measure of continuous performance over time. The IWAY Training Programme supports these efforts, as well as building IWAY competence and knowledge within relevant IKEA organisations. The programme is a key pillar in the IWAY system, ensuring all co-workers involved in the IWAY process have the skills and understanding to communicate and implement IWAY with suppliers. A team of six global and 34 regional trainers work together to deliver the different modules of the IWAY Training Programme to all relevant co-workers.

BUILDING STRONG RELATIONSHIPS

Our average supplier relationship is 11 years for home furnishing suppliers, with some lasting for more than 40 years. Developing good long-term relationships with our suppliers is the key to maintaining efficiency, stability and innovation within the IKEA supply chain. We work to develop mutual trust and open dialogue with suppliers, supporting them to achieve positive and sustainable changes to their environmental and social performance.

HEALTH AND SAFETY IN THE SUPPLY CHAIN

IKEA sustainability compliance auditors work closely with suppliers to support the development of a strong health and safety culture that aligns with the expectations we set for Inter IKEA operations. IWAY includes requirements for worker health and safety, emergencies and fire prevention, and chemicals.

Improving conditions in the transport supply chain



The transport industry, particularly in the EU, has gone through structural changes over the last 10 years. Competition has increased, sub-contracting and complex cross-border chains are common, and legislation is not always clear. Transport workers can risk exploitation, for example with respect to wage practices and working conditions.

Inter IKEA recognises the challenges of the transport industry and, despite not directly employing drivers, we have a responsibility to positively influence working conditions in our own supply chain while working with others to advocate for wider change. The Inter IKEA Global Transport function leads these efforts.

IWAY requirements put clear and strict demands on transport service providers with respect to salaries, working conditions and following applicable legislation. Regular audits and measures such as unannounced driver interviews help to identify issues. Wherever non-compliance is found, the Transport function works with the relevant supplier to resolve the issues or, if necessary, terminate the contract.

In FY17, the Inter IKEA Global Transport function met with stakeholders from other companies, the transportation industry, government, transport unions and non-governmental organisations to seek their views and perspectives on social conditions in the EU transportation industry.

A new Sub-Contracting Chain Management (SCCM) programme has been developed to embed good practice deeper in the supply chain. Based on existing IWAY standards and compliance with EU transport legislation, the SCCM programme introduces minimum standards for transport sub-suppliers engaged in outsourced transportation. In FY17, the programme was piloted with a number of European transport service providers that outsource large proportions of IKEA international transport within the EU, before being rolled out to other IKEA service providers in Europe. The programme has been adapted for regions outside Europe and will be implemented worldwide in FY18.

To effect wider change in the transport industry, the Inter IKEA Global Transport function is:

- seeking dialogue with various stakeholders in the transport industry such as law makers, experts, transport service providers, contractors and unions
- calling for clearer regulations at EU level and for clear authority accountability regarding implementation and monitoring for compliance.

¹¹ Figures do not add up to 100 due to rounding.

Supporting migrant workers in the supply chain

More people around the world are seeking working opportunities abroad – out of choice or necessity. When undertaken responsibly, the recruitment of migrant workers can benefit everyone involved. If not, it can have negative impacts. For example:

- Workers may be required to pay high recruitment fees or have their passports withheld, leading to the risk of forced or bonded labour.
- Employers may experience high turnover rates or skill mismatches.

In FY17, Inter IKEA undertook a second project with the [International Organization for Migration](#) (IOM) to map labour supply chains leading to IKEA suppliers in South East Asia. This included assessments at the suppliers and at recruitment agencies in both the countries of origin of migrant workers and countries of destination.

It provided a clearer picture of migrant workers' journeys from their homes to IKEA suppliers in selected corridors, and highlighted the risks associated with cross-border recruitment. In many countries, legislation and established practice are based on workers paying recruitment fees and other costs. Workers can accumulate high levels of debt before they even start working in the country of destination.

Based on learnings from this project, the IKEA Guidelines on Responsible Recruitment have been developed. They aim to build the understanding and ability of suppliers to responsibly manage the recruitment of migrant workers. The focus is on



RUBA,
a refugee
from Syria,
receives training
on an IKEA
programme.

cross-border migration through recruitment agencies or intermediaries, but the general principles apply to all types of recruitment.

To extend the impact beyond our own suppliers, we are one of the founding members of the [Leadership Group for Responsible Recruitment](#) which was convened by the Institute for Human Rights and Business. It is a group of like-minded companies and organisations set up with the aim of eradicating worker-paid recruitment fees over the coming decade, based on the "Employer Pays" principle. We have committed to advocate for this goal more widely, with governments, businesses and other relevant organisations.

Smallholders and home-based workers

Small-scale farmers or people who work at home – for example in the natural fibre, forestry, textiles and food supply chains – are part of the informal employment sector. While this type of work enables flexibility, it also leaves workers at an increased risk of poor working conditions and low incomes.

The IKEA business has a long history of working with smallholders and farmers in different sectors to ensure decent working conditions – for example, as part of our efforts to source wood and natural fibres (read more on [pages 18 and 19](#)) and cotton from more sustainable sources (read more on [pages 21 and 22](#)).

Our handmade carpet industry in India has undergone transformational change since 2010, moving from home-based production to an industry set-up involving six suppliers and 4,000 workers across 20 weaving centres. Weavers are provided with regular work in a safe environment, with legal, regulated wages, alongside benefits such as holidays and transport. Trainees are paid while they learn at our specialised weaving schools, and our new loom requires less physical strength to operate, enabling more women to enter the profession.

We are expanding our work with smallholders to other parts of our supply chain, such as food (read more on [pages 23 and 24](#)).



Social entrepreneurs

FY17 marks the fifth year of the IKEA business working with social entrepreneurs around the world. Partnerships are formed with enterprises that employ women and other groups who may otherwise find it difficult to access the labour market. These are businesses with a broader social purpose, that want to address this challenge by building a business and enhancing livelihoods.



The relationship is based on trade not aid. It gives the IKEA business access to unique skills or services, creating limited edition collections available to IKEA customers at affordable prices. And it enables the people involved to become self-reliant, and to build a better life for themselves and their families.

International partners supply co-created limited edition products in the craft and food value chains, centrally sourced and available in several countries. Local partners supply services such as sewing, and limited edition collections of upcycled IKEA textile waste in IKEA stores and distribution centres, sourced and supplied within specific IKEA countries or stores.

Social enterprise partnerships in FY17

19 social enterprise partnerships

including six international partners

21 collections created since 2012

including 14 international collections

27 markets offering these collections

10,500 people working at IKEA social partnerships

80% of artisans are female

95% of craft managers are female



New partnerships

With the [Ahold Coffee Company](#),¹² we are introducing the first single-origin White Nile coffee to be broadly available from a global retailer. The partnership contributes to the economic empowerment of thousands of small-scale coffee farmers in the White Nile region of Uganda, with a focus on the inclusion of women farmers and young people. This special edition coffee was launched in October 2017, as part of the PÅTÅR range of responsibly sourced coffee products (below left).

With the [Jordan River Foundation](#), we are partnering to improve integration and economic empowerment for local Jordanians and refugees through the production of handcrafted items using traditional techniques (bottom left). The first collection – TILLTALANDE – was launched in the IKEA Jordan store in December FY18 and will be available in other selected retailers in FY18 and FY19. It includes hand embroidered cushions, floor cushions and rugs created by 47 Syrian and 50 Jordanian women.

Local partners are audited for IWAY Must requirements and international partners are audited for all IWAY requirements. The four existing international partners are IWAY approved. The two new partners in Jordan and Uganda fulfil IWAY Must requirements and are planning for IWAY approval.

In FY17, Inter IKEA undertook third-party social impact assessments with two international partners in India: Industree Producer Transform and Rangsutra. The audits found that women working at these organisations are experiencing economic empowerment. Income generation and skills training have enabled the women to invest in their children's education, purchase essential clothes and food, save for the future, and develop increased confidence and pride.

At Inter IKEA we are in the early stages of developing an initiative with a new philanthropic approach, with the aim of further supporting and accelerating the movement of social entrepreneurship.

¹² In partnership with Kawacom.

Upholding children's rights and supporting opportunities for young people



THE IMPORTANCE OF CHILDREN'S RIGHTS

Every action associated with the IKEA business – in the workplace, on the market, and in local communities – has a direct or indirect impact on children. It is vital that this impact is positive. Children are the most important people in the world, and every IKEA company has a responsibility to support and enhance their rights.

INTEGRATING CHILDREN'S RIGHTS

The [Children's Rights and Business Principles](#) (the Principles) provide a comprehensive framework for understanding and addressing

business impacts on children's rights and wellbeing. They were launched in 2012 by Save the Children, the UN Global Compact and UNICEF, and at Inter IKEA we use them to structure our entire approach to children's rights, including examining the impact of the business.

Read more about our efforts to support children's right to play on [page 13](#).

PREVENTING CHILD LABOUR AND SUPPORTING YOUNG WORKERS

Children have the right to be children. They should never be engaged in work that deprives them of this, particularly where it is potentially dangerous or interferes with their education and development. We take any suspected cases of child labour within the IKEA supply chain very seriously. We investigate and follow up on each case using a consistent process, always focusing on the best interest and safety of the child, and taking account of specific circumstances such as whether the child has access to education.

In FY17, there was one suspected case of child labour. After a full investigation, we were able to confirm that this was not a case of child labour.

The IKEA Way on Preventing Child Labour and Supporting Young Workers guides this approach. It also clarifies our position on

enabling young people who are legally able to work to access decent employment opportunities.

It is important that young workers under the age of 18 who are legally allowed to work can access appropriate jobs that provide them with safe, secure opportunities to develop. The IKEA Way on Preventing Child Labour and Supporting Young Workers is used by all organisations implementing IWAY. It aims to ensure suppliers feel confident to offer suitable work to people under 18, where it is safe and legal to do so.

We provide training and work experience for young workers at IKEA units, where safe and appropriate (see right).



Examples of training for young workers at IKEA Industry Poland

IKEA INDUSTRY GOLENIÓW

Partnership with a local vocational school.

- Years of partnership: 15.
- Students in training end of FY17: 61.
- Age: 15-19.
- Professions: carpenter, mechanic-fitter, electrician, cook.
- Additional annual internships with local IT and administration school: 10-12.

IKEA INDUSTRY WIELBARK

Partnership with a nearby technical school.

- Years of partnership: 4.
- Students in training end of FY17: 71.
- Age: 16-19.
- Professions: carpenter, mechanic, mechanic-operator for the wood industry.
- Number of graduates hired in FY17: nine out of 13.

"Through educational innovation, IKEA Industry has created the possibility of professional growth for our students."

KRZYSZTOF MILEWSKI
PRINCIPAL, ZESPÓŁ SZKÓŁ POWIATOWYCH, CHORZELE, POLAND

"Working with IKEA Industry allows me to enter a grown-up life. It shows me what to expect and how important it is to treat learning seriously."

BARTOSZ TURSKI
TRAIINEE, IKEA INDUSTRY WIELBARK

Partnering with communities for positive change

Different IKEA units work with local communities to create a positive impact on livelihoods and contribute to an inclusive local economy.

The IKEA Industry Community Involvement Manual sets out a standardised approach to community engagement for IKEA Industry units. This includes identifying the highest priority local issues, partnering with relevant organisations and working together for lasting, meaningful change.

For example, in FY17 IKEA Industry Lubawa, Poland, organised an electro-waste collection campaign for the local community. People were given plants in exchange for their electrical waste, which totalled over 4.1 tonnes. The team at IKEA Industry Lubawa also visits several nearby schools and kindergartens every year, educating and informing children about sustainable development.

Many IKEA Purchasing and Logistics offices around the world participate in projects to enhance their local communities. In FY17, projects included a partnership to make life better for children with cancer in Turkey, provision of after school clubs for children in China, and improvements to school

infrastructure in India to enhance the learning environment and reduce drop-out rates.

In China many people leave their home towns, seeking work in urban areas to support their families. This can lead to children being separated from their parents, sometimes for years at a time. We are partnering with suppliers to reunite the workers with their families. The I Care initiative includes:

- **I Homes** – family dormitories, after school centres near supplier sites, and local school enrolment for migrant children
- **I Centers** – centres that help migrant children integrate with the local community.

In FY17, five additional suppliers joined the I Home project, bringing the total to seven. There are currently four I Centers, with plans for four more in FY18. More than 500 children have benefited directly and indirectly from I Home, and 120 families have benefited from I Centers so far. Learnings from I Care have been shared with other companies in China – one is already planning to set up family dormitories in its own factories; another is planning an after school centre.

In FY17

16% of IKEA Industry co-workers participated in community engagement activities

211 community engagement activities

at IKEA Industry



I HOMES AND I CENTERS
help migrant families (left).

ELECTRO-WASTE COLLECTION
for the local community, organised by IKEA Industry Lubawa (bottom left).

Co-worker health, safety and wellbeing at IKEA Industry

A healthy, safe working environment is a fundamental right. It is also a prerequisite for high quality, stable production. Ensuring safety at work requires people to take shared responsibility for everyday actions and behaviours. IKEA Industry enhances the guidance provided in safety and security manuals through regular targeted training, and reviews health, safety and security compliance annually at each IKEA Industry unit.

Regular Environment, Health and Safety Grading (EHSG) assessments check compliance with relevant IWAY requirements at IKEA Industry units – read more about IWAY on [page 35](#). Visits between auditors from different IKEA Industry locations enables shared learning and benchmarking. In FY17, IKEA Industry carried out follow-up work with 40 units to resolve any issues identified during EHSG visits.

In FY17, 120 health and safety specialists and safety champions were trained to support the implementation of STAY SAFE – a tool designed to encourage safe working habits. IKEA Industry will implement a ‘train the trainer’ programme in FY18 to involve all line managers and leaders in the development of a strong safety culture.

In FY17, IKEA Industry completed the collection and analysis of data for the IKEA Industry Chemical Management Database. This included evaluating more than 4,200 Chemical Safety Datasheets from suppliers against the strictest national legislation in all 10 countries of operation. The database will be used to

undertake comprehensive risk assessments and reduce, then phase out, the use of hazardous substances – reducing the exposure of co-workers and suppliers to chemicals of concern.

Wellbeing extends beyond the working day. It includes the ability to enjoy a decent standard of living outside work – read more on [page 34](#).

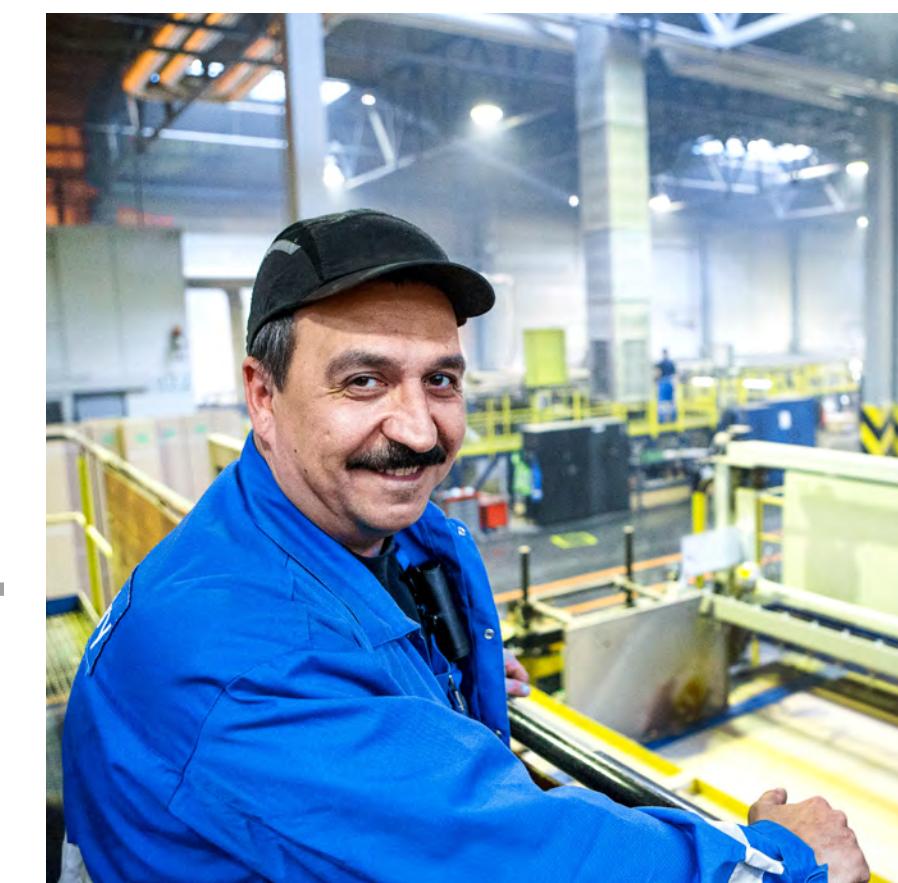
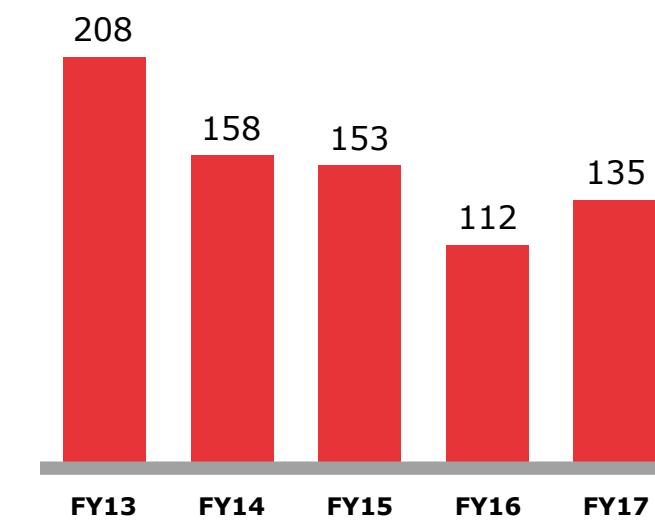
In FY17, incident reporting increased as a result of our continued focus on developing a strong culture of recognition and reporting. Co-workers are more willing to report incidents and, with increased reporting, we can better investigate and understand the root causes to avoid more serious accidents from occurring.

The number of lost time accidents – those requiring one or more days of absenteeism – and the lost time accident rate increased. There is no single reason for this, and IKEA Industry will continue working to minimise risks in production, improve ergonomics and communicate with co-workers to ensure that the importance of safety is understood by all. There were no on-site co-worker fatalities in FY17.

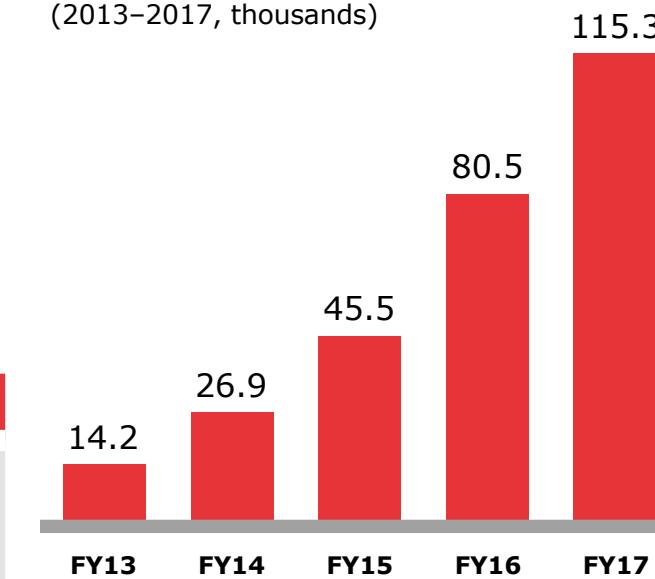
Occupational accidents

	FY16	FY17
IKEA Industry lost time accident rate – per million hours worked	3.3	3.9

Lost Time Accident¹³ (LTA) trend
(2013–2017)



Reported incidents¹⁴ trend
(2013–2017, thousands)



¹³ Accidents requiring one or more days of absenteeism.

¹⁴ Unsafe conditions, unsafe acts and near misses, that could have led to an accident.

IKEA co-workers



People do their best work when they feel valued and are able to be themselves. Each of the 194,000 co-workers across the IKEA business is unique and brings new perspectives and ideas.

Updated IKEA values

Our shared values and strong culture make IKEA unique, both as a place to work and as a brand. In each and every IKEA unit around the world, there are co-workers who share the same IKEA values.

The first version of the IKEA values was drafted together with the founder of IKEA, Ingvar Kamprad, in the early 90s. In FY17, we modernised and simplified that version and included an additional value about sustainability.

A common recruitment approach for the IKEA franchise system

Our uniqueness is built by people. And it starts with the people we recruit. In FY17, we worked together with franchisees to create a common recruitment approach for the IKEA franchise system. The approach describes key principles for recruitment, to guide different markets in developing their local recruitment processes or plans.

Across the IKEA business we aim to recruit down-to-earth, straightforward and curious people who want to develop the IKEA business, society and themselves. These are people who share the IKEA values and can enrich our culture; people who want to contribute to creating a better everyday life for the many people.

Going forward, Inter IKEA will develop additional approaches for leadership and learning, as well as a common people strategy for the IKEA franchise system.

Equality, inclusion and diversity

The IKEA business is present in many different countries, with IKEA stores in 49 markets and suppliers in 51 countries. Equality, inclusion and diversity increase our understanding of IKEA customers and each other. That is why IKEA companies recruit for and embrace diversity – to create a workforce including people of all ages, backgrounds, mindsets and perspectives. And we want an environment of openness where

everyone is important, and feels comfortable to experiment and try new ways.

In FY17 (see table below), 41% of Inter IKEA co-workers were women, and 35% of Inter IKEA managers were women. Overall, the figures are improving, but we still have a way to go to achieve diversity and equality. The Inter IKEA Group Management Board and the Supervisory Board had no female members in FY17.

We actively pursue all aspects of diversity, equality and inclusion across the whole of Inter IKEA. For example, to increase the number of women in leadership positions, IKEA Industry has a Female Potential programme, which aims to support and prepare female candidates to take management positions.

IKEA learning offer

Inter IKEA supports learning in the everyday business by offering unique opportunities linked to the needs of the IKEA business and IKEA customers. In FY17, we further developed the IKEA learning offer together with IKEA franchisees to better address these needs. This

included investing in our common learning management system – My Learning – to make it more functional, effective and easy to use. All 194,000 IKEA co-workers can access a combination of face-to-face and digital content through My Learning. The system currently offers 750 learning solutions.

With the IKEA approach to learning and the IKEA learning offer we want to empower IKEA people to learn, develop and perform in any given situation. The IKEA culture encourages an environment of trust, where co-workers can dare to explore, experiment, learn and continuously develop – prerequisites for a high performing learning organisation.

Co-worker gender diversity: Inter IKEA Group core businesses in FY17

Business	% women: all co-workers	% women: management
Inter IKEA Systems B.V.	56	50
IKΕΑ Range & Supply	50	45
IKEA Industry	37	24
Inter IKEA Group (total)	41	35

Governance and ethics

Sustainability governance and management

SUSTAINABILITY ACROSS THE IKEA VALUE CHAIN

The IKEA business is operated through a franchise system. Inter IKEA Systems B.V. is the owner of the IKEA Concept and worldwide IKEA franchisor. We are committed to working together across and beyond the IKEA franchise system in a collaborative way, being transparent about what we learn and making continuous improvements.

All franchisees are obliged to comply with the IKEA Requirements, which includes IConduct. These include specifications for working with the IKEA Brand and Concept, and general business requirements. These business requirements are comparable with the IKEA code of conduct for suppliers, IWAY. During 2018, we will introduce new ambitions and commitments for the entire IKEA franchise system and value chain leading up to 2030. The IKEA sustainability strategy will secure a common sustainability agenda for the IKEA franchise system and value chain.

IKEA Sustainability Council

The Strategic Sustainability Council is a governance body that includes representatives from Inter IKEA Group entities, as well as franchisees. This Council ensures that we share the same positions across the IKEA franchise

system and align on future developments and cross-company goals and commitments, while respecting the different assignments and the independence of the companies in the IKEA franchise system.

The Strategic Sustainability Council was established in February 2017 to take responsibility for sustainability decisions affecting the IKEA value chain, including:

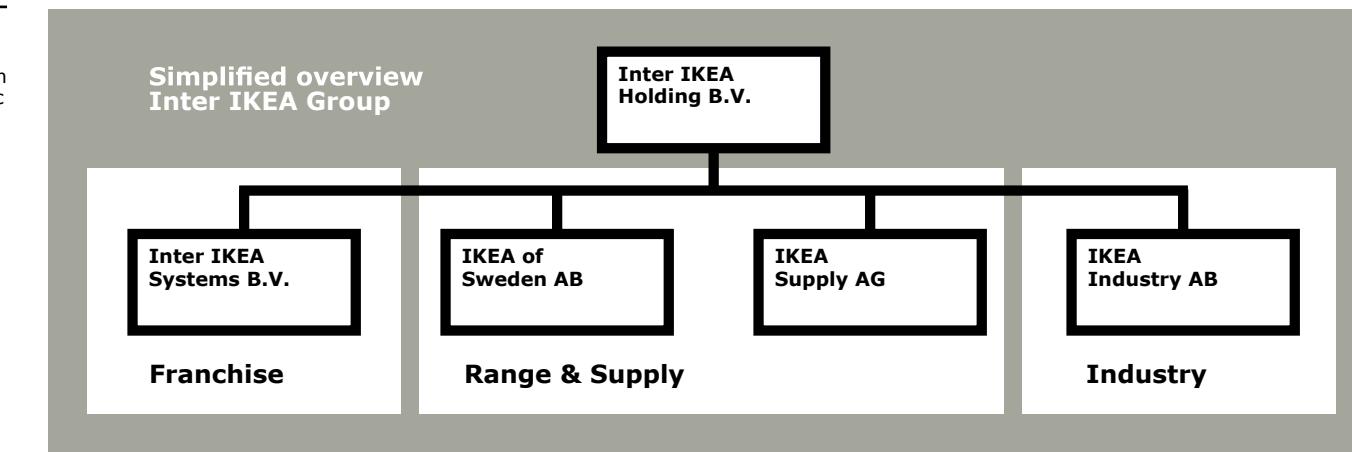
- The IKEA Brand's role in society
- Sustainability strategies and goals across the franchise system
- Compliance with and requirements for sustainability goals through IWAY, the IKEA supplier code of conduct.¹

The Strategic Sustainability Council meets at least twice a year and consists of eight representatives from Inter IKEA Group, two from INGKA Holding B.V. – the largest group of IKEA franchisees – and representatives from the franchisees Al-Sulaiman and IKANO. The Managing Directors of each of the companies are members of the Council.

Sustainability-related working groups

Experts on specific topics from Inter IKEA and franchisees meet in working groups to share best practice and build knowledge through the IKEA value chain. They discuss and align on strategic initiatives and plans to fulfil the IKEA sustainability strategy. There are currently working groups on energy, water and waste.

¹ Previously, this was the role of IWAY Council, which is now the Strategic Sustainability Council.



SUSTAINABILITY AT INTER IKEA GROUP

The Inter IKEA Sustainability Management Group includes the sustainability managers from various Inter IKEA Group entities. It is responsible for developing and updating the IKEA sustainability strategy and for providing recommendations on strategic business decisions with environmental and social impacts. It is also responsible for preparing for the meetings of the Strategic Sustainability Council.

The members of the Inter IKEA Sustainability Management Group are: Policy & Compliance Manager, Inter IKEA Group; Sustainability Manager, Inter IKEA Systems B.V.; Sustainability Manager, IKEA Industry; Sustainability & Health Manager, IKEA Food; Sustainability Manager, Transport; Sustainability Manager, IKEA Range & Supply (Chair). This group has met monthly since February 2017.

Inter IKEA Group

To improve the IKEA franchise system and clarify roles, IKEA range, supply and production activities transferred to the new Inter IKEA Group headed by Inter IKEA Holding B.V. The ownership changes came into effect on 31 August 2016. The Inter IKEA Group is now composed of three core businesses – Franchise, IKEA Range & Supply, and IKEA Industry

LEARNING FROM STAKEHOLDERS

Partnering with others and learning from them is key to becoming people and planet positive. We actively engage and collaborate with organisations named throughout this report, and with many others, to gain insights and feedback. Read more about our key partnerships throughout this report.

Business ethics

At Inter IKEA, we set high standards for all of our co-workers in the Inter IKEA Group Code of Conduct, and the Inter IKEA Group Policy and Standard on Anti-Corruption. Overall, it is all about doing good business with common sense, based on honesty, respect, fairness and integrity.

We investigate policy breaches and ensure a consistent and accountable approach to internal investigations through the Inter IKEA Group Rule of Investigation, updated in FY17. In FY17 we started to train selected co-workers in applying the Rule of Investigation. We are working to extend the rule to cover different kinds of investigations, including HR issues such as mobbing and harassment.

TRAINING

We train all co-workers on the Inter IKEA Group Code of Conduct, which includes Anti-Corruption. The IKEA purchasing organisation within IKEA Range & Supply is more exposed to corruption risks and receives more in-depth training on business ethics.

RAISING CONCERN

We promote an open and honest culture, encouraging co-workers to raise concerns about misconduct with individuals and their managers where possible. When co-workers feel uncomfortable addressing an issue personally, they can do so through the Inter IKEA Group Raising Concern Line. In FY17, 42 concerns were reported.



Indices and performance

Contributing to the Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs), launched in 2015, provide an inspiring framework for collective action to create a better world.

We use them to guide us as we develop the IKEA business, set ambitions and engage with our partners. And we believe that the IKEA business has an important role to play in contributing to achieving the SDGs.

Find out more about how we contribute to each of the goals in the table below.

SUSTAINABLE DEVELOPMENT GOAL	HOW INTER IKEA GROUP CONTRIBUTES	SUSTAINABLE DEVELOPMENT GOAL	HOW INTER IKEA GROUP CONTRIBUTES
 1 NO POVERTY	<p>End poverty in all its forms everywhere</p> <p>Contributing to better lives for people and communities throughout the IKEA value chain, page 35</p> <p>Working with social entrepreneurs to effect social change, page 38</p>	 6 CLEAN WATER AND SANITATION	<p>Ensure availability and sustainable management of water and sanitation for all</p> <p>Supporting IKEA suppliers to improve water management and water treatment practices, page 25</p> <p>Reducing the amount of water used in Inter IKEA operations, page 25</p> <p>Developing products that enable customers to reduce water use, page 12</p>
 2 ZERO HUNGER	<p>End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p> <p>Responsible sourcing of ingredients for IKEA Food products, and promoting sustainable farming practices, page 23</p> <p>Offering healthier and more sustainable food products, page 13</p> <p>Working to reduce food waste from IKEA operations, page 32</p>	 7 AFFORDABLE AND CLEAN ENERGY	<p>Ensure access to affordable, reliable, sustainable and modern energy for all</p> <p>Investing in renewable energy, page 29</p> <p>Improving energy efficiency in Inter IKEA operations, page 29</p>
 3 GOOD HEALTH AND WELL-BEING	<p>Ensure healthy lives and promote well-being for all at all ages</p> <p>Promoting and enabling a more sustainable and healthy life at home through IKEA products and solutions, page 12</p>	 8 DECENT WORK AND ECONOMIC GROWTH	<p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p> <p>194,000 co-workers working under the IKEA Brand across the world.</p> <p>Inter IKEA directly employing 28,000 co-workers.</p> <p>Stimulating employment for millions of people throughout the IKEA supply chain, page 40</p>
 4 QUALITY EDUCATION	<p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p> <p>Providing the opportunity for continual learning and development for IKEA co-workers, page 42</p> <p>Promoting and supporting children's rights, page 39</p>		<p>Improving environmental and social standards in the supply chain through IWAY, the IKEA supplier code of conduct, including respect for human rights and promoting safety and health at work, page 35</p> <p>Taking a holistic approach to assessing wages, using the Fair Wage Alliance criteria, and extending the approach to suppliers, page 34</p>
 5 GENDER EQUALITY	<p>Achieve gender equality and empower all women and girls</p> <p>Creating a diverse and inclusive workforce, page 42</p> <p>Partnering with social enterprises that employ artisans – mostly women who live in rural areas – and empowering them to develop sustainable incomes, page 38</p>		<p>Improving employment and working conditions for migrant workers and home-based workers, page 37</p> <p>Promoting a diverse and inclusive workplace for all, page 42</p> <p>Partnering with social enterprises that employ vulnerable groups, so they can create independent and sustainable incomes, page 38</p>

SUSTAINABLE DEVELOPMENT GOAL	HOW INTER IKEA GROUP CONTRIBUTES	SUSTAINABLE DEVELOPMENT GOAL	HOW INTER IKEA GROUP CONTRIBUTES
 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation Working with IKEA suppliers to improve resource and energy efficiency, page 29	 14 LIFE BELOW WATER	Conserve and sustainably use the oceans, seas and marine resources for sustainable development Sourcing the fish and seafood for IKEA bistros, restaurants and Swedish Food Markets responsibly, from ASC or MSC sources, page 23
 10 REDUCED INEQUALITIES	Reduce inequality within and among countries Respecting human rights, including supporting specific groups in our extended supply chain, such as migrant workers, home workers and social entrepreneurs, pages 37 and 38 Taking a holistic approach to assessing wages, using the Fair Wage Alliance criteria, and extending the approach to suppliers, page 34 Working to secure respect for children's rights across the IKEA value chain, page 39	 15 LIFE ON LAND	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss Sourcing key raw materials, like cotton and wood, from more sustainable sources, pages 18-23 Promoting sustainable forest management to eliminate forest degradation and deforestation. Using only FSC certified paper to produce the IKEA catalogue – the world's largest print run ever to be produced using 100% FSC certified paper, pages 18-20
 11 SUSTAINABLE CITIES AND COMMUNITIES	Make cities and human settlements inclusive, safe, resilient and sustainable Reducing waste and becoming circular, page 17 Developing products and solutions to enable and inspire people to live a more sustainable life at home, page 12	 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels Supporting respect for human rights throughout the IKEA value chain, page 34 Ensuring an ethical approach to the way business is done, through the Inter IKEA Group Code of Conduct, page 35
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns Using renewable, recycled and recyclable materials in IKEA products, page 26 Converting to a circular business, supporting the transition to a circular economy, page 17 Creating products that enable sustainable living, and inspiring co-workers and customers to live more sustainable lives at home, page 12	 17 PARTNERSHIPS FOR THE GOALS	Strengthen the means of implementation and revitalise the global partnership for sustainable development Engaging and partnering with others to extend our impact, page 40 and pages 18-24 .
 13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts Reducing the climate footprint of the IKEA value chain in absolute terms. For example, by transforming into a circular business (page 17), introducing more plant-based food options (page 13), investing in renewable energy and improving energy efficiency (page 29). Creating products and solutions to enable customers to live a more sustainable life at home, page 12		

Performance against People & Planet Positive targets FY17-FY20

The table below summarises the performance of IKEA Range & Supply and IKEA Industry against the commitments and targets made before the transfer of range, supply and production activities to Inter IKEA Group from INGKA Holding B.V.. The targets in the table are part of the People & Planet

Positive sustainability strategy for 2020, launched by INGKA Holding B.V. in 2012 and have remained applicable in the new Inter IKEA Group structure. An updated IKEA sustainability strategy with new ambitions and commitments for the franchise system and value chain leading up to 2030 will

be introduced by Inter IKEA Systems B.V. during FY18. All targets below will be revised and updated based on the new IKEA sustainability strategy. Progress against expired People & Planet Positive targets and indicators can be found in previous Sustainability Reports of INGKA Holding B.V..

TARGETS/INDICATORS

Enabling Change

Enabling change throughout our business to become people and planet positive

Progress towards FY17 targets/indicators

- | | PERFORMANCE FY17 |
|--|--|
| 1 By August 2017, 95% of IKEA co-workers state that "sustainability is a natural part of the everyday work". | <p>We continue our efforts to make sustainability an integrated part of everyday work, through integrating it to co-worker learning and development.</p> <p>Proportion of co-workers who see sustainability as a natural part of their daily work (according to co-worker survey "VOICE" FY17):</p> <ul style="list-style-type: none"> - IKEA Range & Supply: 83% - IKEA Industry: 84% - Inter IKEA Systems B.V. and Inter IKEA Group: Not available <p>This goal was set while IKEA Range & Supply and IKEA Industry belonged to INGKA Holding B.V.. There is no aggregated data on this target available for Inter IKEA Group co-workers.</p> <p>The word "natural part" has been shown to be unclear and open to interpretation by our co-workers, we will rephrase the question moving forward.</p> |
| 2 By August 2017, at least 95% of IKEA co-workers view IKEA as a company that takes social and environmental responsibility. | <p>We continue our work to integrate sustainability in the daily work of co-workers across the IKEA business.</p> <p>Proportion of Inter IKEA co-workers who feel responsible for minimising the negative impact on the environment in their daily jobs:</p> <ul style="list-style-type: none"> - IKEA Range & Supply: 88% - IKEA Industry: Not available - Inter IKEA Systems B.V. and Inter IKEA Group: Not available <p>And who feel proud of the way the IKEA business works with sustainability:</p> <ul style="list-style-type: none"> - IKEA Range & Supply: 90% - IKEA Industry: 84% - Inter IKEA Systems B.V. and Inter IKEA Group: Not available |
| 3 By August 2017, at least 95% of our suppliers view the IKEA business as a business that takes social and environmental responsibility. | <p>91% of Inter IKEA suppliers strongly or mostly agree that the IKEA business demonstrates social and environmental responsibility through its actions (according to supplier survey FY16). We work closely with our suppliers to share our approach and support them in improving their impact for people and the planet. See page 36.</p> |

Progress towards FY18-FY20 targets/indicators

- | | |
|--|--|
| 4 By August 2020, the IKEA Brand is seen as number one home furnishing retailer for operating in a way that is better for people and the environment on each market and we see, on a country basis, a minimum 3% increase in awareness annually on two strategic areas related to People & Planet Positive topics. | <p>The perception that the IKEA Brand operates in a way that is better for society and the environment continued to increase for the third year running, especially among 15-24 year olds.</p> <p>The IKEA Brand¹ is:</p> <ul style="list-style-type: none"> - seen as an enabler for people to reduce energy consumption (+4% vs FY14) - a company committed to using renewable energy (+3% vs FY14) |
|--|--|

¹ Source: IKEA Brand Capital, consumer survey, 2017.

TARGETS/INDICATORS	PERFORMANCE FY17												
A more sustainable life at home <i>Take the lead in developing and promoting products and solutions that enable customers to live a more sustainable life at home</i>													
Progress towards FY17 targets/indicators													
5 By September 2017, offer the most energy efficient home appliances at the lowest price.	Out of the 105 appliances in the IKEA range, 70 have energy ratings. We aim to offer affordable energy efficient home appliances; however, the majority of the highest-rated energy efficient home appliances were still in the high price range.												
Progress towards FY18-FY20 targets/indicators													
6 By August 2020, achieve more than a fourfold increase in sales from products and solutions inspiring and enabling customers to live a more sustainable life at home.	<p>The IKEA range enables people to actively live a healthier and more sustainable life at home with a focus on the efficiency and functions of the home. There are over 500 affordable products and solutions that enable customers to improve water and energy efficiency, generate renewable energy, and sort waste. See page 12.</p> <p>We have found that this target does not give an accurate reflection of the impact of our products in enabling customers to live a more sustainable and healthy life, and will explore alternatives. In addition, this target applies to INGKA Holding B.V. sales.</p> <p>This target was modified during FY17 to secure a focus on providing solutions with healthy and sustainable living functions, rather than increasing sales volumes.</p>												
7 Take a lead in more sustainable food by enabling and encouraging a balanced diet.	We have made progress against this target, and continue to expand the range of healthy and sustainable food options for IKEA customers. In FY17, we launched MUNSBIT fruit and nut snacks as well as dairy free smoothies. We offer vegetarian options such as veggie balls and have introduced a new soda range in the drink towers in IKEA Restaurants and IKEA Bistros that contain 50% less sugar than the drinks they replaced. See page 13 .												
Resource independence <i>Strive for resource independence by using resources within the limits of the planet and by encouraging all waste to be turned into resources</i>													
Progress towards FY17 targets/indicators													
8 By August 2017, the majority of the renewable materials used (wood, cotton, cocoa, tea, coffee) will come from more sustainable sources.	<p>Achieved in FY17:</p> <ul style="list-style-type: none"> - 77% of wood and 100% of cotton sourced for IKEA products were from more sustainable sources. - 70% of IKEA retail markets are serving tea from more sustainable sources. - PÅTÅR, the new IKEA coffee range launched in FY17, is both UTZ certified and organic (EU standard). - The cocoa in IKEA branded chocolate bars is UTZ certified. <p>See pages 18-24.</p>												
9 By August 2017, 100% of our wood from priority areas (countries where IKEA, along with our partners, have identified high risk of sustainability challenges and forestry) will be from more sustainable sources.	Achieved. See pages 18-20 .												
10 By August 2017, 50% of the non-renewable materials used in our home furnishing products will come from recycled sources.	<p>Proportion of materials from recycled sources:</p> <table border="0"> <tr> <td>Carbon steel</td> <td>50%</td> <td>Aluminium</td> <td>72%</td> </tr> <tr> <td>Plastic</td> <td>22%</td> <td>Foam</td> <td>3%</td> </tr> <tr> <td>Stainless steel</td> <td>50%</td> <td>Total, weighted</td> <td>32%</td> </tr> </table> <p>We knew that this ambition would be challenging due to the lack of existing infrastructures. The main challenge is in plastics where there are not sufficient volumes of recycled materials. We continue to strive towards our ambition to use more recycled materials as part of our transformation to a circular business.</p> <p>See page 26.</p>	Carbon steel	50%	Aluminium	72%	Plastic	22%	Foam	3%	Stainless steel	50%	Total, weighted	32%
Carbon steel	50%	Aluminium	72%										
Plastic	22%	Foam	3%										
Stainless steel	50%	Total, weighted	32%										

TARGETS/INDICATORS	PERFORMANCE FY17
11 By August 2017, all of the leather we use will have full chain of custody and be produced according to standards that help protect forests and respect human rights and animal welfare.	<p>This target was modified, as the leather supply chain has changed. It was possible to trace leather to the slaughterhouse by August 2017. For more information see INGKA Holding B.V. Sustainability Summary Report FY17.</p> <p>In FY17, we collected information on all of the slaughterhouses in our leather supply chain, assessing their performance against the new IKEA Range & Supply slaughterhouse standard. See page 24.</p>
Progress towards FY18-FY20 targets/indicators	
12 By August 2020, we aim to source 100% of our wood, paper and cardboard products from more sustainable sources. These sources are defined as FSC certified or recycled wood.	<p>We have made progress against this target.</p> <ul style="list-style-type: none"> - 77% of wood, paper and cardboard came from more sustainable sources, up from 61% in FY16. - 100% of wood in high-risk countries came from more sustainable sources. - Extended scope of IWAY Forestry Section by adding new materials (paper, composites, natural fibers) to follow forestry requirements. <p>See pages 18-20.</p>
<ul style="list-style-type: none"> - Before August 2020, become forest positive. Continue to maintain full compliance with our forestry requirements. Promote the adoption of sustainable forestry methods beyond our needs and across the industry and contribute to ending deforestation. 	<p>On track. We continue to work with partners, policymakers and smallholders to promote sustainable forestry practices, scale up FSC certification and further engage small forest holders in our supply chain, and prevent deforestation. See pages 18-20.</p>
13 By August 2020, contributing to FSC certification of an additional 15 million hectares of forest in priority areas – which is equivalent to more than double the total area needed to supply IKEA production. Baseline year is FY13.	<p>On track, despite some challenges to meet the last hectares. The biggest challenge is engaging small private forest owners in FSC certification. We are working to overcome this by working with FSC and through our partnerships with WWF (in 14 countries) and Rainforest Alliance, focusing on improving forestry practices among smallholders. See pages 18-20.</p>
<p>14 By August 2020, become water positive by promoting water stewardship throughout our value chain. Contributing, with others, to improved water management in water stressed areas where we operate, focusing on both water use and water quality and helping people to have access to clean water.</p> <p>By August 2020, all plastic material used in our home furnishing products will be 100% renewable and/or recycled. The scope is plastics category products which we sell, textile products, packaging and components for furniture.</p>	<p>Continued progress towards this target by leading and developing water stewardship programmes. See page 25.</p> <p>We have made some progress but are not on track.</p> <p>Of the plastic material used in our home furnishing products, 31% is renewable and/or recycled. In FY17, we launched the ISTAD bags made from plastic based on renewable materials and KUNGSBACKA kitchen fronts made from recycled PET bottles. See page 26.</p>
15 Develop and start implementing higher welfare standards for pigs by August 2016 and for beef cattle by August 2017.	<p>Our ambition is to source food with good standards of animal welfare. The IKEA Food Better Programmes are global, developed with input from experts, NGOs and suppliers and set our minimum requirements for sourcing. We have separate programmes for each species, covering all the major animal species in our food supply chain – broiler chickens (for meat), laying hens, dairy cattle, beef cattle, pigs and salmon. Our ambition is for these programmes to be fully implemented for all species by 2025. We will develop individual roadmaps with specific milestones to guide our efforts during FY18.</p> <p>The target was modified during the development of the standards for better animal welfare and more sustainable agriculture, taking further input from stakeholders into account. See page 23.</p>
16 By August 2020, 90% of our home furnishing products will be more sustainable with documented environmental improvements, covering both resource use and product functionality according to our sustainability product scorecard.	<p>The target has been modified. All IKEA products are developed according to the Democratic Design approach where sustainability is one of five dimensions.</p> <p>The product score has been replaced by design principles that includes the entire range. New goals are set to align with the development of the new sustainability strategy. See page 12.</p>
17 By August 2020, 90% of the total sales value will come from home furnishing products classified as more sustainable (according to the sustainability product scorecard).	<p>The target has been modified to secure focus on providing more healthy and sustainable solutions, rather than increasing sales volumes. All IKEA products are developed according to the Democratic Design approach where sustainability is one of five dimensions.</p> <p>The product score has been replaced by design principles that include the entire range. See page 12.</p>

TARGETS/INDICATORS	PERFORMANCE FY17
18 By August 2020, 30% of the wood used by IKEA Industry will be recycled.	In FY17, 1% of the total wood used by IKEA Industry was recycled. The IKEA Industry Board unit in Lure, France, produces board from 60% recycled material and studies have been conducted into how to do this at other board mills. However, there is not currently enough recycled material available in the locations where our board mills are situated to make the investments in recycling lines. See page 26 .
19 By August 2020, close at least two material loops (material loops not currently existing in a region) for post-consumer waste.	We are shifting from a focus on closing loops ¹ to transforming IKEA into a circular business. Turning waste into new materials is one key element. 98% of the packaging used for IKEA products is made from renewable, recyclable or recycled materials. Plastic and paper packaging is made into new products such as TOMAT, SKRUTT, and TJENA. We have developed a unique production technique, "M-board", to produce board material from recycled paper. This target was modified due to the higher ambition level across the IKEA business and the shift in focus from just closing loops to a more holistic transformation into a circular business. See page 17 .
20 By August 2020, reduce waste from store operations by 10%. ²	Please see the INGKA Holding B.V. Sustainability Summary Report for information about progress towards this target. Read more about waste on page 32 .
21 By August 2020, 90% of the waste from IKEA Industry Group will be material recycled.	On track, but it will be a challenge to reach 90% by 2020. In FY17, 82% of waste at IKEA Industry was recycled. See page 32 .

Energy independence

Strive towards energy independence through being a leader in renewable energy, and becoming more energy efficient throughout our operations and supply chain

Progress towards FY17 targets/indicators

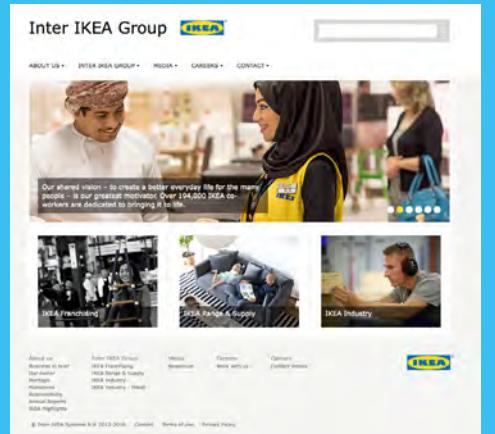
22 Encourage and enable our direct home furnishing suppliers to become 20% more energy efficient in their own operations by August 2017 (compared to FY10 in relative terms, measured by kWh/m ³ purchased goods for trading operations, - IKEA Industry: kWh/m ³ - IKEA Components: kWh/kg).	Achieved. - 19% improvement in energy efficiency at tier 1 home furnishing suppliers compared to FY13 baseline. This is within the margin of error of our reported data and therefore counted as achieved. - Undertook initiative to help suppliers raise the SSI scores. See page 29 .
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Progress towards FY18-FY20 targets/indicators

23 By August 2020, reduce transport-related carbon emissions by 30% through, for example, improving fill rates, utilising electric vehicles, optimal modes of transport and green corridors, compared to FY12, in relative terms and measured by emissions per m ³ of transported goods.	We have almost achieved the target to reduce transport related carbon emissions by 30% per m ³ product sold (reached 29.5%). In FY17, we launched a transport decarbonisation programme, focused on reducing the transport needed by increasing efficiency, replacing the types of transport and fuels used, and rethinking our approach. For progress in retail, see INGKA Holding B.V. Sustainability Summary Report . See page 31 .
25 By August 2020, INGKA Holding B.V. will produce as much renewable energy as it consumes in its operations.	See INGKA Holding B.V. Sustainability Summary Report .

¹ Closing the loop is one approach among many in a circular economy. It is defined as when waste is reused into new resources such as materials and products. A company can have an internal loop where the waste created in its own production or end of life products is reused. This can also happen in a bigger context, by reusing any waste created in society. Both loops are of interest for the IKEA business.

TARGETS/INDICATORS	PERFORMANCE FY17
A better life for people and communities <i>Take a lead in contributing to a better life for people and communities impacted by our business, placing human rights at the centre of everything we do</i>	
Progress towards FY17 targets/indicators	
<p>26 Maintain 100% IWAY approval of all suppliers of home furnishing and other key products and services (suppliers related to Home Furnishing, IKEA Components, Transportation and the global business area Food).</p>	<p>On track.</p> <p>Home furnishing suppliers: 98% Transport: 97% Global Food: 87% IKEA Components: (direct suppliers): 99% IKEA Industry (own sites): 100% IKEA Industry (direct suppliers): 46% IKEA Catalogue: 63%</p> <p>The gap at home furnishing and transport suppliers is due to the phase out of suppliers or that an implementation extension has been given with a plan in place to close deviations. For other IKEA organisations, implementation plans are in place and on track to achieve IWAY approval at suppliers in scope.</p> <p>See page 35.</p>
<p>27 Secure compliance to IWAY Musts at all sub-suppliers of critical material and processes by August 2017. Covers material and processes which have an increased risk of sustainability concerns associated with the raw material or how it is sourced. For example cotton, leather, wood, down & feathers, palm oil, natural fibres and plants.</p>	<p>Not achieved due to increased scope. During FY17, we updated the definition of "critical manufacturing processes" which increased the number of suppliers within the scope. Follow up of IWAY Must requirements at these sub-suppliers will take place in FY18.</p> <p>Home furnishing suppliers: 91% of critical sub-suppliers secured with IWAY Must. IKEA Components: 85% of critical sub-suppliers secured with IWAY Must (goal to reach 100% in FY18).</p> <p>See page 35.</p>
<p>28 Develop and implement a transparent and reliable system for the responsible recruitment of migrant workers at first tier suppliers in identified critical areas by August 2017.</p>	<p>Launched phase two of our partnership with the International Organisation for Migration and Verité, to map labour recruitment chains from Thailand, Vietnam, Indonesia and the Philippines to suppliers in Taiwan. We continued to work as part of the Leadership Group for Responsible Recruitment.</p> <p>See page 37.</p>
Progress towards FY18-FY20 Targets/Indicators	
<p>29 Continuously identify and develop setups for home-based workers to improve working conditions, protect labour rights and prevent child labour. By August 2020, all home based workers are transitioned into improved setups and part of our handmade development programme.</p>	<p>Ongoing. We are increasing efforts to improve the working conditions of smallholders and farmers. We will continue our work with home-based workers to develop natural fibre products. We are clarifying and improving the requirements, monitoring and governance to secure compliance.</p> <p>See page 37.</p>



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Inter IKEA Group Financial Summary **FY17**

Read more about the financial performance of the Inter IKEA Group in FY17.

