



People
& Planet
Positive

IKEA SUSTAINABILITY REPORT FY18



In this report

People & Planet Positive

- Introduction 3
- The IKEA business in FY18 4
- Sustainability highlights and challenges in FY18 5
- Letter from Torbjörn Lööf 7
- Letter from Lena Pripp-Kovac 8
- This is IKEA 9
- Becoming People & Planet Positive 10
- Sustainability governance 11

Healthy & sustainable living 12

- Inspiring and enabling people to live healthier, more sustainable lives 13
- Promoting circular and sustainable consumption 16
- Creating a movement in society around better everyday living 18

Circular & climate positive 21

- Transforming into a circular business 22
- Becoming climate positive 27
- Regenerating resources, protecting eco-systems and improving diversity 37

Fair & equal 44

- Providing and supporting decent and meaningful work across the value chain 46
- Being an inclusive business 51
- Promoting equality 57

SDG Index 58



IKEA veggie hot dog, with a climate footprint seven times less than the classic meat hot dog, see [page 15](#).

Introduction

We always think long term, innovating to ensure that our actions to meet people's needs today do not compromise the ability of future generations to meet their needs. This requires us to rethink and inspire changes in lifestyles and consumption, and to transform our way of working – from linear to circular, from consuming to regenerating resources. Our culture and values will lead us to be even more inclusive, respecting and encouraging diversity, promoting equality and decent meaningful work across the IKEA value chain.

Together with our co-workers, customers, suppliers and partners, we are determined to use our size and influence to make a positive difference. We are committed to succeeding – to secure the success of our business while contributing to a sustainable future.

Currently there are some 600,000 people working for our tier-one suppliers and millions more in our extended value chain. We all share the same ambition: to contribute to a sustainable business built on our vision to create a better everyday life for the many people.



The IKEA business in FY18



957 million
visits to IKEA stores

2.5 billion
visits to IKEA websites

EUR 38.8 billion
IKEA retail sales

19
new IKEA stores opened
around the world



Sustainability highlights in FY18

Healthy & sustainable living

DEVELOPING NEW PRODUCTS

MISTELN mist nozzle,¹ being developed with start-up Altered, can reduce water use by more than 90%.

GUNRID air purifying curtains¹ – being developed with universities in Asia and Europe, IKEA suppliers, and innovators – made from a fabric that reduces indoor air pollutants.

LUSTIGT



OFFERING HEALTHIER AND PLANT-BASED FOOD

1 million veggie hot dogs sold in Europe within first two months of launch.

DESIGNING CIRCULAR PRODUCTS

Designing products from the very beginning to be **repurposed, repaired, reused, resold and recycled**.

ENCOURAGING MORE PLAY!

Launch of the **LUSTIGT** collection and **Real Play Coalition** to encourage children and adults to play more, with products such as colouring sheets and skipping ropes.

¹ Launching FY20.

Circular & climate positive

USING MORE RENEWABLE AND RECYCLED MATERIALS

60% of the IKEA range is based on renewable materials and **10%** contains recycled materials. The ambition is **100% renewable and recycled materials by 2030**.



BECOMING CLIMATE POSITIVE

18,240 solar panels installed on IKEA Industry production unit in Paços de Ferreira, Portugal – enough to power 2,700 homes.



REDUCING FOOD WASTE

1,400 tonnes of food, equivalent to 3 million meals, saved since the start of Food is Precious initiative in late 2016.

SOURCING RESPONSIBLY

100% of cotton and **85% of wood** from more sustainable sources.

94% of fish and seafood certified to MSC or ASC standards.



JOFRID
Using dyes made from agricultural waste

Fair & equal

PROMOTING EQUALITY AND SUPPORTING DECENT WORK

Almost 20 years of IWAY

– our code of conduct for suppliers – securing good working conditions throughout the supply chain.

Introducing Iconduct for franchisees.



COLLABORATING WITH SOCIAL ENTREPRENEURS

Launch of three collections in partnership with social enterprises, such as single-origin **PÅTÅR White Nile coffee**, available in 25 countries.

IMPROVING SOCIAL CONDITIONS FOR DRIVERS

Ensuring drivers in the IKEA supply chain have good and fair working conditions.

INCLUSION OF YOUNG WORKERS

Empowering young workers to develop skills with our suppliers in Southeast Asia.

Sustainability challenges in FY18

ADDRESSING UNSUSTAINABLE CONSUMPTION

Inspiring and enabling more than 1 billion people to make sustainable choices within the limits of the planet. See [pages 13-15](#).

REMAINING AFFORDABLE

IKEA is for the many people, so we must ensure IKEA remains accessible to those with thin wallets.

TACKLING CLIMATE CHANGE

Decoupling greenhouse gas (GHG) emissions from growth takes time. The climate footprint of the IKEA value chain increased by 2.8% between FY16 and FY18, and we expect it will take a few more years before emissions start to decrease in absolute terms. See [pages 27-36](#).

SOURCING RECYCLED MATERIALS

There is a shortage of clean, recycled materials and we are working to increase global availability – see [page 38](#) – for example, by partnering with WWF in India to source recycled paper for our packaging.

IMPROVING WORKING CONDITIONS

Decent working conditions are fundamental for doing good business, so we are increasing our efforts throughout our extended supply chains. See [pages 46-57](#).

INCLUDING VULNERABLE GROUPS

To create better possibilities for inclusion in areas of the world that need it the most, we are working with partners who employ women and marginalised groups. See [pages 51-56](#).

REPORTING ON OUR VALUE CHAIN

The IKEA People & Planet Positive strategy sets commitments for the IKEA value chain and franchise system and this is the first report on our progress against the updated strategy and where we begin to cover the complete IKEA business. We are developing a performance framework to ensure transparent and consistent future reporting across the value chain and franchise system.





**"We are committed to
creating a positive impact
for people, society and
the planet."**

The IKEA vision is to create a better everyday life for the many people.

Our vision guides us every day. Around the world, we continue our efforts to inspire people with affordable and sustainable products and solutions. And we are committed to creating a positive impact for people, society and the planet.

People & Planet Positive – the IKEA sustainability strategy – embodies this commitment. We want to enable more people to live sustainable lives within the limits of the planet. We want to reduce greenhouse gas emissions in the atmosphere. And we want to create opportunities for people to take better care of themselves, their families and communities.

In FY18, IKEA attracted 2.5 billion website visits and 957 million visits to 422 IKEA stores in more than 50 markets. This included stores in India and Latvia, new IKEA markets. And soon a new partner – Falabella – will bring IKEA products to Chile, Colombia and Peru.

As we continue to grow and expand, we have the potential to make life better for even more of the many people. To meet this challenge, *People & Planet Positive* sets ambitious goals for the entire IKEA value chain. For example, by 2030 we aim to reduce greenhouse gas emissions by more than the entire IKEA value chain emits. We will innovate across the value chain – from the raw materials we use to how products are used in people's homes, and how the materials can be re-used in the future.

We are also working to inspire and enable people to live more sustainably, through products and solutions that make it easy to

reduce waste, save energy and conserve natural resources. For example, the MISTELN mist nozzle, being developed together with the start-up Altered, can cut water usage by more than 90%.

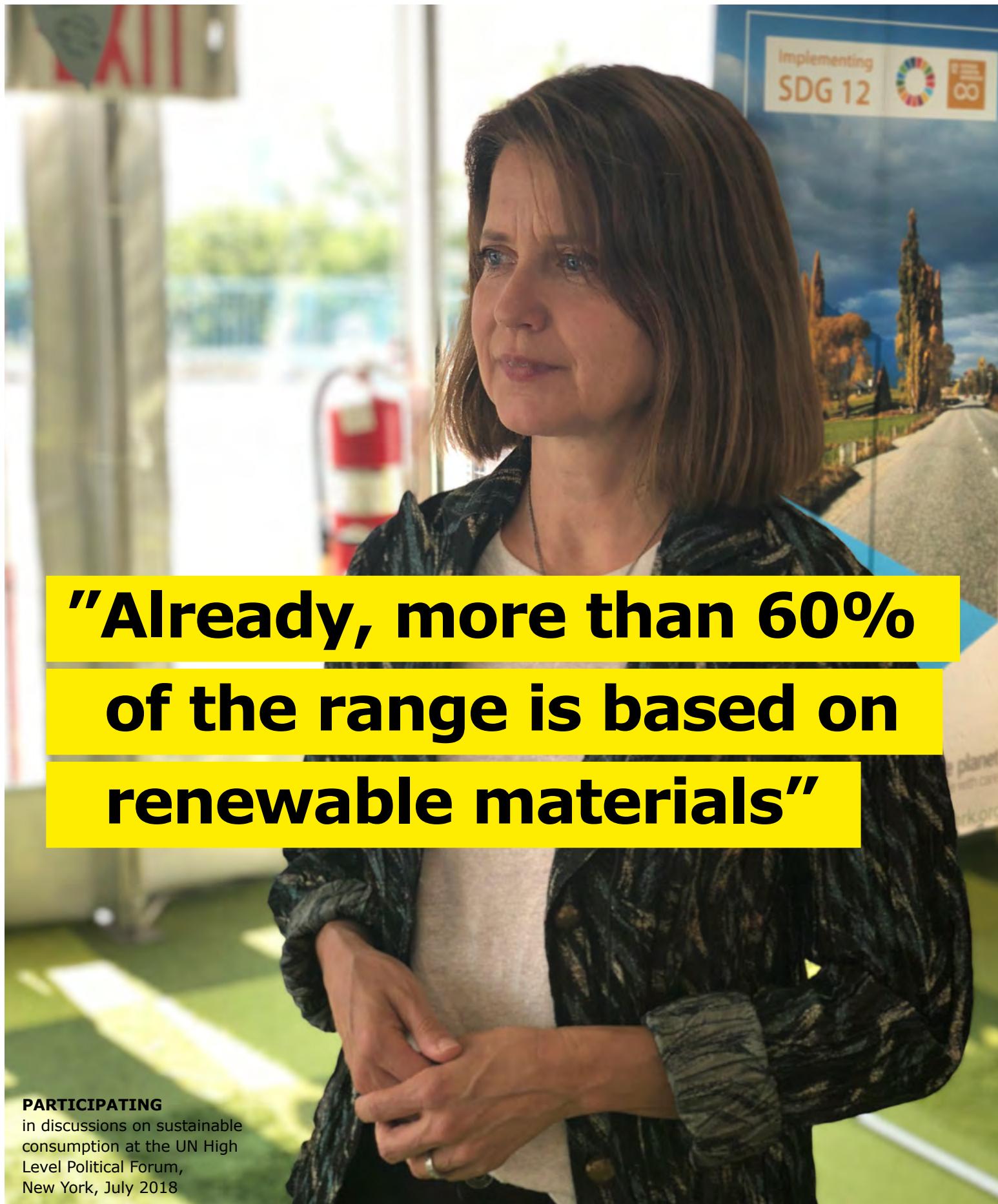
IKEA is transforming into a circular business by making products more repairable, reusable and recyclable. We will go beyond selling products, to offer services that extend the relationship with IKEA customers, supporting them to consume in different ways, and prolong the life of their products.

The "many people" in our vision include the people and communities connected to the IKEA value chain. We want to become an even more inclusive business. In FY18, we expanded our partnerships with social enterprises, creating jobs for more than 15,600 people, while creating unique product collections for sale in IKEA stores.

Despite our reach, we know we cannot realise our vision alone. We will continue to invite customers, suppliers, corporations, start-ups, governments, NGOs and other stakeholders to be part of our journey. Together we will continue to co-create solutions that enable positive changes for people, society and the environment.

We are just at the beginning, and most things remain to be done. But I am optimistic and excited about the future – we will together make this world a better place to live.

TORBJÖRN LÖÖF
CEO, Inter IKEA Group



PARTICIPATING
in discussions on sustainable consumption at the UN High Level Political Forum, New York, July 2018

"Already, more than 60% of the range is based on renewable materials"

Every year, the sustainability challenges facing our world become more visible.

FY18 was a critical year. The IPCC Special Report emphasised the need for urgent action to keep global warming below 1.5°C. And through greater awareness of single-use plastic, we've seen important steps to tackle the wasteful use of resources and negative impact of pollution. One example is our own commitment to phase single-use plastic out of our range by 2020.

We have an optimistic view of the future and we are committed to achieving our vision for positive change. We know more people are looking to improve their lives within the limits of the planet. And we will use our scale to reach the many people with the inspiration, products, solutions and services for better living.

To solve global challenges such as air pollution and water scarcity, we need to go beyond IKEA, co-creating and innovating, sharing ideas and inspiration, and making the IKEA business more inclusive. Only by working together can we tackle some of the greatest challenges facing the planet and our business.

As part of our transformation to a circular business, we are committed to using only renewable or recycled materials to make our products by 2030. Already, more than 60% of the range is based on renewable materials, like wood and more sustainable cotton, and nearly 10% contains recycled materials. But today there are not enough sources of recycled material to reach our goal. We will work together across the IKEA business, and beyond, to build the infrastructure to achieve our ambitions.

Similarly, our commitment to reduce our climate impact goes well beyond the production of our home furnishings. It requires sourcing different kinds of materials, working closely together with our suppliers and inspiring and enabling IKEA customers to change the way they live and consume. It will take time to see the results of our work.

Throughout all of this, we will strive to make the IKEA business more accessible and affordable for the many people. We know that today, the sustainable choice is often a luxury for the few. IKEA was based on the ideas to make more from less, to reach the many not the few, and to inspire better ways of living. That remains our ambition as we become people and planet positive.

We can only achieve this by working together to create the future we want to see. Our ambition is also to be a leader in creating a fair and equal society that benefits the many. I'm fortunate to work alongside so many passionate and talented co-workers, driven by a strong entrepreneurial spirit. And I'm excited by the potential of what we can achieve.

LENA PRIPP-KOVAC
Head of Sustainability, Inter IKEA Group

This is IKEA

IKEA: one brand – many companies

The IKEA business is operated through a franchise system. That means many people and companies with different owners work under one IKEA Brand.

At the end of FY18 there were 11 franchisees operating IKEA stores in more than 50 markets. During the year, a new memorandum of understanding was signed with Falabella regarding franchise rights in Chile, Colombia and Peru, with the first store expected to open in 2020. Ingka Group, formerly IKEA Group, is the largest IKEA franchisee and a strategic partner with 367 IKEA stores in 30 markets, and 158,500 co-workers. The name Ingka is based on its founder's name, Ingvar Kamprad.

Together, the companies in the IKEA franchise system develop and improve how people discover and interact with IKEA and IKEA products and solutions.

Inter IKEA Systems B.V. is the IKEA franchisor, responsible for continually developing the IKEA Concept and ensuring its implementation in all markets. IKEA franchisees meet IKEA customers and ensure a high-quality customer experience.

Find out more about the IKEA franchise system [here](#).

Inter IKEA Group

Inter IKEA Group is the group of companies that connects IKEA franchisees with range development and suppliers, and aligns the overall IKEA strategic direction, all to create a better everyday life for the many people. The Group consists of three core businesses.

- **Inter IKEA Systems B.V.** is the owner of the IKEA Concept and is the worldwide IKEA franchisor.
- **IKEA Range & Supply** is responsible for developing and supplying the IKEA range.
- **IKEA Industry** manufactures IKEA home furnishing products, producing around 10-12% of the total range.

Find out more [here](#).



About this report

The IKEA Sustainability Report is issued by Inter IKEA Group, consisting of Inter IKEA Holding B.V. and all its subsidiaries. It summarises the approach and performance against the IKEA sustainability strategy – People & Planet Positive – during FY18, and covers the entire IKEA business, which is referenced as "we" and "our".

This is the second Sustainability Report to be issued by Inter IKEA Group, and the first to begin covering the entire IKEA value chain and franchise system. It will take time to achieve comprehensive reporting across the franchise system. We have set a three-year plan for this, starting in FY18. This report includes information from franchisees where possible, setting a strong foundation for future years.

The financial year 2018 (FY18) of the IKEA business is from 1 September 2017 to 31 August 2018.

For more information on the IKEA business, see [IKEA facts & figures](#). For more information about the IKEA Retail business of the franchisee Ingka Group, see the [Ingka Group Annual & Sustainability Summary Report](#). Some of the information from this report is integrated into the IKEA Sustainability Report FY18.

Becoming People & Planet Positive

The IKEA vision is to create a better everyday life for the many people. That remains as true today as it was 75 years ago when IKEA was created. In this time a lot has changed, and the IKEA business will continue to work to become even more relevant, meeting the needs and dreams of the many people around the world.

The IKEA Direction outlines three roads forward for the entire business – affordability, accessibility, and sustainability. People & Planet Positive is our sustainability strategy. It ensures that the IKEA business is sustainable, and has a positive impact for everyone throughout our value chain, and for the planet while we continue to grow.

The IKEA vision and values guide us in how we work. 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 society faces huge challenges such as climate change, increasing inequality and unsustainable consumption.

Developing the IKEA sustainability strategy

People & Planet Positive was first launched by the franchisee Ingka Group in 2012, well before the IKEA range, supply and production activities were acquired from Ingka Group by Inter IKEA Group in August 2016. It included ambitious goals to transform the IKEA business, the industries in the IKEA value chain and life at home for people around the world. We've made significant progress. But the world is changing rapidly, and today it calls for even more ambitious goals, and urgent action.

In FY18, we relaunched the IKEA People & Planet Positive strategy, covering the entire IKEA value chain and franchise system with ambitions leading to 2030. It defines a common sustainability agenda and ambitions for everyone in the IKEA franchise system and value chain, building on the success of the IKEA business to date, input from our stakeholders, and our ambition to contribute to achieving the UN's Sustainable Development Goals.

We worked closely with our stakeholders across the IKEA value chain and beyond to develop the strategy, taking their input and advice. Throughout this report you will find their input, challenging us to stretch ourselves. Based on our consultations, we mapped and prioritised challenges and identified how and where we can have the greatest impact.

Our focus areas

Together, we have identified three major challenges that are critical to our business: climate change, unsustainable consumption and inequality. We will tackle them through working on three focus areas to fulfil our vision and become people and planet positive.

- 1. Healthy & sustainable living:** Our ambition for 2030 is to inspire and enable more than 1 billion people to live a better everyday life within the limits of the planet. See [page 12](#).
- 2. Circular & climate positive:** Our ambition for 2030 is to become climate positive and regenerate resources while growing the IKEA business. See [page 21](#).
- 3. Fair & equal:** Our ambition for 2030 is to create a positive social impact for everyone across our value chain. See [page 44](#).

These are big ambitions. To take the lead we will go beyond setting commitments and be open about the challenges we face and our successes and failures along the way. We don't have all the answers, and we will join forces with others to be part of a wider conversation to find new solutions.

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



Sustainability governance

Sustainability across the IKEA value chain

Inter IKEA Systems B.V. is the owner of the IKEA Concept and the 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 always improving.

All franchisees are obliged to comply with specifications for working with the IKEA Brand and Concept, and general business requirements, outlined in IConduct – the IKEA code of conduct for franchisees. The IKEA People & Planet Positive sustainability strategy outlines the ambitions and commitments, creating a common agenda for the IKEA franchise system leading to 2030.

Each part of the IKEA business is setting goals, targets and roadmaps to deliver on the strategy. This allows for locally tailored and relevant implementation and activities as we strive to make sustainability a part of everyone's daily work.

Strategic Sustainability Council

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

It focuses on:

- the IKEA Brand's role in society
- sustainability strategies and ambitions across the franchise system, such as our ambitions to become a circular and climate positive business that respects human rights

- compliance with and requirements for sustainability goals through IWAY, the IKEA supplier code of conduct.

The Strategic Sustainability Council meets twice a year, where representatives from Inter IKEA Group and the franchisees join to describe and follow up on our collective sustainability ambitions. The Managing Director of each of the companies are members of the Council.

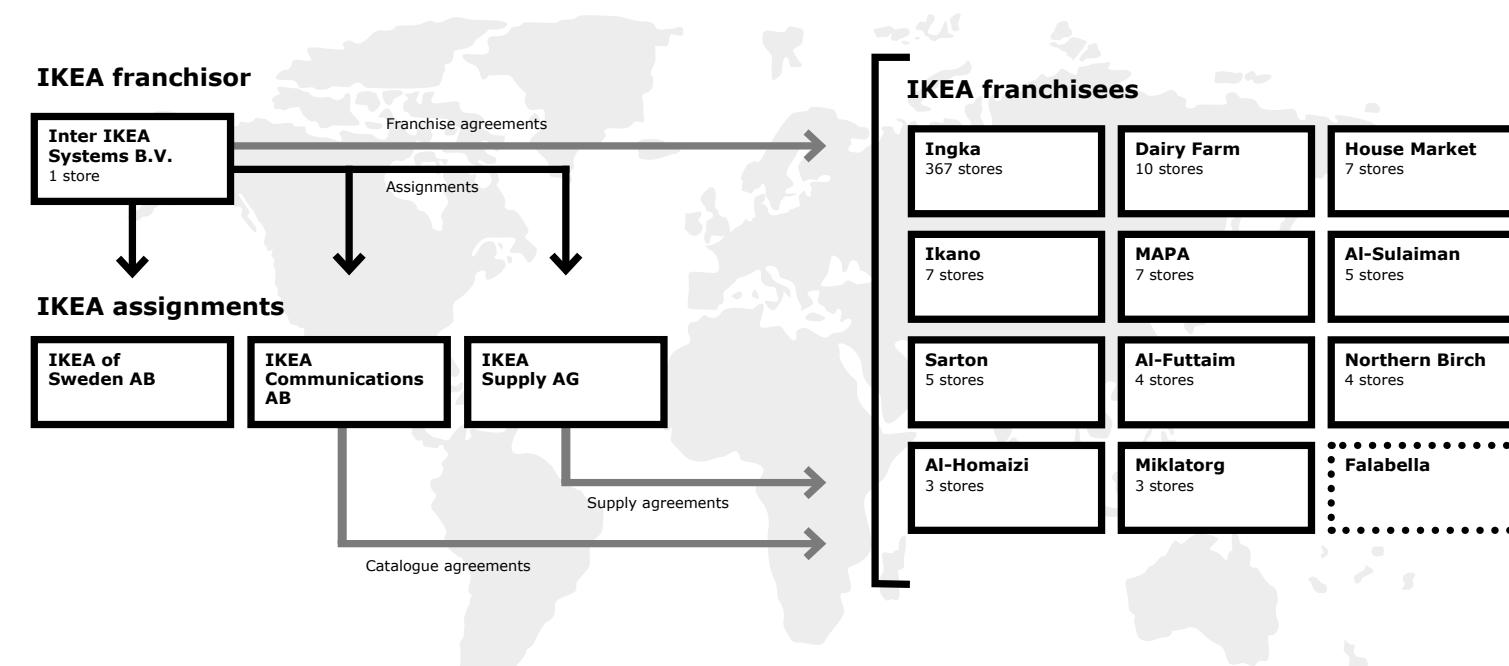
Sustainability working groups

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. The working groups discuss and align strategic initiatives and plans to fulfil the IKEA sustainability strategy.

Sustainability at Inter IKEA Group FY18

The Inter IKEA Sustainability Management Group includes the sustainability managers from various Inter IKEA Group entities. It is responsible for developing the IKEA sustainability strategy and reporting on performance, and providing recommendations on strategic business decisions with environmental and social impacts, and for convening the Strategic Sustainability Council. During FY18, the members of the Inter IKEA Sustainability Management Group were: 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).

Overview of the IKEA® franchise system



THE IKEA BUSINESS is operated through a franchise system. Inter IKEA Systems B.V. is the owner of the IKEA Concept and the worldwide IKEA franchisor.

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.



Healthy & sustainable living

Our commitments

**Inspiring and enabling
people to live healthier,
more sustainable lives** [13](#)

**Promoting circular
and sustainable
consumption** [16](#)

**Creating a movement
in society around better
everyday living** [18](#)

One of the biggest opportunities for the IKEA business is to enable healthy and sustainable living for the many people. Our ambition is to inspire and enable more than 1 billion people to live a better everyday life within the limits of the planet, by 2030.

To make healthy and sustainable living accessible to the many people, it should be desirable, easy, comfortable, and affordable.

At IKEA, we are in a unique position to make a positive difference. IKEA co-workers meet many millions of people around the world, and we can use our knowledge of life at home to inspire and support people to make positive lifestyle changes and consume in more sustainable ways. This includes designing our products and services to be circular, sustainable and promote good health.

Our commitment

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

IKEA is committed to enabling the many people to live a good life within the limits of the planet. We have a big opportunity to make a positive difference – in FY18 we welcomed 957 million visitors to 422 IKEA stores in more than 50 markets, and 2.5 billion visitors to the IKEA website.

To inspire and enable people to live a better everyday life, we start by understanding how people live. We're passionate about life at home and connect with thousands of people every year to learn what life at home looks like all over the world, through home visits and surveys. See, for example, the [IKEA Life at Home report 2018](#).

We will continue our journey to develop better, even more affordable products for healthy and sustainable living. This includes our food range, where healthier and more sustainable options will be delicious and affordable, even for people with thin wallets. And we will go beyond our products to offer the services, inspiration and knowledge for people to make sustainable living a reality.



Democratic design

Every product is designed according to the five dimensions of Democratic Design.

FORM

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

FUNCTION

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

QUALITY

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

SUSTAINABILITY

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

LOW PRICE

Products that are affordable and accessible to the many people.

Learn more about democratic design behind the scenes on the [IKEA Today](#) microsite.

Healthy and sustainable living

Every year, we launch around 2,000 new IKEA products, contributing to a total range of more than 9,500 products. All IKEA products and solutions are designed with sustainability in mind. This includes how they are made – such as the materials we use – and in some cases how they are used – such as functions that enable people to save water or energy. To achieve this, we follow the five dimensions of our design approach Democratic Design: form, function, quality, sustainability and a low price.

The IKEA products with specific sustainability functions empower people to live healthier and

more sustainable lives. They enable customers to generate renewable energy, save energy and water, purify the air in their homes, cut waste, and encourage healthy behaviours such as healthy eating, play, movement and rest.

The following are some healthy and sustainable living product highlights.

Reduce food waste

Around a third of all food produced globally for human consumption is lost or wasted.¹

We are working on solutions to store food at home and to transport meals and snacks when



365+
Food storage platform

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



on-the-go. Our research found that people waste less food when they can see what is in their fridge, and when food storage containers are flexible in their use. Based on our insights, in FY18 we launched a new food storage platform, IKEA 365+. The platform includes standardised containers and lids that can be used interchangeably, making it easy to add to the collection. Find out about how we are leading by example by reducing food waste in our own operations on [page 25](#).

Purify air

Nine in ten people live in places where air pollution exceeds safe limits,² and it is often worse indoors than outside – see [page 20](#) for our research on clean air. We are working on solutions to purify air in homes using household surfaces that reduce pollutants, like our air purifying curtain, GUNRID, launching in FY20.

Save water

Around one tenth of the world's water is consumed in people's homes.³ The MISTELN mist nozzle, launching in FY20, and developed together with start-up Altered, fits onto existing taps to cut water use by more than 90%.⁴

Generate renewable energy

Home solar allows customers to generate renewable energy using the roof of their homes. Today, Home Solar is offered to customers in six markets.⁵ By 2025, the aim is to make it available across 30 markets.⁵ In FY18, the franchisee Ingka Group expanded the clean energy offer by adding services like battery storage, which allows homeowners to use more of the electricity generated by the solar panels.

By storing their excess power rather than exporting it to the grid, customers can save even more money on their energy bills. Ingka Group is also testing combined systems for solar panels and heat pumps in Switzerland, and making it possible for people in the UK who don't have home solar to switch to a 100% renewable electricity tariff with the Big Clean Switch. In the future, the aim is that as many people as possible can join the clean energy movement, with a little help from IKEA.

Play

We have conducted some of the world's largest research studies on the importance of play – see [page 52](#). Our findings have helped to develop our new range, LUSTIGT – Swedish for fun. LUSTIGT is all about play, for both children and adults. There's something for everyone: colouring sheets, a puzzle, skipping rope, weaving loom, boules with soft balls and much more. The toys can be used in many different ways, stimulating the imagination.

Defining healthy & sustainable products

To encourage the development of innovative products and solutions with an even bigger positive impact on people and the planet, we have strengthened the criteria for products to be categorised as enabling healthy and sustainable living. Now, they will provide a better sustainability solution than what's already on the market, or be more affordable.

MEASURING OUR PROGRESS

Our focus has long been on developing and offering affordable products and solutions that enable customers to save and generate clean energy, be resource and water efficient, reduce waste and live more healthily. We have assessed our performance based on the number of these products sold. We are proud of these products and their reach, and will continue to develop and market them. For example, in FY18, 91 million LED bulbs and 10.7 million rechargeable batteries were sold.

Now we want to go beyond the sales figures, understanding the impact that we have on people's lives and the planet. We'll consider the use of products at home, the materials in them, and how we inspire and enable a new mind-set for healthy and sustainable living. This way we can enable a bigger shift in society and across the IKEA business.

We are developing a performance framework to track our progress. It will be based on our product range and service offer, its impact in homes around the world, and people's perception of the IKEA brand.

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

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

4 Depending on household water flow, local water pressure and how nozzle is used.

5 Through the IKEA Retail business of Ingka Group. Six markets cover IKEA Retail Belgium, IKEA Retail Netherlands, IKEA Retail Germany, IKEA Retail Italy, IKEA Retail Poland and IKEA Retail Switzerland.

Healthy and sustainable food

In FY18, 680 million people experienced the IKEA Food offer, either in our Restaurants, Swedish Food Markets or Bistros. We want to inspire food choices that are good for people and the planet. We're making progress, but are just at the beginning.

Food offer

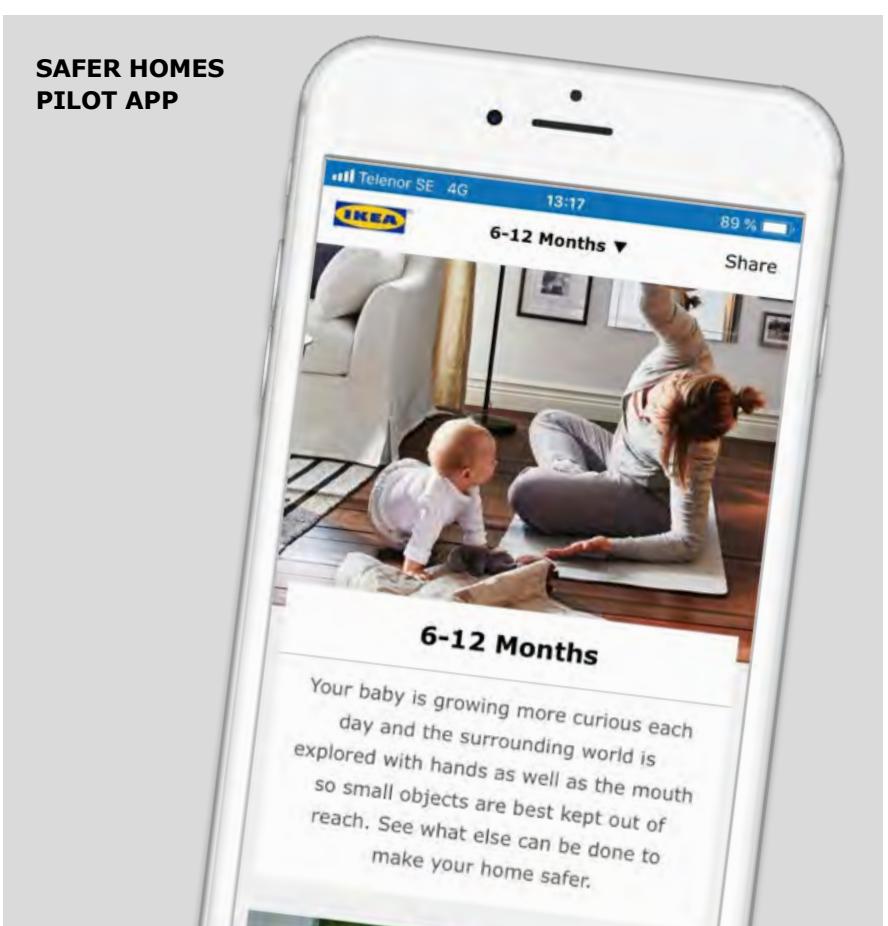
Products in the IKEA Food range are also developed with high attention to the five dimensions of Democratic Design (see [page 13](#)). Our Balanced Meal Norm supports us to develop meals and snacks that contribute to a balanced diet with good nutritional quality. IKEA Food product developers and local chefs in the markets will use this tool to assess the ingredients used in products and meals to understand their nutritional value.

We want to make more sustainable and healthy eating desirable by creating a delicious and affordable food range for the many. In FY18, we launched the veggie hot dog at IKEA Bistros. It is made from plant-based ingredients including carrots, ginger, kale and red lentils, and its climate footprint is around seven times less than that of the classic meat hot dog.

Within two months of the launch, IKEA stores in Europe had already sold one million veggie hot dogs. By offering more delicious plant-based alternatives like this, we hope to reach more of the many people – both those who don't eat meat and those who are curious about plant-based options. Next, we plan to launch a plant-based soft ice and there will be more plant-based options to come in the future.

Sourcing

We work to source the raw ingredients for the IKEA Food range from responsible and more sustainable sources, meeting animal welfare, environmental and social standards, and using third-party certifications where relevant. Find out more on [pages 42-43](#).



Safer life at home

Safer homes

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

Our products

Product safety is always a top priority for IKEA. When developing products, we conduct risk assessments and testing to ensure new products meet our high standards. If we learn that existing products could pose a safety risk, we take corrective action, which can include recalling a product. Details of product recalls in each market are available on IKEA websites.

Furniture tip-over incidents are an industry-wide problem. We are working hard to raise awareness among customers about how to prevent tip-overs. Attaching furniture to the wall is key. We supply tip-over restraints with IKEA products, and anyone who has misplaced theirs can pick up a new one from any IKEA store, free of charge. We are continuously working hard to raise awareness about tip-over prevention, urging customers to follow the assembly instructions carefully.

Chemicals

Chemicals are useful in many ways – they bring colours and texture to materials, glue parts together, and can provide a protective layer to make products last longer. Safety is always the priority when using chemicals. All

chemicals used in, or for making IKEA products should be safe for customers, co-workers and the environment, and take into account the lifecycle of the product. For many years, IKEA has engaged with research on chemical safety. Our chemical standards often go beyond legal requirements, phasing out chemicals that are suspected of being harmful in advance of legislation. For example, in FY18 we phased out benzophenone in our surface coatings and plastic (polymeric) materials.

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

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

In FY18, we increased our transparency on chemical safety. Information about chemicals can now be found on specific products – such as [chrome-free leather sofas](#) in IKEA US – and some IKEA country websites.

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

Our commitment

Promoting circular and sustainable consumption

People's attitudes to their possessions are changing. They have less space and more knowledge about the impacts of consumption on the planet. They are interested in new ways of consuming – without waste, owning fewer things and valuing what they have. Our products and services will cater for these changing needs in a way that is affordable, convenient, and good for people and the planet.

Our ambition is to see all IKEA products as raw materials for the future, and to design them all to have circular capabilities that help to prolong their lives. We will extend our relationship with customers throughout a product's use and end-of-life to enable them to repair, reuse, resell and recycle IKEA products. We will provide and promote services, solutions and knowledge for circular and sustainable consumption, such as furniture takeback services.

Becoming a circular business is a great opportunity and a tremendous challenge. We are just at the start and don't have all the answers. We are committed to joining forces with expert partners and our customers to achieve our ambitions.

Read about our approach to becoming a circular business on page 22.

Designing for circularity

Transitioning to a circular business affects every part of our value chain, including how we design our products. Circular products will be designed from the very beginning to be reused, refurbished, remanufactured, and recycled – extending their lifespan for as long as possible. They will also be material banks for the future, meaning we can take them apart when they are no longer working or wanted and reuse the raw materials. We have developed the nine circular design principles to guide how we design circular products (see below).

In FY18, we assessed the global availability of recycled materials, such as plastic, textiles and wood, and

developed material roadmaps to achieve our circular ambitions. We found that recycling rates differ between countries and materials, with paper and metal being the most highly recycled materials. Two-thirds of waste is municipal, and a quarter of waste comes from US and China combined.

Developing new products from new materials takes time, and we know that designing all of our products according to the nine principles will not happen straight away. We are learning and making progress by doing, and have already started to implement the design principles for some products; see two examples, right.

The nine circular design principles

1. DESIGNED FOR AN EXPECTED LIFESPAN

Customers want to replace some products regularly, while others they want to last a lifetime, such as a beautifully designed sofa. Product durability and materials will match the expected lifespan.

2. DESIGNED FOR THE USE OF RENEWABLE OR RECYCLED MATERIALS

Sustainable materials make sustainable products, so we will design products from the beginning to use renewable and/or recycled materials.

3. DESIGNED FOR RECYCLING

The materials in products often last longer than customers use the products for. Our products will be designed so that materials can be recovered easily and given second lives (and third, and fourth...).

4. DESIGNED FOR PRODUCTION

Products will be designed to minimise waste in their production, for example materials, chemicals, water and energy.

5. DESIGNED FOR STANDARDISATION AND COMPATIBILITY

Our products will follow standard measurements allowing interchangeability, enabling better production and remanufacturing, and compatibility with other brands.

6. DESIGNED FOR ADAPTABILITY AND UPGRADABILITY

Needs and desires change over time. We want our products to be easy to update and upgrade to cater for change.

7. DESIGNED FOR CARE AND REPAIR

We want customers to be able to enjoy our products for a long time, so they will be easy to maintain and repair.

8. DESIGNED FOR DISASSEMBLY AND REASSEMBLY

People rarely stay in one home their whole life. We want our products to accompany our customers wherever life takes them, so they should be easy to put up and pack away.

9. DESIGNED FOR AN EMOTIONAL CONNECTION

When customers have an emotional connection with a product, they're less likely to throw it away and more likely to repair it if it breaks.

PLATSA is a highly flexible storage system that can be adapted to changing life situations. Parts can be easily added and taken away, and sizes are standardised to enable refurbishment.



KUNGSBACKA is a beautiful kitchen front made from recycled PET bottles and recycled wood.



Circular services

Along with IKEA franchisees, we are exploring how the IKEA business can support the transition to a circular economy and provide new services that enable customers to prolong the life of IKEA products and pass them on in a convenient way when they are no longer wanted.



Extending life of products through care and repair

IKEA repair services enable customers to prolong the life of their products by offering spare parts and fittings for all products. In FY18, IKEA provided more than a million spare parts to customers.

Passing on and reselling products

We will enable customers to pass on or sell products when they are no longer wanted, giving them a second life. Already, second-hand products have been sold in some stores, refurbished where necessary. We see big potential in this service and are exploring how to scale it globally, while developing our supply chain to make use of these second-hand resources.

IKEA Retail Japan,⁶ for example, offers a buy-back service for IKEA furniture that's still in good condition but no longer needed. Customers can exchange their unwanted furniture for a voucher to spend in store. The furniture is then refurbished and sold at a reduced rate to a new customer. More than 3,400 items were sold back to IKEA Retail Japan during FY18. In June 2018, it launched a buy-back scheme specifically for new parents so they could buy baby furniture, already knowing how much they will receive back when they return it. Many other markets, including Australia, Canada, Norway, Sweden and Switzerland tested similar buy-back schemes during FY18.



IKEA JAPAN
Buy-back service

Moving towards renewable and recycled materials

Our ambition is to only use renewable or recycled material in our products by 2030. Today, more than 60% of the IKEA range is based on renewable materials, and nearly 10% contains recycled materials.

We are rethinking what materials should go into our products to achieve our ambitions. Plastic, for example, is one of the biggest challenges of our time. We are developing plastics that are made from renewable or recycled sources, and working to scale up these innovations beyond the lab. We also look to partner with others to collect plastic before it enters oceans and incorporate it into products – find out more here and on [page 41](#). See [page 23](#) for information on how we are phasing out single-use plastic and for more about our products made from renewable materials.



⁶ Operated by the franchisee Ingka Group.

Our commitment

Creating a movement in society around better everyday living

Our ambition is to lead a transition towards a new definition of a better everyday life – one that supports health and well-being, and is within the means of the many people and the limits of the planet. We will work to understand what better living means for people around the world and how we can best apply our resources and knowledge. This means working together with our customers and our expert partners, to co-create solutions and advocate for change.

Co-creating a better world

To inspire people with solutions for a sustainable and healthy life, we need to collaborate with others. We will seek out new partners with unique perspectives and insights, and work together to scale ideas and creative solutions for positive change. We have already made progress with two initiatives: IKEA Bootcamp and Co-create IKEA.

IKEA Bootcamp

We see an opportunity in working with entrepreneurs to solve the big problems, for people as well as our planet. IKEA Bootcamp was a three-month start-up accelerator programme run in collaboration with Rainmaking, a global cooperative of entrepreneurs. It scouted start-ups with an idea that has a positive impact. In September 2017, ten start-ups were selected from 1,300 applicants. They were mentored by IKEA co-workers, Rainmaking and other successful entrepreneurs. We are now considering collaborating with some of these participants.

We will run another IKEA Bootcamp in FY19. Find out more [here](#).



Co-create IKEA

Co-create IKEA aims to include the many people in our Democratic Design process and product development (see [page 13](#) for more on Democratic Design). Together, we will passionately challenge conventions and create capabilities for a sustainable future and a circular economy.

Gathering input from a bigger, more diverse group brings us closer to people's needs and dreams. This makes our products more relevant than ever. In FY18, we worked with 6,000 co-workers to gather their input on products in development. Now, we plan to expand the community beyond co-workers to invite people around the world to share ideas on how to improve their everyday life at home.

Our Co-create IKEA labs help us strengthen connections with our communities, creating mutual benefits from their insights. In FY19, we will open the first Co-create IKEA lab in Älmhult, Sweden. In this lab, we will work with the community to bring our ideas into early product prototypes.

Find out more on the [Co-create IKEA microsite](#).

"We're inviting customers, designers, engineers and others to join our new Co-create IKEA community. Together we can contribute to the daily development and long-term innovation of the IKEA product range."

TORBJÖRN LÖÖF
CEO, Inter IKEA Group

CO-CREATE IKEA



Advocacy

To create a movement around sustainable living, we will go beyond our own programmes and operations to advocate global action. Here are a few examples from FY18.

Children's right to play

In FY18, the IKEA business⁷ – together with the LEGO Foundation, Unilever and National Geographic – created The Real Play Coalition to advocate and raise awareness of the importance of play.

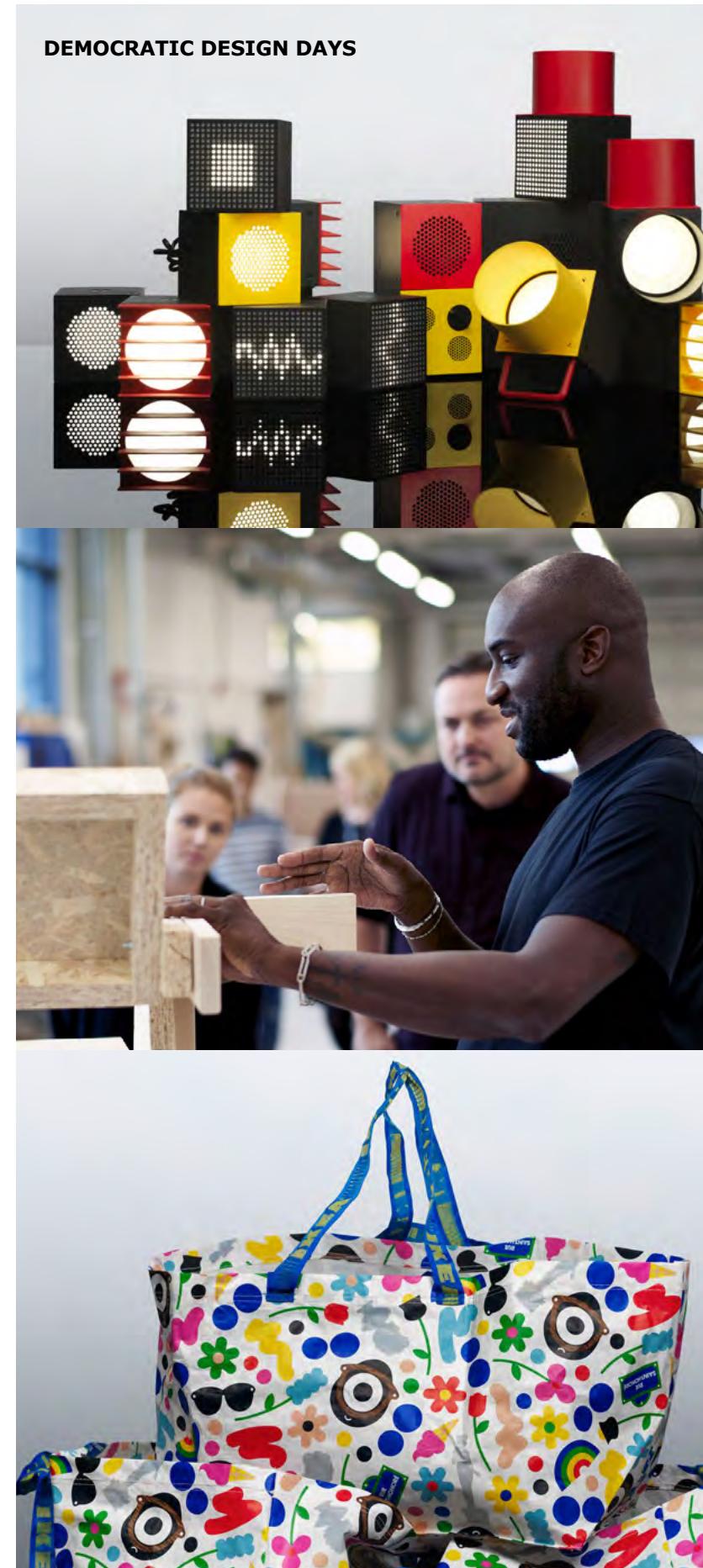
Learn about our research on play on [page 52](#) and our products that encourage play on [page 14](#).

Democratic Design Days

Every year, we open our doors to give people a behind-the-scenes glimpse of the IKEA business. In FY18, we invited 300 journalists to the heart of IKEA in Älmhult and asked them to spread the message that we want more people to join our mission for a better everyday life within the limits of the planet. We shared the new IKEA People & Planet Positive strategy, including our plans to phase out single-use plastic in stores and to become a circular business. Find out more [here](#).

United Nations

In July FY18, Inter IKEA Group participated in the UN High Level Political Forum in New York. We used the platform to collaborate with representatives from communities, businesses and academia on achieving Sustainable Development Goal 12 – ensuring sustainable consumption and production patterns. We discussed how to make sustainable living easy and accessible for everyone, and how to mobilise youth. We also discussed chemical safety and social impact.



⁷ Through the franchisee Ingka Group.

Stakeholder challenge:

*Julian Hill-Landolt,
World Business Council for
Sustainable Development*

To achieve our ambition of inspiring and enabling 1 billion people to make healthier and sustainable choices, we must go beyond our own business to work with others, listening to and learning from them. We asked Julian Hill-Landolt, Director, Sustainable Lifestyles at the World Business Council for Sustainable Development (WBCSD): how can the IKEA business best contribute to sustainable consumption and lifestyle choices?

"Population growth, increasing urbanisation, social and environmental pressures, the nature of work and new technologies are all combining to change people's daily lives, and their needs, hopes and dreams. Around the world, people from across the socio-economic spectrum are questioning what a 'good life' looks like today.

Better. That's where the future lies. Not more, not less, just better. You can almost see it in an IKEA advert! And, of course, it is an important pillar of the new IKEA strategy: 'Creating a movement in society around better everyday living'. Business has a huge opportunity to shape the way better (sustainable) lifestyles are made possible and desirable.

Part of shifting people's aspirations will be changing the perception of sustainable living. Doing this demands a new approach to the way we offer people 'sustainable' options. To understand how we can truly make people's lives better, we need to start



by looking at how they live, rather than the impacts of their lifestyles. Focusing on impact reductions often leads to us asking people to give things up. We need to flip our approach. We must provide products and services that offer an aspirational quality of life, with a fraction of the impacts. In business terms, we need to create a market for more sustainable lifestyles, and the products and services that make it possible.

People are already looking for 'better' options that help them to enjoy aspirational and happy lifestyles with their family and friends. Businesses just need to nurture this emerging opportunity, going beyond meeting current demand to shape the future for the better.

IKEA has set ambitious goals to do exactly that – creating a movement around better everyday living, inspiring and enabling people to live healthier, more sustainable, resource-efficient lives. Exploring what people can, rather than can't, do.

Succeeding will require unwavering focus. It's always easier to give people what they want. But lasting long-term success comes from shaping what people want. We wish IKEA, and those that it will inspire and lead, every success in shaping our future towards healthier, more sustainable, aspirational lifestyles."



ReGeneration 2030 Youth Summit

In August FY18, Inter IKEA Group led a workshop at the ReGeneration 2030 Summit on how to make sustainable living more inspiring and accessible.

ReGeneration 2030 is a movement of teenagers and young adults from the Nordic and Baltic Sea Regions to make the United Nations 2030 Sustainable Development Goals (SDGs) a reality. Find out more [here](#).

The 10 YFP/One Planet Network, Sustainable Lifestyles and Education Programme

The 10-Year Framework of Programmes on Sustainable Consumption and Production (10YFP) is a global commitment to accelerate the shift towards sustainable consumption and production through six programmes. The framework was adopted in 2012 at the World Summit on Sustainable Development.

The Sustainable Lifestyles and Education (SLE) programme is one of the six programmes and a global platform to promote and scale up sustainable lifestyles world-wide. It is co-led by the

Swedish and Japanese governments. Inter IKEA Group is a member of the SLE programme's Multi-Stakeholder Advisory Committee. Find out more [here](#).

Clean Air Survey

Clean air is one of the biggest health challenges of our time, and we want to play our part in finding solutions.

The IKEA [Clean Air Survey](#) explores how people around the world relate to air pollution and how it affects their daily lives.

It found that people around the world underestimate the threat of air pollution in their homes, even though it causes more premature deaths than outdoor pollution. It also found people were encouraged to change their behaviour when shown data from a pollution sensor and up-to-date air pollution information.

In FY18, we shared our findings to create better awareness of the problem.

We are reducing air pollution in our own operations by phasing out the use of fossil-based fuels (see [pages 32-36](#)) and certain chemicals (see [page 15](#)),

and creating solutions for purifying air in homes ([see page 14](#)).

World Economic Forum

In recognition of our progress in transforming into a circular business, IKEA received the World Economic Forum's Circular Economy Award in the multinational category, in January 2018.

Climate positive

By 2030, we want to be a climate positive business, and we will go beyond our own operations to create positive change.

We will be an advocate for a low-carbon society, for example by participating in global events such as the UN's Climate Week.

The [IKEA Climate Action Research](#) will help us understand how to inspire and enable IKEA customers to take action on climate change. We will share the findings so that other businesses, policymakers, campaigners and the media can also mobilise climate action.

See [page 27](#) for more on our ambition to become climate positive and [pages 26, 41](#) and [57](#) for more examples of IKEA advocacy work.

Stakeholder challenge:

Simon Holmström, ReGeneration 2030, the Nordic and Baltic Sea youth movement for realising the UN's Agenda 2030



Listening and learning from our stakeholders helps us stay focused on the issues that matter most, explore new ideas and co-create a better world. We asked Simon Holmström, representative of ReGeneration 2030, what he and his peers expect from leading sustainable businesses. This is his call to action:

"We live as if our planet's resources were infinite. As young people in society, we are concerned and realise that this has to end. Therefore, we are taking part in movements towards zero waste, developing new apps towards a more circular economy, and buying stuff in a radically new way.

Now more than ever, we are demanding easy, affordable ways to make sustainable choices. It should not be more expensive to be climate smart. It should not be difficult to know whether a product is free from hazardous chemicals. It should not be laborious to find the eco-products.

It is hard to make responsible consumer choices today. How do we know if a sofa is sustainable or not? How can we ascertain that the new bed is not made of unsustainable fabrics?

Businesses are often quite bad at communicating about this. But we care, and we want transparency of production chains and information about the products in the stores.

This requires a radical system shift of our society. This requires new business models where new values guide how we use materials. Supply chains have to be redeveloped. Hazardous components have to be phased out. Products have to be designed in ways that facilitate durability, movability and recyclability.

Because the thing is, we do not want to buy stuff so much anymore. Rather, we want to collaborate in designing new behaviours. We want more play, better sleep, more hanging around with friends and stunning life experiences, for us and future generations.

We want future-oriented businesses like IKEA to understand us better. So, let us discuss more sustainable living together."



Our commitments

**Transforming
into a circular
business** 22

**Becoming
climate positive**
27

**Regenerating resources,
protecting eco-systems and
improving biodiversity** 37

By 2030, our ambition is to be a circular business built on renewable energy and regenerative resources, decoupling material use from our growth. We aim to end our dependency on virgin fossil materials and fuels, and we will reduce greenhouse gas emissions in absolute terms while growing the IKEA business. This is how we will contribute to limiting global temperature increases to well below 2°C, aiming towards 1.5°C, by the end of the century.

Our commitment

Transforming into a circular business

The IKEA business idea is to offer a wide range of well-designed, functional home furnishing products at prices low enough that as many people as possible will be able to afford them. To continue doing this in a world of limited resources, we will move away from the linear model of 'take, make, waste', to a circular system where nothing is wasted and old products become new resources. This will affect everything we do: from how we design products and services and develop the IKEA supply chain, to how and where we meet our customers. We have set four commitments to guide our approach (see box).

We're just at the beginning of our transformation to become a circular business. We know that rapid progress will not happen straight away but we're testing new ways of working and planning what is necessary to achieve our goal.



To become a circular business, we will:

1. DESIGN 100% OF OUR PRODUCTS ACCORDING TO OUR CIRCULAR DESIGN PRINCIPLES BY 2030.

Every product will be designed from the very beginning to be reused, refurbished, remanufactured and recycled (see [page 16](#)), generating as little waste as possible. This means that products will be designed to last as long as they are needed, and at the end of their life the materials can be used as resources for new products.

2. USE ONLY RENEWABLE OR RECYCLED MATERIALS TO MAKE OUR PRODUCTS BY 2030.

We will source materials from renewable sources (see [page 24](#)) and aim to eliminate virgin fossil materials from our products (see [page 23](#)). We are efficient with resources and see waste as a valuable resource. Our aim is to send nothing to landfill (see [page 25](#)).

3. DEVELOP NEW WAYS FOR CUSTOMERS TO ACQUIRE, CARE FOR AND PASS ON THEIR PRODUCTS.

The transformation to a circular business means we need to find new ways to meet our customers. We will provide convenient services that enable them to be part of the solution, based on research about how customers acquire, care for and pass on their belongings (see [page 17](#)).

4. TAKE THE LEAD AND WORK TOGETHER WITH OTHERS.

We cannot achieve this transformation alone. We will partner with businesses, NGOs, governments and customers to change the global agenda (see [page 26](#)). Together, we can make a lasting impact on a large scale.

Renewable, recycled and recyclable materials

More than 60% of the IKEA product range is based on renewable materials, like wood and cotton, and nearly 10% contains recycled materials. We have a long way to go to reach our goal of 100% renewable or recycled material by 2030. Finding enough clean recycled materials is a challenge. We are working closely with our industry partners to increase the availability of renewable and recycled materials. The situation should improve as we, together with others, transition to a circular business and our products become material banks for the future. Read about how we work to source renewable materials from more sustainable sources on [pages 37-40](#).

In FY18, we completed our mapping of the global availability of 'waste' materials (our future feedstock) and developed models for sourcing waste wood, plastic, paper, metals and textiles. We will build on this by developing partnerships and collaborations to transform the industry and improve supply. For example, we're partnering with WWF on a recycled paper project in India. A two-year WWF study of Indian waste paper management explored the lifecycle of waste in the country from generation and collection to segregation, processing and disposal. WWF prepared a risk identification and mitigation register and draft procurement guidelines for recycled paper. This highlighted challenges in existing waste paper recovery systems and potential methods for improvement. Now we are supporting WWF to pilot the procurement guidelines with our packaging suppliers in India. With WWF, we hope to increase the availability of the materials used to make paper packaging and reduce the need for imported virgin raw materials. As well as helping us to improve our own waste paper supply chains, we will use our findings to inform broader recommendations for the waste paper industry.

We have already developed several products from recycled materials – including TOMAT spray bottles, SKRUTT desk pads, TJENA boxes and KUNGBACKA kitchen fronts. In FY18, we launched:

- **TOFTLUND** rugs, which are made from recycled PET bottles but look and feel like sheepskin.
- **JOFRID** curtains, throws and cushion covers made from a mixture of more sustainably sourced cotton and linen made from flax (a much less resource-intensive material than cotton). We also used a new way of colouring textiles with dyes made from agricultural waste, such as nut shells and orange peel.

"We recognise that single-use plastic can pollute ecosystems, such as oceans and waterways, and harm wildlife, when it is not disposed of responsibly. We are determined to play our part and take responsibility in the areas where we can make a difference."

CAROLINE REID
Sustainability Development Manager, IKEA

Phasing out single-use plastic products

There is a global movement to tackle plastic waste. We are phasing out all single-use plastic products. By 1 January 2020, single-use plastic products will be removed from the IKEA home furnishing range globally. This includes products like SODA and SÖTVATTEN drinking straws, FÖRNYBAR freezer bags, ISIGA ice-cube bags and FÖRSLUTAS garbage bags, as well as plastic-coated paper plates and cups. We want to replace these with more sustainable alternatives. But we don't yet know exactly how we will replace each single-use plastic product. This may mean that in some cases, we are not able to offer an alternative immediately. We are also phasing out single-use plastic items in IKEA Restaurants, Bistros and Cafés, and looking for more sustainable replacements.



The handmade **KNIXHULT** lamp is made from parts of bamboo that are usually thrown away. This not only reduces waste, but uses a material that is renewable, grows quickly and doesn't require fertilisers, pesticides or irrigation.



JOFRID
using dyes made from agricultural waste, such as nut shells and orange peel



TOFTLUND
rugs made from recycled PET bottles

"The planet's resources are limited, and we need to start using them more wisely. For me, designing for circularity is about being able to look my children in their eyes in the future and say that I did something to ensure that there is a planet left for them in the future."

ANNA GRANATH
Product developer, IKEA



Development of new materials

We are always looking for new, more sustainable materials to make our products. For example, we aim to eliminate virgin fossil-based plastics from our range by developing and using renewable and recycled alternatives – working towards our commitment to use only renewable or recycled materials by 2030.

Key achievements for new materials in FY18 include:

Recycled PET. In FY18, 24% of the polyester we used came from recycled PET (rPET), compared with 10% in FY17. rPET is now used in products including bedding, curtains, roller blinds and sofa covers, as well as some rigid plastic products.

Biodegradable fire retardant that enables us to use more recyclable materials.

Every IKEA product must meet strict fire regulations, which has until now involved using fossil-based fire-retardant treatments on some of our furniture. Together with an innovation partner, we've developed a biodegradable alternative that is free from harmful chemicals. This has two main benefits: we can replace fossil-based fibres with cellulose-based fibres, and the fibres treated with the new fire-retardant will be recyclable.

Plastic from renewable and recycled materials.

Together with our innovation partner, we have developed an injection moulding technology that allows us to use low-grade recycled plastics in the core of a product and only use virgin fossil-based plastics for the outer layer. Injecting two materials into a product at the same time is not new but using recycled material as one of the two materials is a breakthrough. The next step is to use renewable plastics for the outer layer while keeping recycled materials at the core.

Circularity in our supply chain

To become a circular business, we will work closely with our suppliers, sharing knowledge and ideas and learning from each other about the best ways to transform secondary materials and create new ones.

We focus our efforts on the environmental and social challenges of each supplier as well as the materials we use. We have created Material Roadmaps for each material to identify areas for development to achieve our 2030 circular goals.



IKEA catalogue

The IKEA catalogue is the world's largest Forest Stewardship Council™ (FSC™)¹ certified publication, with 185 million copies printed in FY18. We work with seven paper suppliers and 39 printers across 51 countries to reduce its climate footprint each year.

To keep it up to date with the latest product launches, in FY18 we tested publishing the catalogue twice a year in France, Japan, Singapore and Sweden. Despite producing twice as many in these markets, we aim to maintain or reduce our absolute climate footprint from all catalogues published globally. We will do this by using uncoated and semi-uncoated paper, reducing the number of pages and working with suppliers that use mainly renewable energy in their operations.

¹ FSC licence code: FSC-N001972.

SUPPLIER CATEGORY AREAS



COMFORT

Mattresses and upholstered or filled products.



ELECTRONICS

Appliances, lighting and home electronic products.



FLATLINE

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



IKEA FOOD

Global range for IKEA Restaurants, Bistros and Swedish Food Markets.



METAL, PLASTIC & FLOAT GLASS

Products containing these materials.



SPECIFIC HOME FURNISHING BUSINESS

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



TEXTILES

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



WOOD & FIBRES

Range made from materials such as hardwood (like acacia, birch, eucalyptus), softwood (such as pine and spruce) and bamboo, paper and natural fibres (including rattan).

Eliminating waste

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

Transitioning to the circular economy will be challenging, requiring us to develop our supply chains and explore different ways of interacting with our customers. We have an important role to play, and we can only achieve our ambitions by working together with others.

Retail

Waste generated in IKEA stores is partly due to products getting damaged in transit before they reach the store. Inter IKEA Group works with franchisees at each stage of a product's journey to identify the risks and improve reporting. This is vital for implementing new solutions and packaging that protects our products.

In Singapore, the industry recycling average is around 8%, but IKEA Alexandra² has achieved more than nine times that, and received an award from Singapore's National Environment Agency in recognition.

The IKEA franchisee, Ingka Group, has dedicated 'Recovery' teams in each store that repair and repack damaged products to go back on the shelf. In FY18, the teams repacked 8.7 million IKEA products, a million more than in FY17.

It also sells refurbished products with a big discount in the 'As-Is' area in stores. In FY18, 35 million products were given a home with a customer through As-Is – that's 2 million more products saved from being wasted than in FY17.³ During the year, more than 200 stores benefited from a better system for co-workers and customers to find spare parts more easily and quickly, enabling them to repair products.

Food

We want to reduce food waste in IKEA Restaurants, Bistros and Cafes, and in people's homes (see [pages 13-14](#)).

The Food is Precious initiative, launched in FY17, aims to cut food waste in our kitchens by 50% by the end of August 2020. Bins in the kitchens in IKEA stores are placed on top of scales attached to touch screens. Co-workers weigh the waste and log the reason for it through the system. The data collected helps us identify ways to prevent food waste. The key to success is enthusiastic co-workers motivated to reduce food waste one bin at a time. Nearly half of IKEA stores have implemented the solution, saving more than 1,400 tonnes of food – equivalent to more than 3 million meals! We are proud of the success so far, but we know we still have a lot to do to reach our goal.



"The initial results are very promising. All the stores that have implemented the solution show a significant decrease in food waste after only a few months. That is a great motivation for us to continue the roll out of the initiative, working together with IKEA co-workers all around the world."

MICHAEL LA COUR
Managing Director, IKEA Food Services AB

WASTE DISPOSAL RATES IN FY18 (% OF TOTAL)

Unit	Recycled	Incinerated for energy recovery	Sent to landfill	Incinerated without energy recovery
IKEA Industry⁴	83.6	12.7	3.7	0
IKEA Components⁵	90.2	9.4	0.4	0
IKEA home furnishing suppliers tier one⁶	75	20	4	1
Retail operations⁷ (Franchisee Ingka Group only)	73.2	13.0	13.3	0.5

WASTE PRODUCED AND % OF TOTAL WASTE RECYCLED OR INCINERATED FOR ENERGY RECOVERY

Unit	Total waste produced FY18 (tonnes)	% of total waste recycled or incinerated for energy recovery FY18
IKEA Industry⁴	47,363	96.3
IKEA Components⁵	4,059	96.6
IKEA home furnishing suppliers tier one⁶	1,042,300	95.0
Retail operations⁷ (Franchisee Ingka Group only)	504,274	86.2
Total (average)	1,597,996	92.3

² Operated by the franchisee, Ikano.

³ Through the IKEA Retail business of Ingka Group.

⁴ IKEA Industry figures exclude wood waste.

⁵ Data covers two IKEA component production units in Slovakia and China.

⁶ IKEA direct home furnishing suppliers.

⁷ Data represents the IKEA Retail business of Ingka Group but does not include data from other franchisees. We aim to include data from other franchisees in the future.

IKEA Industry

IKEA Industry units, which manufacture around 10-12% of the IKEA range, use mainly wood. If the sawdust, chips and bark produced can't be used as a material for new products, they are usually used as biofuel to produce heat or electricity. In FY18, IKEA Industry generated 1,278,218 tonnes of wooden residues, of which only 0.2% went to landfill.

Excluding wood, IKEA Industry generated 47,363 tonnes of general waste in FY18, and recycled 83.6%. Of this, 12.7% was sent for energy recovery and 3.7% to landfill. Half the units recycled more than 80% of the waste generated.

Our focus is on preventing waste. IKEA Industry is exploring how to reduce waste, working across units to better understand what waste is generated and how to prevent it. This involves working with suppliers on the packaging materials they use. As well as finding recycling solutions, IKEA Industry units are working to find a second life for some materials in the shape and format they're already in, for example by returning some packaging materials to suppliers to be reused. Partnerships, such as our collaboration with the University of Porto, Portugal (see below), show the value of waste materials.

Advocacy

To transform into a circular business, we will go beyond our own value chain and advocate global change. For example, we can only transition to renewable and recycled materials for all our products if the infrastructure exists to ensure a reliable supply. We will take the lead and join forces with others, seeking platforms to share our ideas and learnings, and working for wider change across the industry.

In FY18, we received an award from the World Economic Forum in recognition of our work to become a circular business, see [page 20](#).

In 2018, IKEA of Sweden joined the [European Furniture Industries Confederation \(EFIC\)](#) as an

associated member. EFIC represents more than 70% of the European furniture industry. IKEA of Sweden is also an active participant in the EFIC workgroup that aims to promote the vision of a circular economy in the furniture sector.

Upgrading materials with the University of Porto

In 2018, students in industrial and product design from the University of Porto, Portugal, were challenged to develop new designs from 90% IKEA Industry waste wood and packaging materials.

The aim was to demonstrate the value of waste materials as a resource. And the students did just that!

Taking inspiration from IKEA Democratic Design days (see [page 19](#)), the students created designs including toys, shelves, lamps and ornaments. The best products were exhibited at the IKEA Mar Centre in Portugal in early FY19, and inspired visitors with solutions for the circular economy.

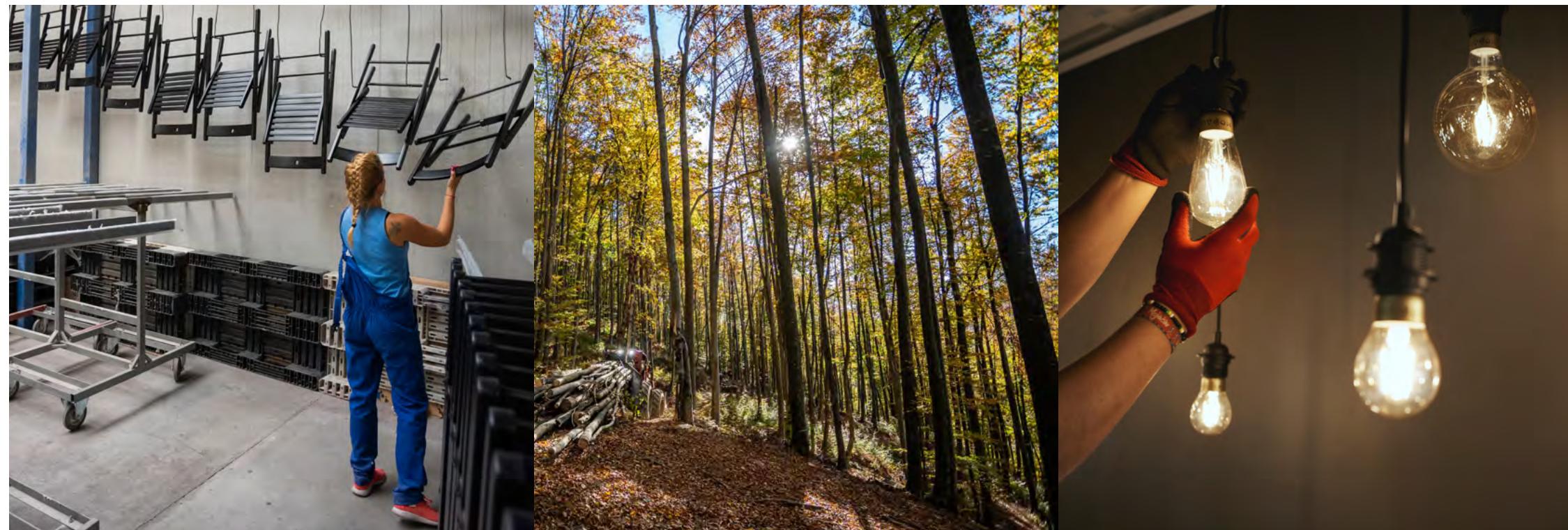


Our commitment

Becoming climate positive

The IKEA climate footprint is calculated and estimated to be 26.9 million tonnes CO₂e⁸ – accounting for 0.1% of the world's greenhouse gas (GHG) emissions. This includes our entire value chain: sourcing and extracting raw materials, manufacturing and transporting products, our stores, the customer travel to stores, product use in customers' homes and product end-of-life. We have a responsibility, and a great opportunity, to make a positive impact.

We are committed to becoming climate positive by 2030 – reducing more greenhouse gas emissions than the IKEA value chain emits, while growing the IKEA business. This will be achieved without purchasing carbon offset certificates. We will reduce GHG emissions from across our value chain in absolute terms, using a science-based approach and working together with our partners, suppliers and customers around the world.



What does climate positive mean for IKEA?

Climate change is no longer a distant threat, but a visible reality. It is already impacting people and societies, our planet and the IKEA business.

Through the Paris Agreement, world leaders committed to limit the average global temperature increase to well below 2°C, aiming towards 1.5°C, by the end of the century.

We are committed to doing our part to fulfil this commitment, which is why we aim to become climate positive – reducing more GHG emissions than are emitted across the IKEA value chain.

We will do this by:

CUTTING TOTAL EMISSIONS ACROSS THE VALUE CHAIN, WHILE THE BUSINESS GROWS

- Reducing GHG emissions by at least 15% across the whole IKEA value chain, in absolute terms, by 2030 (compared to 2016). Accounting for our estimated growth over the same period, this is equivalent to cutting the average climate footprint per product by 70%.

- Striving towards 100% renewable energy throughout the entire IKEA value chain (see [pages 32-36](#)).

- Becoming truly circular and designing products from the very beginning to be repurposed, repaired, reused, resold and recycled (see [page 16](#)). This will reduce the need to extract and process raw materials – the biggest contributor to our footprint (see [page 29](#)).

STORING AND CAPTURING CARBON

- Developing and improving practices to capture and store carbon through carbon sequestration within the IKEA value chain, for example through even better forest management (see [pages 37-39](#)).

GOING BEYOND THE IKEA VALUE CHAIN

- Addressing a footprint larger than the IKEA value chain. For example, by working with our direct suppliers to reduce their total footprint across their entire factories, we will together address a footprint around four times larger than that caused by the manufacturing of IKEA products (see [page 34](#)).

- Inspiring and enabling our customers, visitors and the many people to live a better life within the limits of the planet, including saving energy and generating renewable energy at home (see [page 14](#)).

TAKING THE LEAD AND ENGAGING WITH OTHERS TO INSPIRE ACTION TOWARDS A LOW-CARBON SOCIETY

- Advocate policy changes to support the transition to a low-carbon society.
- Partnering and collaborating with peers, governments, NGOs, and others to tackle climate change.

⁸ CO₂e (carbon dioxide equivalent) is a standard unit for measuring amounts of different greenhouse gases. For any quantity and type of greenhouse gas, CO₂e signifies the amount of CO₂ which would have the equivalent global warming impact.

Stakeholder challenge:

Stefan Henningsson, Senior Adviser, Climate, Energy & Innovation, WWF Sweden

Becoming climate positive will be a huge challenge for IKEA. We will only achieve it by joining together with others and listening to feedback from our stakeholders on how to improve. We asked Stefan Henningsson, Senior Adviser Climate, Energy & Innovation at WWF Sweden: how can we improve, to achieve our ambition to become climate positive?

"Keeping the global temperature increase below 1.5°C is vital to prevent even more rapid biodiversity loss and limit the impacts of climate change on vulnerable communities. This is a huge challenge that will require us to halve global emissions by 2030.

The IKEA business must play its part: cutting emissions across its direct control and supply chains, advocating for change among politicians, and encouraging customers to consume sustainably and become agents of change.

Here are seven things that IKEA could do in its ambition to become climate positive:

1. Implement its goals and consider stretching them to be in line with the latest report from the Intergovernmental Panel on Climate Change (IPCC), that states what we must do to keep the global temperature increase below 1.5°C.
2. Go beyond its own business by encouraging a more sustainable life at home for the many people – minimising use of resources, and promoting healthy, low-carbon dietary choices and opportunities for circular consumption, like reusing, reselling and refurbishing products.
3. Set strict procurement criteria for carbon-intensive sectors and materials that IKEA uses a lot of, like food, steel and textiles. Develop ambitious decarbonisation road maps for these critical materials and work with others to co-develop and co-invest in new technology. Ensure sustainability criteria for energy use that benefits climate and biodiversity.
4. Advocate for stronger government policies on energy efficiency, renewable energy, food and climate change. And engage with others in initiatives focused on high-impact innovations and investments for a low-carbon future, like the Mission Innovation Solution Framework.
5. Work with suppliers to develop more ambitious targets and action plans in line with science, aiming to at least halve the emissions of smaller suppliers by 2030.
6. In addition to striving to become climate positive within the IKEA value chain, invest in sustainable development activities in poorer communities affected by climate change to improve resilience, health, jobs and economic development, as well as agricultural and forestry practices for capturing and storing carbon.
7. Externally assure reporting on progress towards your climate positive targets, and share learnings with other companies that face similar challenges in their sustainability work."



In FY18, the climate footprint of the IKEA value chain was calculated and estimated to be 26.9 million tonnes of CO₂e – a 2.8% increase from FY16 due to the growth of the IKEA business. Decoupling our growth from GHG emissions will take time, and we expect our emissions to increase for a few years before decreasing. The goals throughout the IKEA value chain are based on scientific data, to ensure that we play our role in limiting the global temperature increase in line with the Paris Agreement.⁹

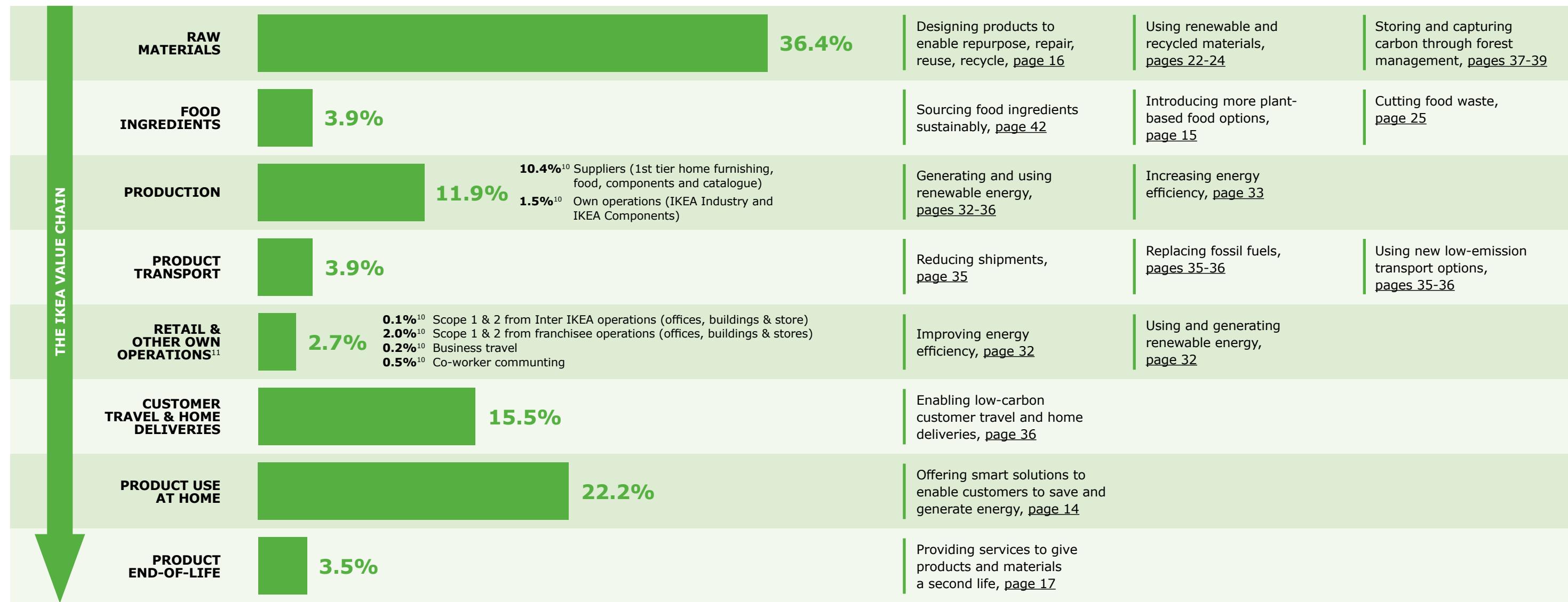
We face three key challenges in becoming climate positive:

- **REDUCING OUR RAW MATERIAL FOOTPRINT – 36.4% OF OUR CLIMATE FOOTPRINT** (see [page 30](#)).
- **REDUCING EMISSIONS FROM CUSTOMER TRAVEL TO STORES – 15% OF THE TOTAL IKEA CLIMATE FOOTPRINT** (see [page 36](#)).
- **TRANSFORMING TO RENEWABLE HEATING AND FUELS – A SECTOR THAT IS EXPERIENCING SLOW PROGRESS GLOBALLY** (see [pages 32-36](#)).

⁹ Targets cover scopes 1 and 2 for 30 markets (operated by the franchisee Ingka Group) and entire scope 3.

BECOMING CLIMATE POSITIVE

CLIMATE FOOTPRINT AT EACH STAGE OF THE IKEA VALUE CHAIN (% OF CO₂e EMISSIONS)



TOTAL EMISSIONS FROM MAIN IKEA OPERATIONS SCOPE 1 AND 2¹² (TONNES CO₂e)¹³

	FY16	FY17	FY18
IKEA Industry	473,211	564,572	396,977
IKEA Components	1,596	1,009	1,138
Retail & Other Own Operations (Offices, Buildings & Store) ¹⁴	15,133	19,273	19,248
Total	489,940	584,854	417,363
(% change from FY16)	-	+19%	-15%

ENERGY EFFICIENCY MAIN INTER IKEA OPERATIONS (% IMPROVEMENT IN RELATIVE TERMS¹⁵ AGAINST BASELINES)

Unit	Baseline year	FY16	FY17	FY18
IKEA Industry Divisions Flatline and Solid Wood	FY10	-15.5%	-14.0%	-12.8%
IKEA Industry Division Board	FY10	-10.9%	-15.1%	-14.2%
IKEA Components	FY13	-64.3%	-58.5%	-52.5%

10 Percentage of the total IKEA value chain.

11 Includes all stores, warehouses and retail specific operations run by IKEA franchisees.

12 Scope based on Science Based Targets definitions.

13 Figures for FY16 and FY17 have been restated to include transmission & distribution losses, and reflect an improved data collection methodology.

14 Includes store, offices, warehouses and a hotel operated by companies in Inter IKEA Group only. Excludes franchise stores.

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

IKEA products

Raw materials & food ingredients

Becoming a circular business, and decoupling business growth from additional raw material extraction (through reuse, repair and refurbishment of products, for example), will help us to reduce the IKEA value chain climate footprint. For the remaining raw materials we still need, we are focusing on scalable solutions, lightweight constructions and sourcing materials with a lower climate footprint and less impact on land use change, produced where possible using renewable energy. For example, glue is a key component in the production of particle board, which is in many of our products, and accounts for 6% of the total IKEA climate footprint. We, together with partners, are developing a new renewable glue with a much lower impact that will contribute to reducing our climate footprint.

Sourcing and extracting raw materials for our home furnishing products and ingredients for our food products accounts for the largest share of our climate footprint – 40% in FY18. We always work to make the most efficient use of resources and avoid waste. For many years, we've been working with suppliers to source our key materials, such as cotton and wood, from more sustainable sources that are better for the planet and the people who grow them (see [pages 37-40](#)). We are integrating climate impact into our strategies for sourcing materials we use, to identify areas where we

can innovate, find low-carbon alternatives or improve practices in the supply chain. We also look for alternatives to carbon-intensive materials, and are making changes across our whole range, including the food offer. For example, our new veggie hot dog has a climate footprint seven times less than the classic meat hot dog, see [page 15](#).

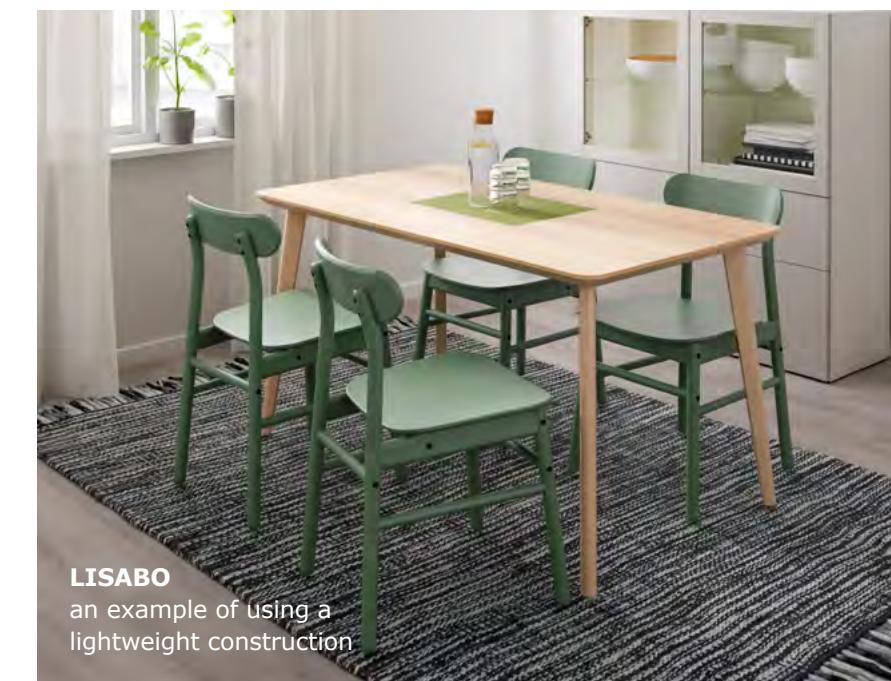
Around 70% (by weight) of the materials used to make IKEA products are wooden, wood-based,¹⁶ paper or other natural fibres. But they only make up 27% of the raw material climate footprint. Plastic and metal materials are used less in IKEA products – plastic constitutes only 5% (by weight) – but account for around 40% of the footprint. By moving towards recycled and renewable materials such as wood and recycled plastic, along with building lightweight constructions and promoting renewable energy in raw material production processes, we can significantly reduce the climate footprint and other environmental impacts.

Since FY16, IKEA Industry has planted poplar plantations near Malacky, Slovakia. These plantations will supply a significant share of the raw materials needed to make lightweight boards used in IKEA products. Poplar is a fast-growing, renewable material that requires fewer chemicals and less machinery than many other crops, and it can capture a significant amount of carbon. The limited use of machinery and a five-year crop rotation



period, which provides four harvests from the same root system over a 20-year period, help to regenerate the soil. The plantations are on agricultural land classified as low to medium fertility, minimising interference with the growth of other crops.

From FY16 to FY18, the climate footprint of raw materials and food ingredients increased by 10%, in line with the growth in sales. We have only just started to transform the raw material footprint, and it will take some time for the impacts to be visible. We are finalising our work to integrate climate into our material directions, after which we hope to make faster progress.



RAW MATERIALS & FOOD INGREDIENTS CLIMATE FOOTPRINT (MEGATONNES CO₂e)



¹⁶ Wood-based materials also includes glue, which is not yet renewable. This is why not all wood-based materials are classified as 100% renewable materials.

Product use at home

Use of IKEA products in customers' homes is calculated and estimated to contribute 22.2% to the total IKEA climate footprint. This comprises energy-efficient LED lighting (16%), appliances (5%) and the burning of candles (<1%¹⁷). We design our products to be as energy-efficient as possible, to cut the climate footprint and save energy costs for our customers.

Depending on the country, the footprint of the electricity grid differs significantly, and we advocate 100% renewable electricity in all our markets. IKEA customers should be able to generate and use renewable energy at home too. Today, Home Solar is offered to customers in six markets and will be introduced in more markets in the coming years,¹⁸ see more on [page 14](#).

The most significant improvement is in IKEA lighting, largely due to the developments in energy efficiency of our LEDs – improving by 19% in lumens per watt since FY16. The footprint for appliances has stayed flat. This is because dramatic growth in sales was counteracted by fast progress in energy efficiency across the range, especially in hobs, where the average improvement since FY16 was 17%. Further improvement is needed in



both energy efficiency and the availability of renewable energy in the electricity grids to reduce the footprint in absolute terms.

Read more about how we are inspiring and enabling people to live more sustainable lives on [pages 13-15](#).

Product end-of-life

Around 3% of the total IKEA climate footprint comes from product end-of-life – similar to that of our retail operations or goods transport. This footprint includes products that are incinerated or sent to landfill,¹⁹ but not products that are recycled since these are accounted for by IKEA as raw materials or by the company that uses the raw material.

Our ambition to become a circular business (see [page 22](#)), including the circular design principles (see [page 16](#)), will help us to eliminate the climate footprint from product end-of-life.

¹⁷ Close to 1% when including the raw material footprint of candles. Candles have low emissions at home, but a larger raw material footprint from sourcing wax.

¹⁸ Through the IKEA Retail business of Ingka Group.

¹⁹ As part of the waste management system of the respective country.

PRODUCT USE AT HOME

CLIMATE FOOTPRINT INCLUDING TRANSMISSION & DISTRIBUTION LOSSES (MEGATONNES CO₂e)

Lighting Appliances Candles (<0.1)

FY16	5.0	1.4	6.5
FY17	4.7	1.4	6.2
FY18	4.5	1.4	6.0

PRODUCT END-OF-LIFE

CLIMATE FOOTPRINT (MEGATONNES CO₂e)

FY16	0.9
FY17	0.9
FY18	0.9

LED LIGHTING



IKEA operations

We strive towards 100% renewable energy for electricity, heating and cooling, and high energy efficiency in IKEA operations,²⁰ including franchisees, and at direct suppliers. We promote on-site renewable energy generation and new installations, making more renewable energy available to the many people.

Already, 74% of the energy consumption in IKEA operations is from renewable sources.²¹ We aim to increase this to 100% by investing in on-site renewable energy installations, including photovoltaic panels, heat pumps, biomass boilers or combined heat and power plants.

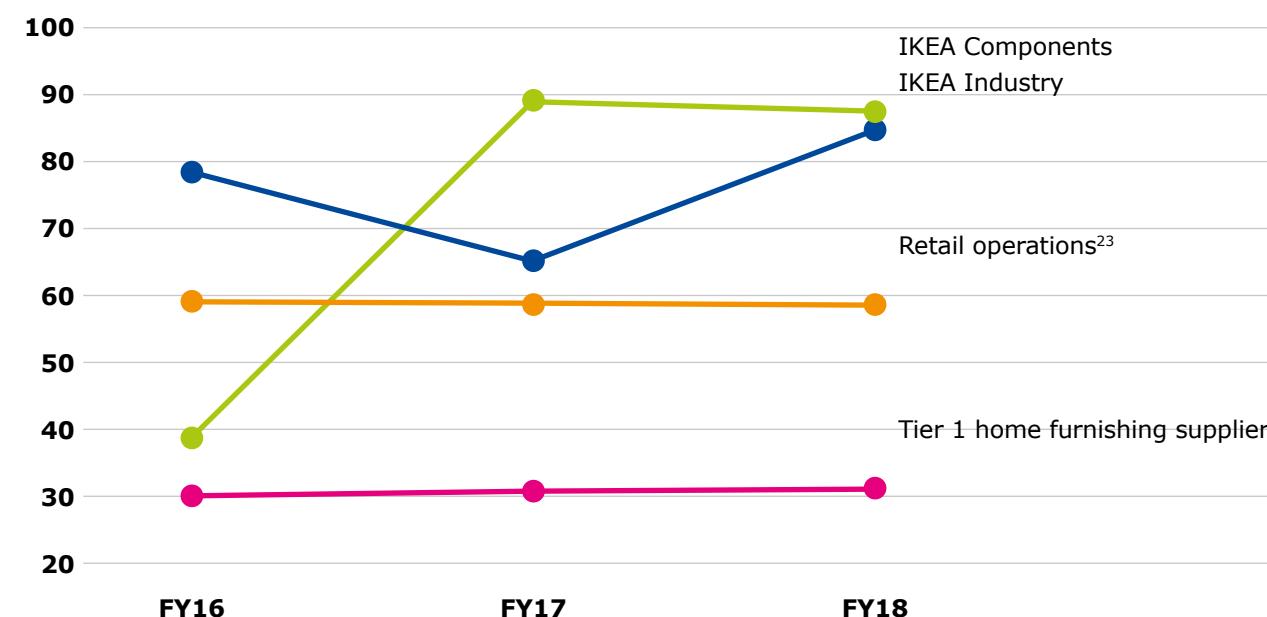
The share of renewable energy used at IKEA Components²² has more than doubled since FY16, and at IKEA Industry, it has increased by almost 20 percentage points since FY17.

It is usually only possible to generate on-site 10-40% of electricity needed depending on the operations, and the remaining renewable energy needs to be purchased from the grid. This is not yet possible in every country, but we are working together with others to advocate

100% renewable energy in each market. For example, the franchisee Ingka Group is a member of RE100 – an initiative bringing together more than 100 businesses committed to 100% renewable electricity, to increase demand for and availability of renewable energy.

Electricity makes up around half of the climate footprint from retail operations and production, as well as almost the entire product use at home. Rapid progress is happening in the renewable electricity sector globally, and decreasing prices mean we can invest in and install more wind and solar power systems. However, it is not the same for renewable heating and fuels. This presents a challenge to transitioning to 100% renewable heating as quickly as we would like. And as most renewable heating and fuels rely on sourcing from forests and agricultural crops, we need to ensure that the fuels are sourced in a responsible way – minimising the climate footprint from land use change and other impacts on biodiversity, air quality, social issues and water.

TOTAL RENEWABLE ENERGY (ELECTRICITY, HEATING & COOLING) PRODUCED AND BOUGHT (%)



Retail operations

IKEA stores, operated by franchisees in different markets, play an important role in our ambition to become climate positive. They are where customers meet the IKEA Brand and values, and where we can demonstrate our ambition to lead by example, through the services and products we offer.

The franchisee Ingka Group has set a goal to reduce the footprint from its stores and other operations by 80% in absolute terms by 2030, compared to 2016. Today, 65.9% of the energy consumed in its retail operations is from renewable sources, such as photovoltaic panels and wind turbines. More renewable electricity is also added to the grid as Ingka Group is generating wind and solar power, aiming to generate as much renewable energy as it consumes across all its operations by 2020.

IKEA Retail Iceland²⁴ has installed the largest solar power plant in the country, generating enough energy to power all the electric vehicle charging points for its co-workers.

In January FY18, IKEA Alexandra in Singapore²⁵ installed solar cooling. The system converts thermal heat into chilled water for air-conditioning in the store, cutting electricity consumption by around 24%, and saving more than EUR 5,000 (SGD 9,000) a month.

Following a successful pilot in IKEA Dubai, IKEA stores in Abu Dhabi, Egypt and Qatar²⁶ have launched a project to cut energy consumption by:

- measuring and benchmarking energy use
- installing insulation
- upgrading the heating, ventilation and air conditioning (HVAC) and building management (BMS) systems
- converting to LED lighting
- installing infrared sensors in toilet facilities to control water consumption.

RETAIL OPERATIONS CLIMATE FOOTPRINT (MEGATONNES CO₂e)²⁷

FY16 0.4

FY17 0.5

FY18 0.5

In just one year, the project has cut energy consumption by 15% for all stores – saving 883 tonnes of GHG emissions.

As part of the aim to reach 100% renewable heating and cooling, IKEA businesses are investing in renewable technology for heating and cooling such as ground and air source heat pumps and biogas and biomass boilers. For example, all building projects at Ingka Group that are approved from 2020 onwards will include renewable heating and cooling systems. There are also initiatives to bring the IKEA voice to critical conversations on issues such as renewable energy, electric vehicles and emissions reduction. For example, Ingka Group is a member of coalitions like RE100, EV100 and the We Mean Business coalition.



20 IKEA Operations refers to Inter IKEA Group operations, franchisees' retail operations and other IKEA related operations.

21 The Greenhouse Gas Protocol (scope 1 & 2 emissions).

22 Provides components and materials to IKEA suppliers and sub-suppliers that are used in IKEA home furnishing products.

23 Includes all stores operated by IKEA franchisees.

24 Operated by the franchisee Miklatorg.

25 Operated by the franchisee IKANO.

26 Operated by the franchisee Al-Futtaim.

27 Includes all stores, warehouses and retail specific operations operated by IKEA franchisees.

IKEA Industry

IKEA Industry is the world's largest manufacturer of wooden furniture, with over 19,000 co-workers at 40 production units in 10 countries.²⁸ Already, 86.7% of IKEA Industry's heating and 81.1% of its electricity are from renewable sources. In total, this is a unit increase of nearly 20 percentage points from last year, mainly due to the purchase of electricity from wind power in Poland (read more below). Heating comes mainly from biomass boilers, while electricity is mostly purchased from renewable sources with a small amount generated from on-site solar panels and one biomass-powered steam turbine.

Renewable electricity

IKEA Industry aims to install solar panels wherever technically and financially possible by the end of FY25, and is focusing on assessing the suitability for installation at sites in Central Europe, where renewable energy infrastructure is not yet well-established.

In Poland, IKEA Industry purchases 100% of its electricity from wind farms owned by the franchisee Ingka Group. It secures the source of the energy through Guarantees of Origin, and a unique set-up where the utility company matches wind farm generation with IKEA Industry consumption on an hourly basis.

In the production unit in Paços de Ferreira, Portugal, it completed one of the largest self-consumption solar panel installations in Europe. The 18,240 panel installation covers 70,745 m², generating energy equivalent to the consumption of more than 2,700 homes and avoiding 2,358 tonnes CO₂e each year.

Renewable heating

In FY18, the site in Novgorod, Russia, opened an energy plant with a capacity of 87.5MW. The plant supplies all heat needed at the site. The wood-drying process is particularly heat-intensive. The dryer dries up to 60 tonnes of wood per hour, using energy generated from biomass instead of natural gas. Now, 85% of the energy used at the



"We strive to make our operations even more efficient when it comes to responsible use of resources and energy. We want to make a positive contribution to the economic, environmental, and social development of the communities where we operate, starting with more than 1,300 IKEA Industry co-workers in Paços de Ferreira."

JORGE FERREIRA
Manager, IKEA Industry
Paços de Ferreira, Portugal

site is from renewable sources – up from 35% – which is estimated to cut greenhouse gas emissions by around 45,000 tonnes a year.

IKEA Industry invested EUR 9 million to build a new pellets factory at the Stalowa Wola sawmill in Poland, which will supply renewable energy for the European market from FY19. Wooden residues from the sawmill feed bio-based boilers which generate heat, and a turbine generates renewable electricity.

Energy efficiency

IKEA Industry works to create awareness, share good examples, and build competence around energy saving. This will include holding workshops at its own factories and pilot workshops at suppliers' factories during FY19, to share IKEA Industry's experience with other parts of the IKEA supply chain. A typical workshop identifies energy savings of 4-8% with a payback time of less than two years. The Energy Management Manual is

another important tool, providing guidance to co-workers on how to improve energy efficiency. The manual will be rolled out at all IKEA Industry units by the end of FY19.

IKEA INDUSTRY CLIMATE FOOTPRINT SCOPE 1, SCOPE 2, TRANSMISSION AND DISTRIBUTION LOSSES (MEGATONNES CO₂e)

FY16 **0.5**

FY17 **0.6**

FY18 **0.4**

28 As of FY18.



The flatpack sofa of the future

We might be famous for flat pack, but we've never cracked the flat pack sofa. Until now.

Our new sofa frame, SMÅTORP, launched in China in FY18, has just 13 parts – around a tenth of what goes into our regular sofas. That's not just good for the people who put it together – it's good for the planet too!

Fewer parts mean simpler and quicker production, cutting water and energy consumption. And thanks to the flat pack it fits in a smaller box, making it easier to transport with fewer trucks.

This isn't just a flat pack sofa – it's a circular sofa too.

When customers get it home, it's easy to assemble, disassemble, and reassemble. We know circumstances change, and people move home. Now your sofa can come too.

And at the end of its life it can be easily dismantled and the different materials separated for recycling.

"IKEA embraces circularity by making our sofas in a way that minimises the impact on the planet. By offering sofas in separable parts and with smaller, lighter and flatter packaging we can offer more long-lasting and recyclable products," says Malin Nordin, Development Leader Circular IKEA, IKEA of Sweden.

See page 16 for more about how we are designing our products to enable a circular economy.

Supplier production

The climate footprint of production at direct suppliers has changed little since FY16, despite sourcing higher volumes from our suppliers. This is due to an increase in energy efficiency and in the share of renewable energy from 30% to 31%. However, some industries, such as textiles, are not developing as fast.

We work with direct suppliers across their entire factories – not just the part manufacturing IKEA products. This allows us to address a footprint around four times larger than that created in the production of IKEA products.

More IKEA suppliers are joining the movement towards 100% renewable energy, by purchasing it from the grid, generating it on-site, or both. In FY18, eight suppliers achieved zero climate footprint from electricity, heat and internal transport use by converting to renewable energy. These include a Swedish supplier of assembly parts and accessories and a flatline supplier in Poland, where there is little renewable electricity available from the grid. Both invested in wind turbines, generating more energy than they consume to have a big impact on climate.

Several other suppliers have reached 100% renewable energy, but still have a climate footprint from emissions of GHGs other than CO₂, for example from burning wood waste.

SUPPLIER PRODUCTION

CLIMATE FOOTPRINT HOME FURNISHING, COMPONENT, CATALOGUE AND FOOD SUPPLIERS INCLUDING TRANSMISSION & DISTRIBUTION LOSSES (MEGATONNES CO₂e)

FY16	2.7
FY17	2.7
FY18	2.8

²⁹ <http://www.who.int/news-room/detail/02-05-2018-9-out-of-10-people-worldwide-breathe-polluted-air-but-more-countries-are-taking-action>.

³⁰ <http://berkeleyearth.org/air-pollution-and-cigarette-equivalence/>.

Air pollutants

In December 2017, we began working with a solar panel manufacturer and a renewable energy advisory company to help Chinese suppliers convert to renewable energy. Through our partners, suppliers can plan and install renewable energy at a discounted price, and get rooftop solar panel purchasing agreements as a group. The aim is for at least 20 suppliers to install solar panels by the end of FY19.

Supplier Sustainability Index

We use our Supplier Sustainability Index (SSI) to track the impact of our supplier development and identify opportunities to work with suppliers to improve performance. This goes beyond the compliance to our Code of Conduct, IWAY, and focuses on four areas.

- 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.

Reducing the use of fossil-based fuels.

The burning of fossil fuels for energy is a significant source of outdoor air pollution. The IKEA business has committed to strive towards 100% renewable energy and to phase out fossil fuels.

Moving away from biomass combustion towards biomass gasification.

Using biomass rather than fossil-based fuels is a good first step. But it can still release harmful particles into the environment. Gasification is a much cleaner process for converting biomass to energy, which will help to significantly reduce particle pollution.

Developing solutions to reduce indoor air pollutants.

In some places, air pollution can be worse indoors than outdoors. In FY18, we announced that we are developing air purifying curtains and devices to help clean the air in people's homes.

Raising awareness among our customers.

The [IKEA Clean Air Survey](#) identified that many people are not aware of the health impacts of air pollution, and the risks associated with air pollution in their homes. By sharing knowledge and insights with our customers about some easy changes to keep air clean – like closing windows during rush hour traffic or swapping a gas stove for an induction hob – we can inspire healthier homes.



From air pollution to new materials

The air in New Delhi, India, can get so polluted that breathing it is compared to smoking 40 cigarettes a day.³⁰ During October and November each year, smoke from the rice fields surrounds the capital as farmers burn rice straw, a rice harvesting residue, to make space for wheat crops.

But as Helene Davidsson, Sustainability Manager Purchasing & Logistics, South Asia, watched the burning straw together with her colleagues, they had an idea: *"How could that waste become a resource for new products?"*

This inspired her to create the Better Air Now initiative, which will launch in early FY19, looking for ways to make rice straw into new materials that could be used to make IKEA products. The aim is to start selling products at IKEA Retail India in 2019-2020, and if successful, in more markets after that.

Not only will the Better Air Now initiative reduce pollution from burning, it will also contribute to our ambition to use more renewable materials and will provide farmers with an additional income from selling the straw.

Initially, the project will focus on Northern India, home to nine of the world's ten most air-polluted cities, but it could be rolled out to other polluted megacities around the world. Our ambition is to contribute to eliminating rice straw burning, by working together with businesses, NGOs, state governments in India, suppliers and farmers, the UN and universities.

Product transport²⁹

Around 3.9% of the total GHG emissions from the IKEA business were from product transport in FY18. GHG emissions per shipment decreased by 2%. But absolute emissions from product transport increased due to the overall growth of the IKEA business. To meet the emissions reduction goals of the 2030 strategy, IKEA Transport & Logistics Services is building a roadmap for the future.

The focus is on:

- **Reducing** the climate footprint by making every shipment as efficient as possible.
- **Replacing** fossil fuels with alternatives and increasing use of intermodal options – the transportation of goods in large containers, avoiding the need to handle goods when changing between modes of transport.
- **Rethinking** to integrate innovation through new technologies, equipment and partnerships. By innovating and collaborating to find new methods, we are heading towards decarbonised transport.

Reduce

Where possible, IKEA product developers design products for easy transportation – for example, by flat-packing or stacking them. More products per shipment means lower emissions. Since FY14, the volume of transported goods per shipment has increased by 1.5 m³, saving around 83,000 shipments in FY18.

PRODUCT TRANSPORT CLIMATE FOOTPRINT (MEGATONNES CO₂)

FY16	1.0
FY17	0.9
FY18	1.1

A new consolidation point in South China is helping to reduce transport distances. It is closer to suppliers, and goods travel from the site by electric trucks and then barges. Avoiding the use of diesel trucks saves 650 tonnes of CO₂ per year. The consolidation point has also enabled different suppliers to combine goods in the same container instead of using separate containers, reducing wasted space and unnecessary emissions.

Replace

Alternative fuels are important to our strategy and we are working with others to drive change and influence the market in the long term.

In the Pune area in India, two transport service providers are using a biodiesel blend made from non-edible oil sources.³⁰ This is the first time biofuels have been used for commercial freight transportation in India. In the U.A.E., IKEA Transport & Logistics Services pioneered the use of a similar fuel for freight transportation in cooperation with a transport service provider. All domestic deliveries to the store in Dubai are now operated with a biodiesel blend.

Using intermodal options³¹ means the freight can be easily moved between different modes of transport. This makes it easier to use transport options such as trains and ships, which can carry large volumes, with lower GHG emissions compared to the equivalent volumes transported by diesel trucks. We are continually working to increase the share of intermodal transport.

Rethink

To achieve the bold ambitions of our 2030 strategy we will go beyond reducing and replacing, and rethink our approach. We are open to new ideas and work with others to drive innovation.

In FY18, IKEA Transport & Logistics Services' commitment to promoting sustainable supply chain practices in Asia-Pacific was recognised

with the Green Freight Asia (GFA) Ambassador Award. The company was also awarded the Green Freight Asia Label Achievement Award for getting GFA Labels for 10 countries of operation – the widest geographical coverage for any GFA member.

Ocean transport

Ocean transport accounts for around 40% of product transportation emissions. Over time, new and bigger vessels with more efficient engines, travelling at slower speeds, have helped to reduce emissions from each container, but the rate of reductions has now slowed.

Ships have a long operational life which means it takes a long time to fully realise the benefits of newer, lower-emission technologies. That's why it's important to take a leading role for long-term, industry-wide improvements – for example, through our membership of the Clean Cargo Working Group, which looks for ways to reduce shipping emissions.

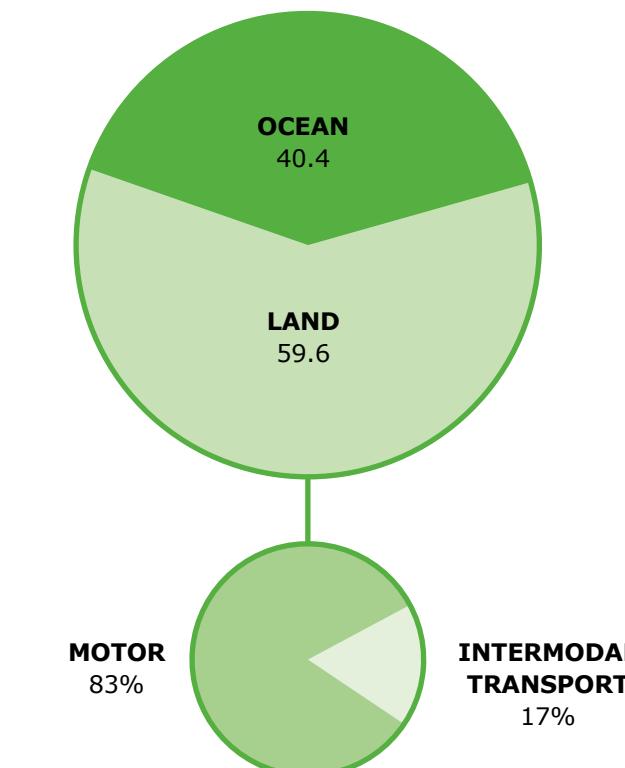
In FY18, we implemented a tool to improve the accuracy of emission calculations for IKEA product transportation. Data is taken from the transport systems and emissions are calculated according to the weight of goods transported, the distance travelled, the mode of transport and the fuel used. This allows for more precise measurements that will help us analyse and develop IKEA Transport & Logistics Services' roadmap for decarbonisation.

See page 46 for more about our work to improve conditions for truck drivers.

GHG EMISSIONS FROM IKEA TRANSPORT & LOGISTICS SERVICES

Product transport efficiency (goods per shipment)	FY17	FY18
Net cubic metres of transported goods per shipment	56.9	57.0
Increase in cubic metres of product per shipment compared with the previous year (%)	0.5	0.1
Product transport efficiency (climate impact)	FY17	FY18
CO ₂ emissions per product volume and transported distance (kg CO ₂ /m ³ km)	0.0038	0.0037

SHARE OF GHG FROM OCEAN AND LAND TRANSPORT – FY18 (%)



²⁹ IKEA Transport & Logistics Services is responsible for the transport of our products from factories to stores via distribution centres. Last mile delivery to customers is run by franchisees.

³⁰ This means that the sources of the biofuel come from waste oils that are unfit for human consumption.

³¹ Transportation of goods in large containers, which does not require any handling of the goods themselves when changing between modes of transport.

Customer and co-worker travel to stores

Customer and co-worker travel to stores accounts for 15% of the total IKEA climate footprint. Most stores are outside city centres so often it is necessary to drive to get there. We always consider local public transportation routes when planning new sites for stores. And our franchisees are working to reduce the climate impact of customer travel by:

- opening more city centre stores and pick-up points
- improving the home delivery offer
- advocating wider use of electric vehicles and providing charging points at stores.

In FY18, more than 65% of the total IKEA stores had electric vehicle charging points and 75% of the stores operated by Ingka Group. Some examples from FY18 include:

- IKEA Retail Germany³² trialled new trailers that customers can pull by bike or by hand to take products home from 12 stores. They loved it – 93% of customers that used it were happy.
- IKEA Retail UK³² ran a sustainable travel campaign to inspire co-workers to try new green friendly travel options to get to and from work at the Nottingham store.

All IKEA Industry sites have committed to installing electric vehicle charging points if co-workers request them.

³² Operated by franchisee Ingka Group.

CUSTOMER AND CO-WORKER TRAVEL TO STORES CLIMATE FOOTPRINT (MEGATONNES CO₂e)

FY16	4.0
FY17	4.0
FY18	4.0



Home deliveries

Last mile deliveries, where products are delivered to customers' homes, are handled by the respective IKEA franchisee.

Committing to electric and other zero emission vehicles is critical in order to eliminate the climate footprint from customer deliveries. The franchisee Ingka Group has set the target to go all-in to secure 100% zero-emission home deliveries by 2025, starting with major cities like Amsterdam, Los Angeles, New York, Paris and Shanghai by 2020. It has already deployed electric vehicles in Australia, China, France and India to name a few, with more zero-emission vehicles on the way in many markets.

There is still a lot to do, which will require strong collaboration – both internally and externally. In September 2017, Ingka Group became a founding member of EV100 – a global initiative committed to accelerating the conversion to 100% electric vehicles.

CUSTOMER DELIVERIES CLIMATE FOOTPRINT (MEGATONNES CO₂e)

FY16	0.09
FY17	0.11
FY18	0.13

Our commitment

Regenerating resources, protecting eco-systems and improving biodiversity

As IKEA becomes more resource efficient and transitions to a circular business, we still need raw materials for our products and food. We will always strive for renewable, responsible sources, ensuring that we have a positive impact by regenerating resources, protecting ecosystems and improving biodiversity.

We have already made good progress on the materials we use the most – cotton and wood. All of the cotton and 85% of the wood we use is from more sustainable sources.³³ We are always working to improve our responsible sourcing agenda for all materials – developing standards that include environmental, social and animal welfare criteria – to make responsible sourcing the norm across the IKEA business and beyond.

We are focusing on becoming forest and water positive. Both resources are vital to our business and the planet. By applying our expertise and global influence beyond our own supply chain, we can play a leading role in improving the health of our planet.

³³ 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).



Becoming forest positive

Wood is long-lasting, renewable, recyclable, durable and beautiful. We use more of it than any other raw material – 18 million m³ of roundwood equivalent (RWE) in FY18.

Considering our size, we can make a big difference. By contributing well beyond our own needs we aim to transform the industry and make responsible forestry the norm. Forests sustain ecosystems and biodiversity, mitigate the effects of carbon emissions and provide shelter and livelihoods to millions of people. It's vital that we help to protect them.

Making more from less

We design our products to make smart use of resources and cut the wood to minimise waste, making more from less. In FY18, the amount of wood we used, including for paper, increased by 1.5 million m³ RWE, due to the growth of our business.

Read about how we aim to increase the proportion of recycled materials we use in our products as part of our transition to a circular business on pages 22-24.

TOTAL WOOD IN IKEA PRODUCTS (MILLIONS m³ RWE)

FY15	16.1
FY16	15.8
FY17	16.5
FY18	18.0

Securing sustainable sources

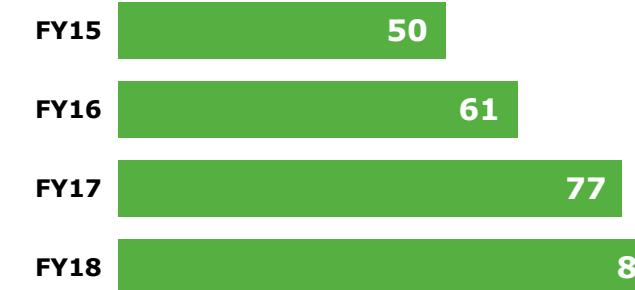
All of the wood used in IKEA products is sourced in compliance with the Forestry Section of the IKEA IWAY Standard. It sets out the minimum environmental and social standards expected from our suppliers, including compliance with local laws. In FY18, we extended the IWAY Forestry Section to include paper-based materials, bamboo in non-industrial application, rattan and wood-plastic composites. For more about IWAY, see [pages 46-47](#). In addition, we aim to source 100% of the wood we use from more sustainable sources – Forest Stewardship Council™ (FSC™) certified or recycled. In FY18, we sourced 85% of our wood from these sources, up from 77% in FY17. Working with our suppliers and indirect suppliers, and our long-standing partnerships with WWF, FSC and others helped us to achieve this. In high-risk countries, accounting for around 23% of the wood we source, we require all wood to be from more sustainable sources. Nearly all of our suppliers are FSC Chain of Custody certified and we encourage the remainder to obtain certification. We audit suppliers based on the standards they use. In FY18, we successfully passed another EUTR (European Union Timber Regulation) audit.

During FY18, one supplier in China was found to be in violation of the IWAY Forestry requirements, failing to source wood from more sustainable sources (using non-FSC certified wood) in Russia. However, the supplier was compliant with the IKEA IWAY Must minimum requirements: the wood was not sourced illegally, from high conservation value forests, conversion of natural forests, genetically modified trees or from areas of social conflict. According to our working methods, we stopped shipments during the investigation and conducted additional audits of the supplier and supply chain. Corrective measures were taken, and thereafter it was decided that the products would still be sold. It was agreed with the supplier that the profits from these products would be invested in projects focused on sustainable forest management. We are now exploring suitable projects and partnerships in Russia.

Becoming forest positive means going beyond the reach of our own value chain. We are already reaching the limits of FSC certified wood in the countries we source from. To meet our 2020 target, we are working to make certification more accessible to small forest holders and increase the amount of certified forest.

Through our partnership with WWF we are working across 15 countries in nine different projects to combat illegal logging and promote responsible forestry. Find out more about the partnership [here](#). In FY18, we completed a decade-long project to develop a publicly accessible database on high conservation value forests in Russia. Now that we have identified these areas, we can work together with partners to ensure that they are protected or managed in accordance with FSC standards. Find out more [here](#).

WOOD FROM MORE SUSTAINABLE SOURCES (% WOOD SOURCED)



AUDITS OF OUR WOOD SUPPLY CHAIN

FSC Chain of Custody certification	FY18
IKEA suppliers that are FSC Chain of Custody certified (%)	81
Total wood volume from FSC Chain of Custody certified suppliers (%)	99
IWAY Forestry Section audits	FY18
Number of IKEA audits – under IWAY Forestry Standard and IKEA wood supply chain audits	212
Wood volumes that underwent an IKEA audit that comply with IKEA Forestry Standards (%)	99

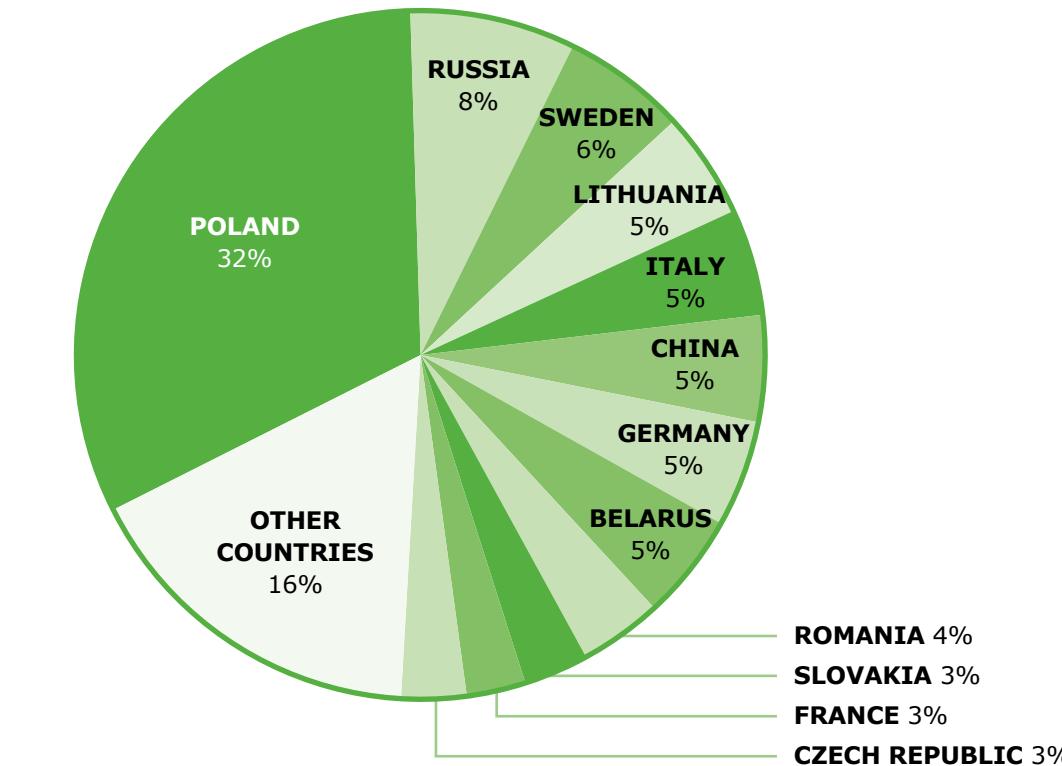
Paper and packaging

The largest quantity of paper-based materials used across the IKEA business is in our packaging materials. We are committed to sourcing these materials sustainably. Around 75% of our paper-based packaging is made from recycled material, but we want to ensure that any virgin wood fibre we use is FSC certified. We have transformed the majority of

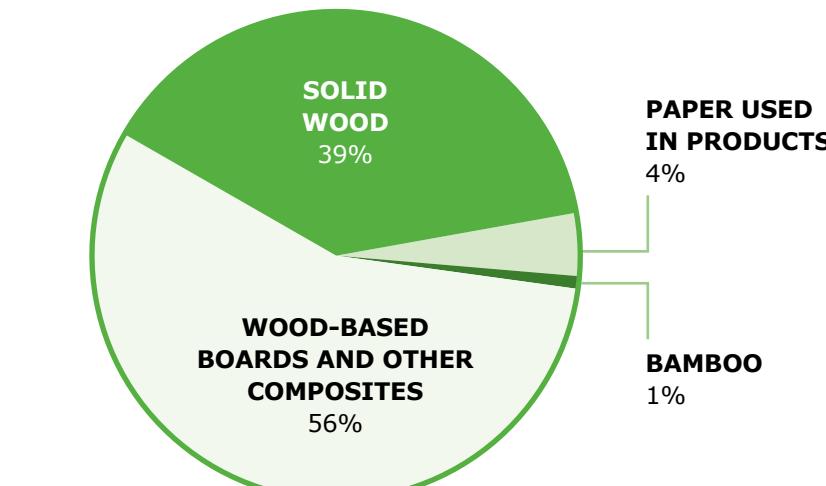
our corrugated packaging to meet the criteria for more sustainable sources and we started to track our performance for packaging from more sustainable sources by requesting regular reports from our suppliers. Our target is to source 100% of our paper-based packaging from more sustainable sources by 2020.

WOOD SOURCES – FY18 (WOOD SOURCED %)

Rounded to nearest whole number.



TYPES OF WOOD SOURCED – FY18 (%)



Communicating the impact of FSC

To increase uptake of FSC certification for forests, it is vital that businesses and forest owners understand the benefits. In FY18, we completed the Value and Impacts Analysis (VIA) project, launched in FY14 in partnership with ISEAL, Tetra Pak, Kingfisher, and others. Through the project we established a model to better evaluate and communicate the impact of FSC and other certification standards. This has helped to identify key messages to illustrate the success of FSC. Find out more [here](#).

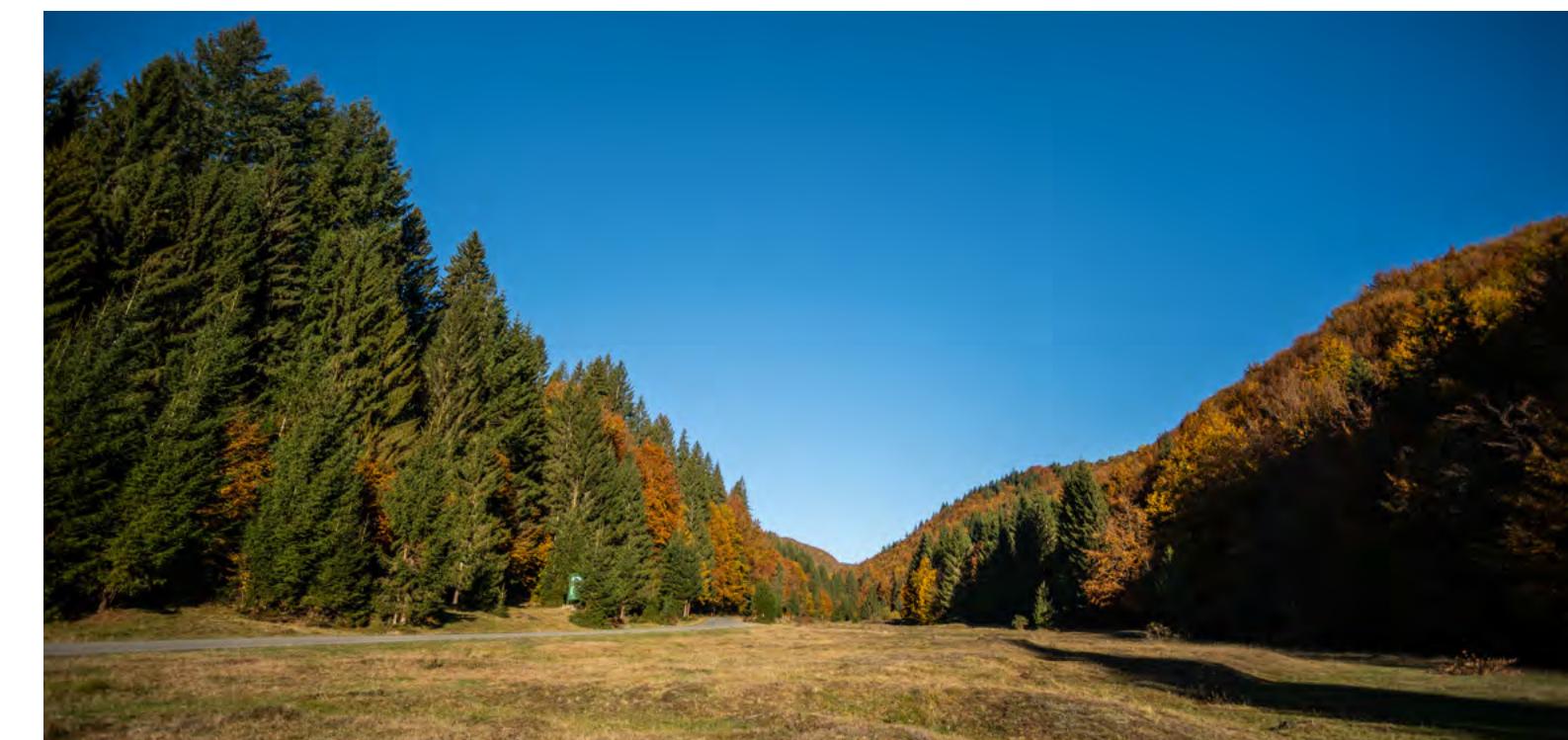
Including smallholders and private forest owners in our supply chain

Small forest holders are a vital source of the many types of wood and other materials we use, such as bamboo and rattan. Traditionally, these groups have not been sufficiently included in FSC certification due to the complexities and costs and a lack of understanding of the benefits and the process to become certified. We are working to break

down these barriers, encouraging more smallholders and medium-size private forest owners to work towards certification and increase the volume of FSC certified materials available (see box).

In FY18, we began a new partnership with the FSC as part of their [New approaches to smallholder certification programme](#). It aims to apply FSC's vast knowledge and experience to become more relevant to this vital group of suppliers. The experience from our existing partnerships to improve the practices of smallholder farmers, such as that with WWF in Thailand and Rainforest Alliance in Indonesia, feeds into the development of these new approaches in Asia.

In Portugal, we're partnering with Forestis, the Federation of Private Forest Owners, our industrial partner Sonae Arauco and WWF to improve forestry practices and support FSC certification of private forest owners growing maritime pine.



Certifying private land owners in Lithuania

"I knew that FSC certification would help me to manage my forests in a more sustainable way and to sell my wood to more buyers. I've been looking to do this for the last five years, but the extra costs and time needed were always a big barrier," says Andrius Bajorūnas, a private forest owner of 2,286 ha in Lithuania.

The same is true of many private forest owners in Lithuania, where nearly half of forests are privately owned, and from which we sourced a total of 1.07 million m³ RWE in FY18. That's why we partnered with suppliers there to establish a group forest management scheme – VšĮ Darnūs Miškai (Public Institution Company Sustainable Forests). Groups like this have been introduced by FSC to simplify the certification process and lower the costs for small forest owners, though it's never been done before on this scale in Lithuania. The group arranges internal audits of its members' forests, and then an FSC accredited certification body annually audits a sample of forests from the group.

By the end of FY18, 47,102 ha of forest, owned by 114 members, had been FSC certified as part

of the group. Forest owners like Andrius are seeing the benefits.

"The support of VšĮ Darnūs Miškai made it much more achievable to certify the forests. And because there's such a high demand for certified wood, it's easier to sell too. Some companies even pay more," explains Andrius.

There are still some challenges, though. Forest owners must leave dead wood and set aside more trees to protect biodiversity, beyond what is required by legislation in the country. Where the forest is next to open landscape, they must also leave narrow forest buffer zones that help to protect soil, air and water quality. This wood could otherwise be sold. But, as Andrius says, *"the market need for FSC wood will only increase."*

The members of VšĮ Darnūs Miškai aren't obliged to supply the IKEA business, but we expect some of the certified wood to end up in our supply chain. That's part of our forest positive approach – going beyond our own direct supply chain to improve forest management across the industry.

Cotton

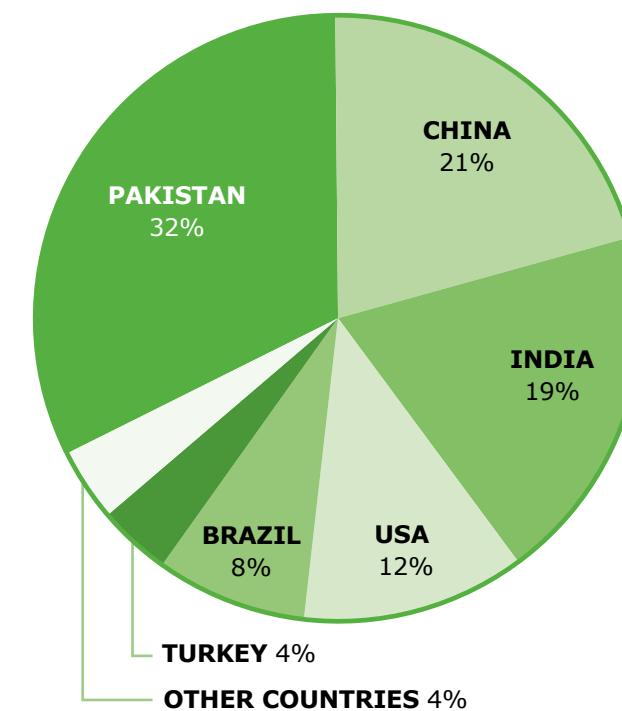
Since FY16, all the cotton used to make IKEA products has come from more sustainable sources,³⁴ contributing to improving farmers' livelihoods, yields and incomes, and reducing negative environmental impacts. We used about 0.7%³⁵ of the world's total supply of cotton – 155,000 tonnes – in FY18. And by working with others to go beyond our own value chain, we have a big opportunity to transform the industry for cotton growing and production.

We're a founding member of the Better Cotton Initiative (BCI), whose ambition is to make global cotton production better for the people who produce it, the environment it grows in, and the sector's future. We fully support BCI's aim to make 30% of the world's cotton production Better Cotton by 2020, and we want to go beyond Better Cotton's baseline requirements.

We train our suppliers and sub-suppliers on requirements for sustainable cotton and methods to meet them, and audit throughout the cotton value chain. In FY18, we trained 25 internal auditors and more than 50 audits were performed in our cotton supply chains. We encourage knowledge-sharing and collaboration. For example, since FY16 we have worked with WWF to take textile suppliers on trips to the fields where cotton is grown in India and Pakistan to meet farmers and learn about the challenges they face.

Climate change causes changing weather patterns with longer spells of drought and shorter rainy seasons. This has huge impacts for cotton production. We are supporting agricultural research and working with farmers to develop new systems and adaptation processes, and to implement new technologies. With WWF, the Indian Agriculture Research Centre, the Agriculture Science Centre in India and the Central Cotton Research Institute in Pakistan, we are collaborating to develop solutions to challenges such as water scarcity, improving biodiversity and agricultural residue

**SOURCES OF COTTON – FY18
(COTTON SOURCED %)**



COTTON FROM MORE SUSTAINABLE SOURCES (%) COTTON SOURCED)

FY15	94.5
FY16	100
FY17	100
FY18	100
TARGET	100

management. We are also investigating more drought resilient cotton solutions, and working to improve and preserve the quality of cotton fibres from 'farm to gin', a stage of the value chain where cotton is often contaminated with waste or other substances.

We aim to replace virgin cotton with recycled materials wherever possible. In FY18, 15% of

the cotton we used was from recycled sources. We are always exploring ways to increase this without compromising the functionality, quality, touch and feel of the product. Working with our suppliers, we are trialling new blends of recycled and virgin cotton, and other materials. Read about our work to develop new textiles on [pages 23-24](#).

Through our 'boll to bale' project in Pakistan, we are working to map the cotton supply chain, including picking, handling, storage and transportation. This will help us to ensure that the cotton from this region is produced more sustainably and is of higher quality, by cutting waste and contamination at each stage.

Using technology to improve agricultural practices

The IKEA business has partnered with WWF for many years, to train and support cotton farmers in India and Pakistan. Now, the focus of the partnership is on technological innovations to tackle agricultural challenges and improve practices.

- In the Jalna region in the state of Maharashtra, we have reached 6,500 cotton farmers across 60 villages, supporting them to overcome water scarcity. The initiative uses remote-sensing and geo-tagging technology to provide information to farmers about when to water crops and how much they need. This avoids excess irrigation, conserving a precious resource in a drought-prone area.
- Together with the Gujarat Green Revolution Company (GGRC), an arm of the Gujarat state government in India, we developed the Cotton Doctor App in FY17. The app helps Gujarati farmers to maximise their cotton production by sending weather updates and assisting farmers in making informed decisions on cotton growing. One year on, around 60,000 farmers have access to the app and meet for training and to share



their experience. We aim to organise more meetings between experts and farmers to collect detailed data and help generate even more accurate advice.

"I used to randomly spray pesticides on my saplings, using strong pesticides as per availability and advice from the shopkeeper. Now I get environmental information from the app, such as weather conditions. This enables me to water my plants accordingly. I have learnt what my plants require during different stages of development. The alerts on my phone tell me when to give more water and when to give less and if I should apply pesticides, as a last option."

Gopal Bhai Patel, cotton farmer from Kasampur village.

³⁴ That includes recycled cotton (15%), cotton grown to the Better Cotton Initiative (BCI) standard (80%), and farmers working towards Better Cotton or other more sustainable cotton, such as the 'e3 Cotton Program' in the USA (5%).

³⁵ Calculation based on data from the International Cotton Advisory Committee [report](#).

Water

We aim to become water positive, by being good water stewards and helping to increase the availability of clean water in our own operations and our supply chain. We work to use water efficiently and ensure that the water we discharge is at least as clean as when it was extracted. We are also helping customers to reduce their use of water by developing and promoting innovative and affordable products (read more on [page 14](#)). And we collaborate with others to create the conditions that provide sustainable clean water supplies for people and communities.

There is a common approach to water stewardship throughout the IKEA business, guided by the Water Working Group, comprising leaders from across the business. WWF is a partner on specific projects. The IKEA approach to water stewardship is guided by the WWF Five Water Stewardship steps:

Create awareness of the water situation.

Understanding global water challenges such as dependence on freshwater and exposure to water-related risks.

Knowledge of impact. Understanding the impact of the IKEA value chain on river basins and water sources.

Internal actions. Taking action to optimise water use and report on water quality and quantity.

Collective actions. Working with others to share knowledge and find common solutions.

Influence governance. Using the reach of the IKEA business to advocate more sustainable water management via multiple platforms.

IKEA Industry

During FY18, water use at IKEA Industry increased. This was largely due to two factors:

- Improvements in our measurements for at least one factory, replacing estimates that were found to be significantly lower than actual usage.
- Our Division Board running at full capacity to meet demand.

WATER USE BY IKEA UNIT (m³)

	FY15	FY16	FY17	FY18
IKEA Industry	1,494,951	1,480,354	1,597,197	1,895,343
IKEA Components	8,010	9,331	17,044	16,075 ³⁶
Purchasing	25,692,285	24,904,176	23,331,230	25,177,868
Retail operations	-	-	-	6,009,125 ³⁷ (Franchisee Ingka Group only)
Total	33,172,052	32,895,810	31,474,345	33,098,411

Already, 40% of IKEA Industry sites face medium to high water stress. This is due to local environmental and climate conditions as well as overconsumption by the private sector, agriculture and communities. Climate change is making it worse, and smart solutions are needed to conserve current water supplies and secure future ones.

The IKEA Industry Water Manual details internal requirements and information on different types of water supply and waste water, as well as examples of how to treat, reuse or recycle waste water prior to sending it to the recipient or external treatment companies. The Manual's Water Positive Matrix sets out specific actions to improve water stewardship in all areas at each site, with annual goals.

The aim is for all IKEA Industry sites to achieve these actions by the end of FY25. IKEA Industry will achieve this through internal training and knowledge-sharing and setting minimum standards for all new buildings (including rainwater harvesting and use of drainage water). It will also share technologies and co-operate with local governments, NGOs and water utilities to support local water-cycles and biodiversity.

A particle board factory has invested in technology to harvest and use rainwater in its gas treatment systems, reducing the use of tap water. In Slovakia, IKEA Industry is working with local NGOs to find better ways to manage rainwater, helping to recharge the ground water in constructed wetlands and prevent flooding.

Encouraging water stewardship in the supply chain

Becoming good water stewards is not just about improving water-efficiency in our own operations. We work across the whole value chain, supporting suppliers to become good water stewards too.

In FY18, a dyed yarn supplier became our fifth supplier in India to achieve zero liquid discharge (ZLD), a water treatment process in which all waste water is purified and recycled, eliminating discharge. The supplier was the first organisation in the region to achieve this and is now helping neighbouring dye suppliers adapt to the technology.

We've partnered with the Sweden Textile Water Initiative (STWI) in China since 2015, supporting three textiles suppliers to improve water and energy efficiency and chemical management. We provided the funding for STWI to deliver technical support and training, and share best practice, focusing on activities such as:

- reclaiming water used for cooling
- installing more water and energy efficient machinery
- recovering heat from wastewater
- eliminating hydrogen peroxide and reducing caustic soda used in dyeing and pre-treatment.

During calendar year 2017, the partnership saved 75,027m³ of water, 668,992 kWh of electricity, 12,335 tonnes of steam and 1,030 tonnes of chemicals.

Retail

During FY18, the franchisee Ingka Group continued its efforts to use harvested, reused or recycled water wherever possible, prioritising sites in current and future water-stressed areas, using best available techniques and technologies. Water use increased in absolute and relative terms, due to adding new buildings, including expansion in countries with higher water consumption, better data reporting as well as external factors such as higher temperatures in the northern hemisphere.

Ocean plastics

In FY18, we investigated the causes and impacts of ocean plastic and the role the IKEA business can play. We are determined to become a leader and have committed to eliminating single-use plastic from the IKEA product range and food outlets by 2020 (see [page 23](#)). In early FY19, we will join NextWave, a coalition of companies exploring ways to intercept plastic before it enters waterways and oceans and turn it into a valuable commodity. This will help stem the flow of plastic into the ocean while increasing the supply of recycled material. Together, we can reverse the current trend towards there being more plastic than fish in the world's oceans by 2050.³⁸

Advocacy

Advocating better water stewardship beyond the IKEA value chain is key to becoming water positive by 2030. We take every opportunity to collaborate with others and share our learnings about how to become better water stewards. In FY18, Inter IKEA Group [spoke at World Water Week](#) for the second year in a row, urging companies to take action on water, and participated in a panel on ocean plastics. The theme of this year's event was 'Water, ecosystems and human development'.

³⁶ Data covers two IKEA component production units in Slovakia and China.

³⁷ Retail does not include Ingka Group retail stores that are integrated into shopping centres.

³⁸ <https://www.ellenmacarthurfoundation.org/publications/the-new-plastics-economy-rethinking-the-future-of-plastics-catalysing-action>.

Food

In FY18, almost half of the IKEA Food range was sourced centrally by IKEA Food. The remainder is individually sourced by IKEA franchisees, while upholding our commitments to responsible sourcing. When sourcing the ingredients used to make our food, we focus on human rights, environmental impact and animal welfare. We have started to go beyond our direct suppliers to ensure that the feed for the animals we source is sustainably produced too.

Meat production can be land and resource-intensive, and is a contributor to global greenhouse gas emissions. As part of our ambitions to source ingredients responsibly, become climate positive and offer healthier and more sustainable food options, we continue to introduce more plant-based food to the range, such as our veggie hot dog launched in FY18. See [page 15](#).

Soy

Soy is a protein-rich plant-based food source used mainly for animal feed. But it's been linked to deforestation, especially in areas like the Amazon rainforest and the tropical savanna of Cerrado in South America.

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

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

Despite this, we are making progress. In FY18, we developed a position on soy which supports the development of sustainable soy. We are completing soy footprint estimations for our dairy and meat supply chains and we will continue to source from more sustainable

sources through Round Table on Responsible Soy (RTRS) certification and credits. By engaging with suppliers at the farm level and collaborating across the soy industry, with indirect and direct users, we can have an impact beyond our own business.

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. The statement of support aims to promote more resilient agriculture and land-planning practices in the region.

Round Table on Responsible Soy (RTRS) credits

All soy used in salmon feed is certified as more sustainable. For other soy supply chains, where we have not yet been able to fully map risks, we will start to purchase RTRS certified credits. This means we can contribute to the production of sustainable soy equivalent to our own soy use.

Cocoa, coffee and tea

We want to offer products that are made with care for people and the environment at affordable prices. We use a range of certifications, including UTZ and organic.

- **UTZ** supports producers to implement better farming practices and farm management. It generally leads to larger yields, higher incomes and better living conditions for farmers and workers, while protecting the environment.
- **Organic** farming methods take care of natural resources such as water, soil and air. This supports biodiversity on farms and reduces negative impacts on the environment.

These are used across our range of cocoa, coffee and tea products.

- **Cocoa:** 100% UTZ certified cocoa, segregated or mass balance, in IKEA

branded chocolate bars, and the biscuits and pastries in the KAFFEREP range.

■ **Tea:** 96% of our tea products are now sourced according to recognised sustainability certifications. In FY18, we launched EGENTID, a series of high-quality leaf teas that are either UTZ certified or a combination of UTZ and Union for Ethical BioTrade (UEBT). Some are also organically grown according to EU standards. We plan to introduce tea bags with the same sustainability credentials as EGENTID during FY19.

■ **Coffee:** 98% of all IKEA coffee is UTZ certified and we're working to close the gap. Our complete PÅTÅR coffee range is UTZ certified and certified organic according to EU standards. Using standards means that we can secure high standards for both the people who grow the coffee, and the environment where it's grown. In FY18, we launched a special edition product in the PÅTÅR range, in partnership with a social enterprise in the White Nile region of Uganda. Read more about this product and our other partnerships with social entrepreneurs on [pages 55-56](#).

Fish and seafood

We're determined that the fish and seafood we source do not contribute to depleting fish stocks. We are committed to only sourcing fish and seafood certified by the Aquaculture Stewardship Council (ASC) or Marine Stewardship Council (MSC), with full chain of custody verified to IKEA stores. Around 94% of fish and seafood at IKEA is either MSC or ASC certified.



Smakrik

In the summer, many fields in Southern Sweden are yellow, growing rapeseed.³⁹ Now we're pleased to be using this traditional Swedish crop in our new range of organic oils – SMAKRIK, Swedish for tasty.

All SMAKRIK rapeseed oils are pressed mechanically and filtered without any use of chemicals. The leftover seeds are used as feed for livestock.

The range includes oils for frying or baking and cold-pressed oils in three flavours: thyme, wild garlic and dill. Rapeseed oils, when cold pressed, are rich in omega-3⁴⁰ and good fats,⁴¹ making this new range a healthy option.

See [pages 13-15](#) to read about how we're inspiring healthier living, and [watch the video](#) to learn more about SMAKRIK.

³⁹ Rapeseed oil is also known as canola oil.

⁴⁰ SMAKRIK contains 0.68 g omega 3 per 10 ml. An intake of 2 g of omega 3 per day contributes to maintenance of normal blood cholesterol levels.

⁴¹ SMAKRIK is high in unsaturated fatty acids. Replacing saturated fats with unsaturated fats in the diet contributes to the maintenance of normal blood cholesterol levels.

Animal welfare

We believe that efforts to improve animal welfare must prioritise good physical and mental health and enable the expression of natural behaviours. This is true at all stages of an animal's life and at all points in the supply chain – farm, transport, and slaughter. We continue to develop and implement animal welfare standards across the major species used within our supply chain.

Already, we do not allow practices such as cloning, force-feeding, live-plucking, or mulesing⁴² within our supply chain. We are also working on other areas and by 2025, we aim to phase out the following practices across all species:

- extreme confinement (stocking densities that compromise the behavioral or physical needs of the animal, or the cage and crate systems)
- routine physical alterations
- routine use of antibiotics
- use of growth promoters.

We engage with NGOs and work closely with suppliers, internal and external experts, and multi-stakeholder forums to improve practices in our own supply chain and beyond.

- We are a founding member of the Global Coalition for Animal Welfare (GCAW).
- We collaborate with the Food Animal Initiative (FAI).
- We consult with Compassion in World Farming and World Animal Protection.
- We are on the Advisory Group for the Responsible Wool Standard.

Beef, pork, chicken, eggs and dairy

We're developing and implementing the 'Better Programmes' for each of the major species in our food supply chains – beef cattle, broiler chickens (for meat), dairy cattle, laying hens, pigs, and salmon. The Better Programmes are species-specific and will be complemented

by more general animal welfare standards as part of our update to the supplier code of conduct, IWAY, see page 47. All animal welfare standards that we work with are guided by the Five Provisions and Welfare Aims⁴³ – principles on animal welfare with a focus on minimising negative emotional states and experiences and promoting positive ones.

In FY18, we published our Better Chicken Programme, including a roadmap and timelines. From FY19 we aim to announce roadmaps for Better Programmes for other species.

Franchisees sourced 89% of their whole, fresh or liquid eggs in FY18 from free-range or cage-free sources in line with our laying hen commitment – aiming for 100%. We are mapping egg ingredients with the aim to move entirely to cage-free or free-range.

Down and feathers

We use down and feathers to fill some comfort products, such as KORNVALLMO pillows and HÖNSBÄR duvets. We only use duck feathers as there is a much greater risk of live-plucking in goose feather supply chains. The duck feathers we source are from the duck food industry.

To ensure animal welfare and secure IWAY compliance throughout this critical supply chain, we updated our requirements for duck farms, transportation and slaughterhouses with social requirements across labour, safety and environmental protection. Between FY16 and FY18, we audited the entire supply chain to the farm level in China.

Leather

We source leather for our home furnishing products from just 11 tanneries. This helps to ensure traceability and high animal welfare standards, while minimising social and environmental risks. Since FY16, none of the leather we source has been produced using chrome, a toxic chemical sometimes used to soften leather.

We are a member of the Responsible Leather Initiative, a Textile Exchange Working Group,

that works with the food industry to address global issues in leather production and supply chains.

In FY18, we continued to focus on securing chain of custody verification routines and social, environmental and animal welfare standards.

Palm oil

In FY18, we used around 41,700 tonnes of palm oil – mostly in candles, and 8% in IKEA branded and non-IKEA branded food products. We are committed to responsible sourcing and are always looking for new and more sustainable materials.

Palm oil from Roundtable on Sustainable Palm Oil (RSPO) certified, segregated sources is classified as being more sustainable. We support the strengthening of the RSPO Principles and Criteria in relation to deforestation, development on peat and human rights. The majority – 99% in FY18 – of our palm oil comes from more sustainable sources. This includes 100% of the palm oil in IKEA candles, and 89% of the palm oil in food products. Securing the remainder from segregated sources is challenging, and requires a focus on the sourcing of food at the market level. Palm oil can be used as an ingredient in a large variety of food products, but often in very small quantities, making it difficult to map. We purchase certificates for this small percentage, which generate a premium for suppliers working to RSPO standards, even if the palm oil itself is not segregated.

We aim to ensure fully traceable supply chains for the palm oil in IKEA products. We are working with an external partner to test batches of candles, investigate the reliability of the chain of custody systems and verify traceability. And we are mapping our supply chains and completing on-the-ground human rights assessments in compliance with our sourcing guidelines.

During FY18, RSPO strengthened its criteria to reflect human rights challenges in palm oil

supply chains. We welcome this update, and RSPO's upcoming guidelines on improving conditions for smallholders, who are key to the sustainable production of palm oil. In FY19, we will support projects that focus on smallholder inclusion and human rights, in addition to our ongoing ambition to eliminate deforestation.

Conflict minerals

Conflict minerals are natural resources extracted in conflict zones. They are often sold to perpetuate armed fighting and finance rebel movements in some regions, in particular the Democratic Republic of the Congo and adjoining countries. The most commonly mined conflict minerals are tantalum, tin, tungsten and gold (the 3TG).

The 3TG minerals are mainly used in the production of electric and electronic goods and components, as well as in the production process of some other products. These minerals are indirectly sourced by the IKEA business in relatively small volumes and are present in electrical products and products that contain digital functions.

To reaffirm our commitment to ensure a conflict-free supply chain, in FY18 we joined the Responsible Minerals Initiative (RMI), an international organisation that supports companies to make informed decisions about responsibly sourced minerals in their supply chains. We have also set formal requirements and are working together with our direct suppliers to identify their main mineral sources, while setting actions for the future. The main objective is to develop a sustainable, transparent and conflict-free supply chain across our business and operations.

⁴² The removal of strips of wool-bearing skin from around the breech of a sheep to prevent flystrike.

⁴³ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5082305/>.



Fair & equal

Our commitments

**Providing and supporting
decent and meaningful work
across the value chain** **46**

**Being an inclusive
business** **51**

**Promoting
equality** **57**

With IKEA stores, suppliers and digital presence covering more than 50 markets, our value chain touches millions of lives. This is a huge responsibility. We want the IKEA business to be an inclusive place where everyone can expect the same fair treatment, whoever and wherever they are.

Our ambition is that, by 2030, IKEA will be a leader in creating a fair and equal society that benefits the many. We will do this by growing our business in an even more inclusive way, respecting and encouraging diversity and promoting decent and meaningful work across our value chain, enabling people to provide a good life for themselves and their families. Being inclusive is about engaging with others in the work they do and inviting them to participate in our work.

The IKEA People Strategy

The IKEA People Strategy defines clear points of view on who we are, how we want to do business and how we create a positive impact for people. Its focus is to develop competence, leadership, innovative ideas and working together – starting with IKEA co-workers and extending to our entire value chain.



Codes of conduct

- The **Inter IKEA Group Code of Conduct** communicates our expectations of all Inter IKEA Group entities and their co-workers.
- **IConduct** is our code of conduct for all IKEA franchisees, introduced in FY18. It describes our expectations of franchisees, with specific sections covering: people and society; planet; health, safety and security; business ethics; and information handling.
- **IWAY** is our long-standing supplier code of conduct. The IWAY programme communicates our minimum requirements on social, environmental and working conditions to IKEA suppliers.

Business ethics

Our values guide everything we do, including all of our business interactions. We are committed to being a meaningful and trusted brand, and we strive to be honest, respectful and fair. We share these expectations with all co-workers in our value chain, setting consistent standards through our codes of conduct (see below left) and the Inter IKEA Group Policy and Rule on Anti-Corruption.¹

All Inter IKEA Group co-workers take part in Code of Conduct training, which includes anti-corruption. Co-workers in the IKEA purchasing organisation within IKEA Range and Supply receive additional comprehensive business ethics training.

We promote a culture of openness and encourage co-workers to raise concerns with individuals and their managers if they think something is wrong. If they feel uncomfortable raising issues in person, co-workers can do so via the Inter IKEA Group Raising Concern Line, or via (anonymous) email direct to Inter IKEA Systems. In FY18, 34 concerns relating to breaches of the Inter IKEA Group Code of Conduct were reported to the Inter IKEA Group Raising Concern Line.

Inter IKEA Group takes a consistent approach to internal investigations through the Inter IKEA Group Rule of Investigation. In FY18, around 80 co-workers in the Inter IKEA Group human resources and risk functions received training to raise awareness and understanding of the rule. In FY19, further practical training will be provided for co-workers who carry out the investigations. IKEA franchisees are also expected to have dedicated routines in place to manage and resolve concerns.

1 The Inter IKEA Group Policy and Rule on Anti-Corruption applies to all Inter IKEA Group co-workers.



Our commitment

Providing and supporting decent and meaningful work across the value chain

By providing decent² and meaningful work, we can play our part in creating a fair and equal society, while contributing to a vibrant IKEA value chain where people feel respected, are motivated to do their best work, and able to provide a better everyday life for themselves.

Our workplaces should be safe and contribute to the healthy development of people. Our aspiration is that every IKEA co-worker and every worker at IKEA suppliers has access to decent employment with a fair income.

People are at the centre of the IKEA culture. We embrace the values of respect and togetherness in every part of our business and work to respect human rights through our everyday actions. This approach requires us to set clear and consistent expectations across the entire IKEA value chain. The Inter IKEA Group Code of Conduct and IConduct include sections on human rights. IWAY, the IKEA supplier code of conduct, includes a strong focus on labour standards for workers in the IKEA value chain. We work together with suppliers to develop and continuously improve the IWAY programme.

We also monitor the implementation of these codes of conduct and track emerging issues and risks to strengthen our human rights due diligence. Where needed, we take action to remedy any potentially negative impacts, and we work with others to influence positive change across the IKEA value chain and beyond.

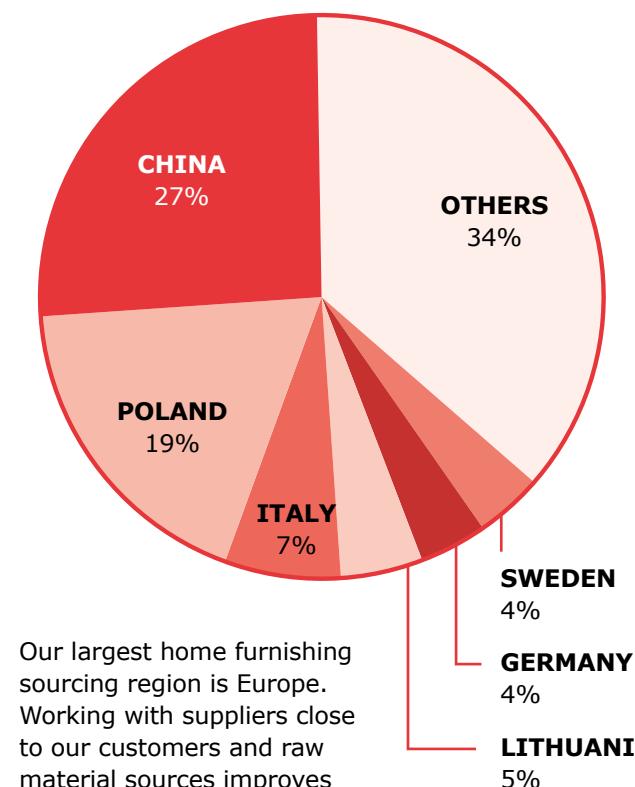
The IKEA business and our suppliers work in many diverse parts of the world, and we are sensitive to the social and cultural differences where we operate. Wherever a person lives, they should expect high standards of treatment when working in an IKEA company or at an IKEA supplier.

Securing good conditions in the IKEA supply chain

IKEA suppliers are an essential part of our business. They make and transport our products and components, provide the food for our restaurants and the IKEA catalogue for our customers, and deliver essential services at IKEA companies.

Millions of people work in the IKEA supply chain. Currently, Inter IKEA Group partners with around 1,600 direct suppliers – including 1,000 home furnishing suppliers – covering more than 50 markets, and IKEA franchisees work with many more. We try to understand the specific local contexts and challenges in each location, and take a consistent approach to securing good social, environmental

TOP HOME FURNISHING PURCHASING COUNTRIES (% OF TOTAL, FY18)³



Our largest home furnishing sourcing region is Europe. Working with suppliers close to our customers and raw material sources improves transport efficiency.



² The ILO (International Labour Organisation) definition of decent work: http://www.ilo.org/wcmsp5/groups/public/---dgreports/---exrel/documents/publication/wcms_172609.pdf.

³ Data numbers to nearest whole number.

Improving social conditions for drivers in the IKEA supply chain

In Europe alone, more than 11.4 million people work in transportation – accounting for around one in 20 jobs.⁴ Competition has increased in the industry and sub-contracting and complex cross-border chains are common.

Truck drivers who transport IKEA products are employed by independent service providers, who sometimes sub-contract transportation. Inter IKEA Group does not own trucks or directly employ drivers.

We are determined to ensure that the drivers transporting our products enjoy good and fair working conditions. Through our supplier code of conduct, IWAY, we put strict demands on our transport service providers with respect to wages, benefits and working conditions. We welcome clearer and stricter regulations across the EU, alongside improved monitoring and control. IConduct requires that IKEA franchisees provide appropriate facilities for service providers, with a particular focus on truck drivers.

In FY18, Inter IKEA Group Transport & Logistics Services:

- conducted almost 250 unannounced, voluntary and anonymous interviews to seek feedback on working conditions directly from drivers
- limited land transport sub-contracting to one tier,⁵ to achieve increased transparency and visibility and ensure compliance with our requirements
- rolled out a Sub-Contracting Chain Management Programme (SCCM) to embed sustainability deeper into the IKEA supply chain.
- organised a roundtable in Brussels to discuss key questions, thoughts and topics related to social conditions in the EU transportation industry – alongside stakeholders from other companies, the transportation industry, the EU political spectrum, transport unions and NGOs.

⁴ https://ec.europa.eu/transport/facts-fundings/infographics_en.

⁵ Sub-contractors to IKEA transport providers are not permitted to themselves sub-contract the work to another provider. The one-tier requirement (with the exception of extraordinary capacity constraints) is now part of our frame agreement with land transport service providers and will continuously be rolled out and implemented.



INTER IKEA GROUP SUPPLIERS⁶

SUPPLIER TYPE	NUMBER OF SUPPLIERS IN IWAY SCOPE	DESCRIPTION	% IWAY APPROVAL IN		
			FY16	FY17	FY18
Home furnishing suppliers	1,000	Make our home furnishing products.	97	98	98
Transport suppliers – land and ocean⁷	339	Transport our products to stores and distribution centres.	90 (land only)	97	98
Global food supply sites⁸	158	Provide the food and ingredients for the core range in IKEA Bistros, Restaurants and Swedish Food Markets.	63	87	96
IKEA Components	201	Provides components and materials to IKEA suppliers and sub-suppliers that are used in IKEA home furnishing products.	97	99	98
IKEA Industry	514 ⁹	Supplies solid wood, board on frame and board-based furniture to IKEA and companies in the IKEA supply chain.	38	60	64 ¹⁰
IKEA Catalogue sites¹¹	51	Provide the pulp, paper and print services for the printed IKEA catalogue. ¹²	80	63	80
Approval with IWAY Must requirements at critical home-furnishing sub-suppliers¹³			99	91	93

and working conditions. IWAY auditors and sustainability developers ensure that we have a local presence in our purchasing and logistic areas.

IWAY, the IKEA supplier code of conduct, is the foundation of our approach. It communicates our minimum requirements on social, environmental and working conditions, and is the basis for developing dialogue, shared values and expectations with IKEA suppliers.

Launched in 2000, IWAY is updated regularly to take account of emerging issues. Over the past 18 years, we have developed additional requirements for certain parts of the supply chain or to clarify our position on specific topics such as the prevention of child labour and support for young workers.

We believe in building long-term relationships with our suppliers and place a strong emphasis on supplier development. The average length of collaboration with our suppliers is 11 years. We work together with suppliers to improve their capacity to meet our requirements and, ultimately, to become more sustainable businesses.

Inter IKEA Group monitors compliance rates for each supplier category area. This provides a picture of how well suppliers meet IWAY requirements over time. The IWAY Training Programme supports efforts to continually improve IWAY-related competence, ensuring all IKEA co-workers involved in the IWAY process can effectively communicate with suppliers and support with IWAY implementation when needed.

We are re-evaluating IWAY to ensure it is up to date (see box right).

⁶ Includes Inter IKEA Group suppliers. Does not include suppliers to IKEA retailers.

⁷ No airplanes are used in our goods supply chain, unless in exceptional circumstances.

⁸ Refers to individual sites producing food for the IKEA core range, rather than supplier level as for other organisations.

⁹ Direct material suppliers. Excludes traders, distributors and IKEA Industry own units. All IKEA Industry own units are IWAY approved.

¹⁰ IKEA Industry is on target to achieve IWAY compliance for all suppliers by FY23, in line with the goal set in the IKEA Industry IWAY roadmap.

¹¹ Refers to individual sites, rather than supplier level as for other organisations.

¹² Does not include digital suppliers.

¹³ IWAY Musts are the requirements that IKEA suppliers must meet before a contract can be signed – critical home-furnishing sub-suppliers are audited against these requirements.

The next step in our IWAY journey

For nearly 20 years, IWAY has formed the foundation of our relationships with IKEA suppliers. But the world is changing. It is time to re-evaluate IWAY to meet the new realities of today and our big ambitions for tomorrow.

We want to continue to challenge ourselves and our suppliers to do better, focus our resources where they will make the most difference, and make IWAY more inclusive of our whole value chain – from suppliers to IKEA franchisees to sub-suppliers. In FY18, we started updating the IWAY Standard and System. The work is ongoing, and to help set our future direction we are:

- engaging with stakeholders inside and outside the IKEA value chain
- revising IWAY content, including – among others – new content on animal welfare and requirements on continual improvement
- redefining a risk-based approach to IWAY verification and audits, alongside new KPIs for IWAY process and performance
- establishing a new governance structure, strengthening our approach to business consequences for suppliers not meeting our requirements, and incentivising strong performance.

We are examining how IWAY can capture more holistic issues such as responsible wage practices, sustainable sourcing and biodiversity. Ultimately, we want IWAY to facilitate more than the meeting of basic requirements. We want it to enable suppliers to achieve continual improvements above and beyond the minimum, and to reward suppliers that achieve more for their businesses, their workers and the environment.

We plan to roll out our updated IWAY Standard and System in 2020, engaging with suppliers to all IKEA companies (including franchisees) and IKEA co-workers to communicate expectations.

Health, safety and wellbeing at work

Every IKEA company should provide a healthy and safe environment for our co-workers and customers.

We clarify our requirements on health, safety and security through the Inter IKEA Group Code of Conduct, IConduct and IWAY.

IKEA sustainability teams work closely with suppliers to develop health and safety systems and processes in our supply chain, focusing on worker health and safety, emergencies and fire prevention, and chemicals.

Health and safety at IKEA Industry

There is a higher risk of injury at IKEA Industry operations, due to machinery, heavy traffic and chemicals handling. IKEA Industry is committed to building an even stronger safety culture, securing that all co-workers and visitors to production sites stay safe and healthy. The sustained focus on incident reporting and best practice has resulted in reduced accidents in previous years.

In FY17 and FY18, the rate of lost time accidents¹⁴ at IKEA Industry increased. IKEA Industry sadly also reported two fatal accidents in FY18, for which it takes responsibility. Thorough investigations were carried out to examine how and why these tragic accidents happened, and subsequent actions have been taken.

IKEA Industry has set phased goals between now and 2025, covering machine and traffic safety, health at and outside work, safety culture, and fire safety. All managers will receive training in safety leadership to embed a strong safety culture. This began in FY18 and will continue during FY19.



Health and safety at IKEA retail operations

The health and safety of co-workers is key to the IKEA business and is monitored closely.

Accidents and incidents are occurring mainly in the logistics and food areas of the retail stores, and in the customer fulfilment distribution units. They are mostly occurring when using hand tools or in material handling in general, and the focus is always on trying to reduce the number of incidents. For FY18 health and safety data from franchisees, refer to the Annual Reports of individual franchisees.¹⁶ We are investigating how to include this data going forward.



¹⁴ Accidents requiring one or more days of absenteeism.

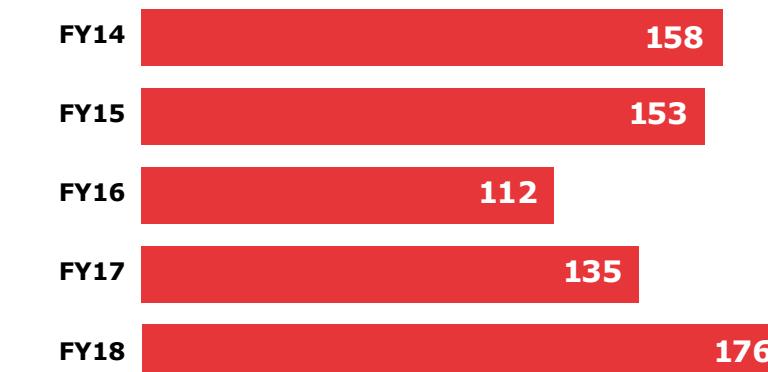
¹⁵ Unsafe conditions, unsafe acts and near misses, that could have led to an accident.

¹⁶ For data from the franchisee Ingka Group, see the Ingka Group Annual & Sustainability Summary Report.

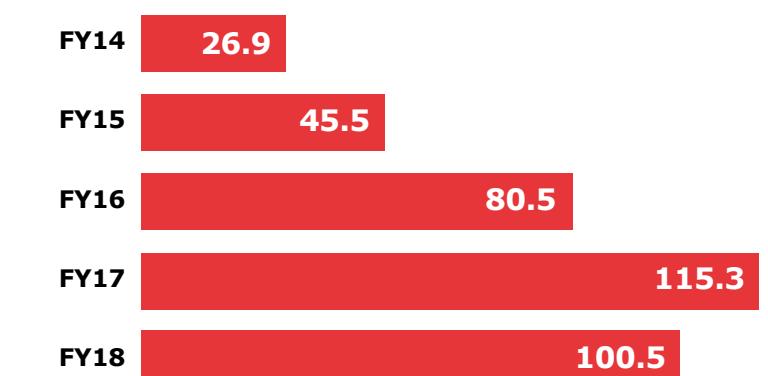
IKEA INDUSTRY LOST TIME ACCIDENT RATE (PER MILLION HOURS WORKED)

	FY16	FY17	FY18
IKEA Industry	3.3	3.9	4.9

IKEA INDUSTRY LOST TIME ACCIDENT¹⁴ (LTA) TREND



IKEA INDUSTRY REPORTED INCIDENTS¹⁵ TREND (THOUSANDS)



Talent development

IKEA co-workers are the foundation of our uniqueness and our success. Our values-based recruitment approach leads us to work with people who will enrich our culture, and who bring a curious and down-to-earth attitude to their everyday work.

The IKEA People Strategy guides our approach to learning and development. We offer exciting job journeys, structured learning opportunities and mentorship. Our online system – My Learning – provides all IKEA co-workers with access to common face-to-face and digital learning solutions.

In FY18, we launched the IKEA Job portal. This is a place where candidates can search for job opportunities, find inspiration and get new insights about IKEA. We are working to extend coverage to include all IKEA jobs – currently opportunities in Inter IKEA Group and several franchisees¹⁶ are listed.

The new Inter IKEA Group recruitment solution, SmartRecruiters, is used by all businesses and countries within Inter IKEA Group. Available on both desktop and mobile devices, it enables candidates and hiring teams to meet and collaborate via a range of different channels. Currently, around 67,650 candidates and 2,200 recruiters and hiring managers actively use the solution.

Stable employment

Work should be a place where people feel valued, whatever their circumstances or stage of life. We strive to offer stable and predictable employment conditions that enable co-workers to feel supported and able to make life plans with confidence. In times of change, our ambition is always to respect people and we strive to find good solutions.

Through relevant codes of conduct,¹⁷ we clearly communicate our expectations that IKEA co-workers and workers at IKEA suppliers are treated fairly and legally with respect to working hours, overtime and time off.

Across the IKEA value chain, the aim is to offer fair, decent and competitive employment packages, and tailored support or benefits for co-workers at different life stages. For example, the Southeast Asia IKEA franchisee, Ikano Group, has introduced one-month paid paternity leave to enable new dads to stay home during the first few weeks of fatherhood.

Responsible wage practices

We have formed an internal project group to develop an approach to responsible wage practices valid across our value chain, building on the work undertaken since FY16 with the Fair Wage Network.

IConduct and IWAY include requirements on wage practices. We are extending and enhancing these requirements to develop a comprehensive responsible wage practices framework applicable to the whole IKEA value chain.

We have established a governance approach, leadership group and project team. We plan to work with internal and external stakeholders on fair wage methodology and living wage definitions, as well as an external partner specialising in wage practices. Our vision is for everyone working in the IKEA value chain to access a fair income.

An engaged, empowered value chain

We want to ensure that everyone in our value chain has a voice and is engaged and empowered to play an active role in their workplace. We stand up for those working in our value chain who are not usually heard – including marginalised groups employed by companies working under the IKEA trademark, and migrant and homeworkers employed in our supply chain.

IKEA co-workers

IKEA companies work with those who face barriers to finding or maintaining employment, enabling them to develop essential skills and find work in the retail industry.

For example, the franchisee Ingka Group has skills for employment programmes, which focus on young people, people with disabilities, people over 50 years old, migrants,

refugees and women who have been out of the workplace. The goal is to have skills for employment programmes in all 30 Ingka Group countries by 2025, building partnerships in local communities to tackle unemployment, especially for people experiencing poverty and inequalities.

The skills for employment programmes,¹⁸ for example, give refugees the chance to gain work experience and develop their language skills – preparing them for future employment either as an IKEA co-worker or with another company, while enabling them to actively contribute to their new communities. Welcoming refugees is not charity. The programmes offer a chance to have a positive impact on individual lives and local communities, while also benefiting from more diverse skillsets within the business. In FY18, 11 countries ran refugee inclusion programmes, compared with eight in FY17.



¹⁶ Al-Futtaim, Al-Homaizi, Al-Sulaiman, Ingka Group, IKANO Retail and Miklatorg.

¹⁷ Inter IKEA Group Code of Conduct, IConduct and IWAY.

¹⁸ Programmes run by Ingka Group.

In FY18, the IKEA franchisee, Al-Homaizi Group, began the Jobs for Dignity programme, which provides access to work in IKEA Retail Morocco for people with mental or physical disabilities, while promoting inclusive behaviours within IKEA stores.

Responsible recruitment

In many countries, workers are bearing the burden of recruitment – for example, they may be required to hand over their passports for long periods or pay high fees or costs prior to starting a new job. Migrant workers, seeking new opportunities away from home, are particularly vulnerable.

We're committed to responsible recruitment, but we know we cannot tackle it alone. We are a founder member of the [Leadership Group for Responsible Recruitment](#) and we support the Employer Pays Principle, which states that no worker should pay for a job and that the costs of recruitment should be borne by the employer. The IKEA Guidelines on Responsible Recruitment communicate our expectations regarding recruitment practices for IKEA suppliers.

In FY18, we started to roll out the IKEA Guidelines on Responsible Recruitment, starting with internal training to raise awareness of their content. We also started work on:

- developing an internal way of working to make sure our overall approach and all activities relating to responsible recruitment and modern slavery risks are consistent across the IKEA business
- enhancing the requirements related to recruitment as part of a revision of our supplier code of conduct, IWAY
- finalising our research into the labour supply chains of IKEA home-furnishing suppliers, conducted in coordination with the [International Organization for Migration](#)
- identifying further opportunities to map



labour supply chains, so that we can learn even more about the risks associated with cross-border recruitment

- undertaking external engagement and advocacy work.

IKEA franchisees are making progress in this area. For example, in FY18, the Southeast Asia IKEA franchisee Ikano Group confirmed no supplier to IKEA Southeast Asia would hold foreign workers' passports, and completed work to ensure all security and cleaning service suppliers to IKEA Southeast Asia offer equal wages to local and migrant workers.

Homeworkers

The global natural fibre supply chain provides a livelihood for workers who earn money from weaving at home. While homeworking offers flexibility, it also risks poor working conditions and low incomes.

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

In FY18, we finalised the new IWAY Guidelines and Preconditions for both homebased workers and workers at weaving centres, which clarifies relevant expectations for our wood and fibres supply chain. The guidelines take account of internal and external stakeholder input, including workshops with suppliers in China, Indonesia and Vietnam.

Next, we will refine the guidelines further based on more testing and research, for example in Indonesia.



Weavers in the IKEA supply chain

One IKEA supplier in Vietnam works with around 4,500 weavers in 170 villages. The weavers work only for the supplier, are paid above the minimum wage, and are managed via a dedicated training and communication centre. All weavers must comply with the company's code of conduct on home weaving management, and receive benefits such as accident and medical insurance.

Each year, the company holds a home weaving village summit, attended by around 800 weavers (15% of its total homebased workforce) representing all of the local weaving villages. The meeting enables attendees to learn about their rights and benefits, while building stronger relationships between the supplier and the home-based workforce.

Our commitment

Being an inclusive business

Every person has the right to fair and equitable treatment. We believe in growing our business while providing opportunities for the many. Our culture is centred on the value of togetherness, and we strive to build a diverse, inclusive workplace where everyone feels comfortable being themselves.



Diversity and inclusion

Diversity should be celebrated. It helps us to understand our customers and each other, driving new ideas, innovation and entrepreneurship. Our co-workers and suppliers bring a range of backgrounds, experience, skills and thinking. We want all of them to feel welcomed and valued. Through our inclusive culture, we promote equal opportunities and togetherness.

The focus is on integrating diversity in all areas of work processes and business practices. In addition, the franchisee Ingka Group signed a number of commitments during FY18, for example:

- Stonewall, a non-profit organisation dedicated to improving the lives of LGBT+ people in workplaces all over the world (Lesbian, Gay, Bisexual, Transgender, plus people of all sexual orientations and gender identities)
- the Women's Empowerment Principles (WEPs)
- all 18 Ingka Group markets in the European Union signed national Diversity Charters, making a commitment to promote equal opportunities in the workplace and in society.

Gender equality

Gender equality should be a reality, not an aspiration. We actively pursue gender diversity within the IKEA business, including at the leadership level. We focus particularly on areas where we have traditionally had fewer female co-workers. For example, the IKEA Industry Female Potential programme supports and prepares female candidates to take management positions.

The Inter IKEA Group Management Board (consisting of two people) and the Supervisory Board had no female members in FY18. Within

the Inter IKEA Group function, currently 70% of all co-workers and 40% of leaders are women. The gender split for both co-workers and managers at IKEA Range & Supply remained fairly consistent in FY18. There was a decrease in the proportion of female co-workers at Inter IKEA Systems B.V., and an increase in the proportion of management positions held by women at IKEA Industry. Currently, 49.4% of Ingka Group leaders and 54% of Ingka Group co-workers are women.

We recognise we still have some way to go to achieve diversity and equality at all levels across all IKEA businesses.

CO-WORKER GENDER DIVERSITY IN FY18

BUSINESS	% WOMEN: ALL CO-WORKERS		% WOMEN: MANAGEMENT	
	FY17	FY18	FY17	FY18
Inter IKEA Group function	-	70	-	40
Inter IKEA Systems B.V.	56	52	50	50
IKΕΑ Range & Supply	50	51	45	45
IKΕΑ Industry	37	37	24	27
Retail operations¹⁹ (Franchisee Ingka Group only)	-	54	-	49.4

¹⁹ Data represents operations at franchisee Ingka Group, but does not include data from other franchisees. We hope to report this in the future.

Children's rights

We have a long-standing commitment to children's rights, based on our belief that children are the most important people in the world. We are committed to ensuring children's rights are integrated into everything we do. The Children's Rights and Business Principles and the UN Guiding Principles on Business and Human Rights are the foundation of our approach.

In FY18, led by Children's IKEA – the product development department for our children's range – we worked to develop a deeper understanding of the many ways our business impacts children. In partnership with Save the Children Centre for Child Rights and Business, we engaged people across the IKEA value chain and reviewed key documents from a child rights perspective. Interviews and workshops with stakeholders provided further insight.

In FY19, we will use the recommendations from this work to help integrate children's rights across every part of our business.

All co-workers and suppliers involved in developing IKEA products for children must attend Children's School training, which ensures safety, quality and the needs of the child stay at the heart of the product development process. In FY18, around 2,000 people attended Children's School.

Encouraging play

Play is a critical part of every child's development. It contributes directly to health and wellbeing, cognitive development, self-esteem and skills building. And it is fun! But around the world, children are spending less and less time playing, and the nature of play itself is changing. Today, 61% of children say they don't know how to play without using technology.²⁰

²⁰ From the 'Play in Balance' report commissioned by Persil, as part of the Dirt is Good campaign. The report polled 12,000 parents worldwide.

²¹ A global campaign delivered by all IKEA franchisees.

Involving children in our product development

We want children to know IKEA stands for their rights, and this means actively involving and listening to children all over the world. In FY18, Children's IKEA led a number of activities to engage with and learn from children:



Kids Lab

Small groups of children are invited to attend workshops with or without their parents, to provide insights on a specific challenge or topic. This lets us hear directly from children about how they live at home, so we can develop products based on their real-life needs, not our adult perspectives. Following pilots in Finland and China in FY17, we held Labs in Sweden during FY18. And in FY19, we plan to host even more.

Kids Panel

This closed forum digital panel seeks input from advisors aged 8-14 from around the world. The children and their parents respond to questions sent to them every two weeks by an experienced research company, which provide a unique perspective to the work of Children's IKEA. Kids Panel provides immediate access to children's views, so that we can take account of their feedback during the

development process rather than waiting to test finished products, and ultimately better meet their needs.

Kids designing for kids

Each year, as part of the Let's Play for Change campaign,²¹ Children's IKEA invites children from around the world to draw the soft toy of their dreams, turning the five most unique creations into a limited edition collection – SAGOSKATT. Find out more about the [FY18 SAGOSKATT range](#).

In FY18, Children's IKEA developed a Guide for Child Participation and Safeguarding of Children, to ensure every interaction with children is responsible and ethical. All Children's IKEA co-workers attend training ahead of any engagement with children, and we are planning to scale this approach to the wider IKEA business.



Stakeholder challenge:

*Malin Dahlberg Markstedt and Sara Persson,
Save the Children Sweden*

The IKEA business has a long history of standing up for children and their rights across our value chain. For example, we work to prevent child labour, support young workers to access decent work, and develop safe products that support children's development. We know that our business touches the lives of children – both directly and indirectly – and we are ready to take the next step to strengthen children's rights.

We asked Malin Dahlberg Markstedt, Manager, Child Rights & Business Department and Sara Persson, Thematic Advisor Child Rights and Business at Save the Children about the key child rights issues that companies need to consider in the future, and what it takes to be a business with a positive impact on the lives of children.

"A third of the world's population are children. Integrating their rights into every decision is the ultimate way to become a sustainable business – ensuring wiser decisions and contributing to long-term business success."

IKEA has worked to strengthen children's rights for many years. But today the world is changing, bringing new challenges. IKEA must stay ahead. For example, with your renewed focus on becoming a digital business, you must consider the risks associated with children in the digital space and the role you can play in protecting them.

Many companies share the same challenges, such as upholding decent working conditions for employees at every stage of the value chain, including their own operations. You must assess:

- *Can your employees, and those of your suppliers, be present parents and caregivers as well as successful employees?*
- *How do the working conditions and wages of parents and caregivers impact children?*
- *What risks are there to children and young people further down your supply chain, in the second and third tiers?*
- *What can we do to mitigate these risks – supporting better conditions for families throughout the value chain?*

Lastly, business must reinforce community and government efforts to protect and fulfil children's rights wherever they operate. Considering your global presence and position, we strongly encourage IKEA to take an even more active role in advocating for the rights of children."



MALIN DAHLBERG MARKSTEDT

Manager, Child Rights & Business Department, Save the Children Sweden



SARA PERSSON

Thematic Advisor Child Rights and Business, Save the Children Sweden

Every child needs space and support to grow, learn and develop to their full potential. Through the Let's Play for Change campaign,²² IKEA aims to enable more children to benefit from play.

In FY18 the IKEA business²³ – together with the LEGO Foundation, Unilever and National Geographic – created The Real Play Coalition, with the following aims:

- Raise awareness of the importance of play.
- Create a plan to increase play opportunities in schools and cities.
- Examine the impact of play on cognitive development and socioeconomic status.

The coalition plans to invite more organisations, NGOs, political, corporate and academic leaders to create a movement in society around play.

The coalition will continue to advocate the importance of play and support research on the value of play. In FY18, Children's IKEA began a further collaboration with LEGO to enable more play in the home. Watch the launch [here](#).

²² A partnership between Children's IKEA, Range & Supply, Inter IKEA Group, the franchisee Ingka Group and The IKEA Foundation.

²³ Through the IKEA franchisee, Ingka Group.

Opportunities for younger and older people

An age-smart organisation

Young people are finding it harder to access meaningful and stable work.²⁴ And older people can find it challenging to change jobs or re-enter employment due to prejudice, limited reskilling or a lack of support for their stage in life.

We recognise the value younger and older people can bring to our business. We want to be a truly age-smart brand, where different generations are welcomed equally, treated fairly, and enabled to develop to their full potential.

Many young people enter the job market as a co-worker at an IKEA store, and the Student Development Academy at IKEA Industry Lubawa (below) enables young people to develop essential knowledge and skills with the potential to become IKEA Industry co-workers. Classes cover a range of technical and soft skills, as well as IKEA history, values and safety culture.



Preventing child labour and supporting young workers in our supply chain

Children should never be engaged in work that deprives them of their right simply to be a child. This includes any work that is potentially dangerous, interferes with a child's education or development, or is offered to children below the legal working age in a particular country.

We promptly investigate and follow up on any suspected cases of child labour within the IKEA supply chain. Our investigations always focus on the best interest and safety of the child, taking account of specific circumstances such as whether the child has access to education. In FY18, there were no suspected cases of child labour at IKEA first tier suppliers.

The IKEA Way on Preventing Child Labour and Supporting Young Workers – part of our supplier code of conduct, IWAY – communicates our position on child labour and clarifies our position on young workers. We believe young people under the age of 18 who are legally able to work should have access to decent and appropriate jobs that enhance their development in a safe and secure environment. Read more about IWAY on page 46.

²⁴ UN: Global youth unemployment rate was at 13.1 per cent in 2016 <http://www.un.org/youthenvoy/2016/08/global-youth-unemployment-rise/>

²⁵ Internationally, this is 15 years in most countries, and 16 years in some countries such as China.

²⁶ An affiliate of Save the Children.

²⁷ Workers under 18 years of age, but above the legal minimum working age.

Inclusion of young workers in the IKEA supply chain



In many parts of the world, children under the age of 18 but above the legal working age²⁵ lack access to further education, and may seek work to help provide vital income for themselves and their families. These young workers can be at risk of working in hazardous conditions, due to lack of access to decent job opportunities.

In Southeast Asia, only a quarter of people aged 15-24 can find formal employment, which would offer them job stability and wages 45% higher than informal work. Many factories avoid hiring workers under the age of 18 due to worries about unintentionally engaging in child labour, and those that do often have trouble keeping their younger workforce.

In partnership with the Centre for Child Rights and Corporate Social Responsibility,²⁶ IKEA Purchasing & Logistics South East Asia is working with suppliers to change this. The aim is to empower 50-100 young workers²⁷ to develop the life skills, work skills and knowledge, and to access long-term work at one of five supplier factories. The factories

are supported to continue running the programme into the future, while the workers are provided with mentors to boost learning and increase retention.

At the start of the programme, only one of the five factories involved was hiring young workers. At the end of the first year, 88 young workers had been hired across the five participating factories, with 68 intending to stay in their jobs for 1-2 years.

For example, a 17 year old school drop-out from Vietnam got a second chance at education and skills building. Watch more [here](#).

We are compiling data on the outcomes and will use this to explore scaling up the programme.

Social entrepreneurship initiative

Social entrepreneurs are often innovative leaders, challenging the social and economic forces that allow inequality and exclusion to exist.

We invest in existing social enterprises, businesses and entrepreneurs who are already successful but are ready to deliver impact on a bigger scale, and those who facilitate the creation of jobs. Our belief is that social entrepreneurs can better contribute inside, and outside, the IKEA value chain and have a bigger impact on the people who need it the most.

Through our social entrepreneurship initiative, we partner with enterprises that employ women or other marginalised groups for whom access to work may otherwise be a challenge.

We work with social entrepreneurs on two levels:

■ International partnerships. Centrally sourced limited-edition collections and products available to IKEA customers in several countries, in the craft and food value chains.

■ Local partnerships. Limited-edition collections of upcycled IKEA textile waste sourced and supplied within specific IKEA countries or stores, store-based sewing and upcycling services, or supply of local food.

All local partnerships are audited for IWAY Must requirements and all international partners are IWAY approved – read more about IWAY on page 46.

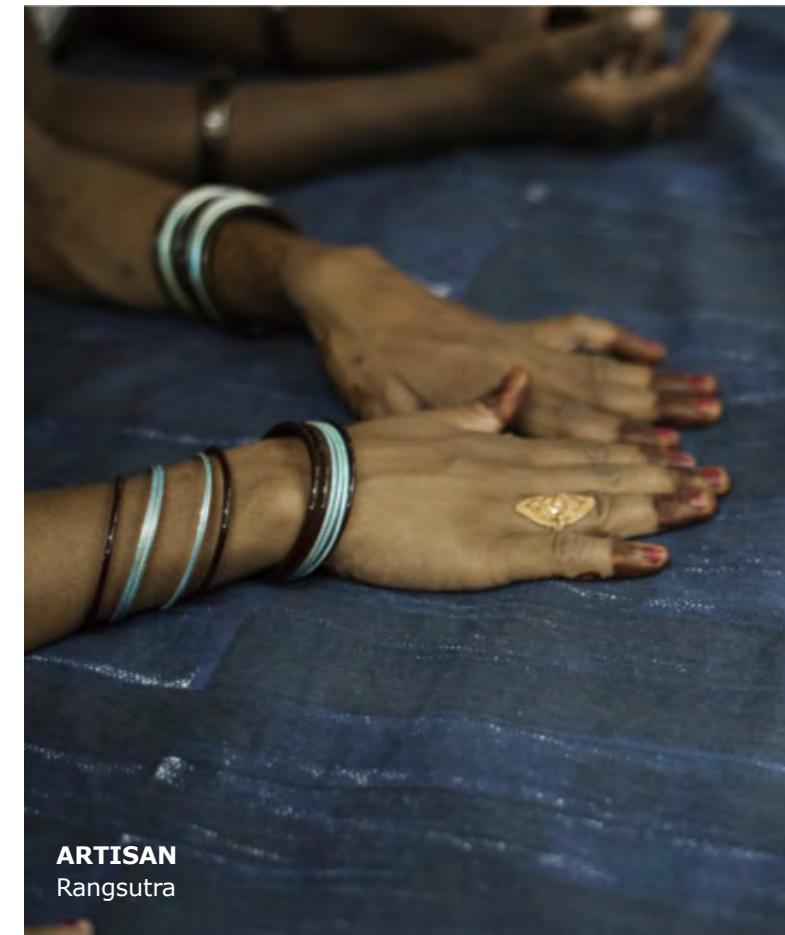
The partnerships are based on business principles. The enterprises grow while enhancing their ability to export products through increased knowledge of quality and supply chain principles. Their employees receive regular, stable income to build better lives for themselves and their families. We can offer a more diverse range of handcrafted products and services, with strong stories of economic empowerment that appeal to our customers. We have started measuring social impact for some partnerships.

Several of these partnerships also contribute to our ambition to become a circular business by repurposing used materials and products. Read more about our ambition to become a circular business on [page 22](#).

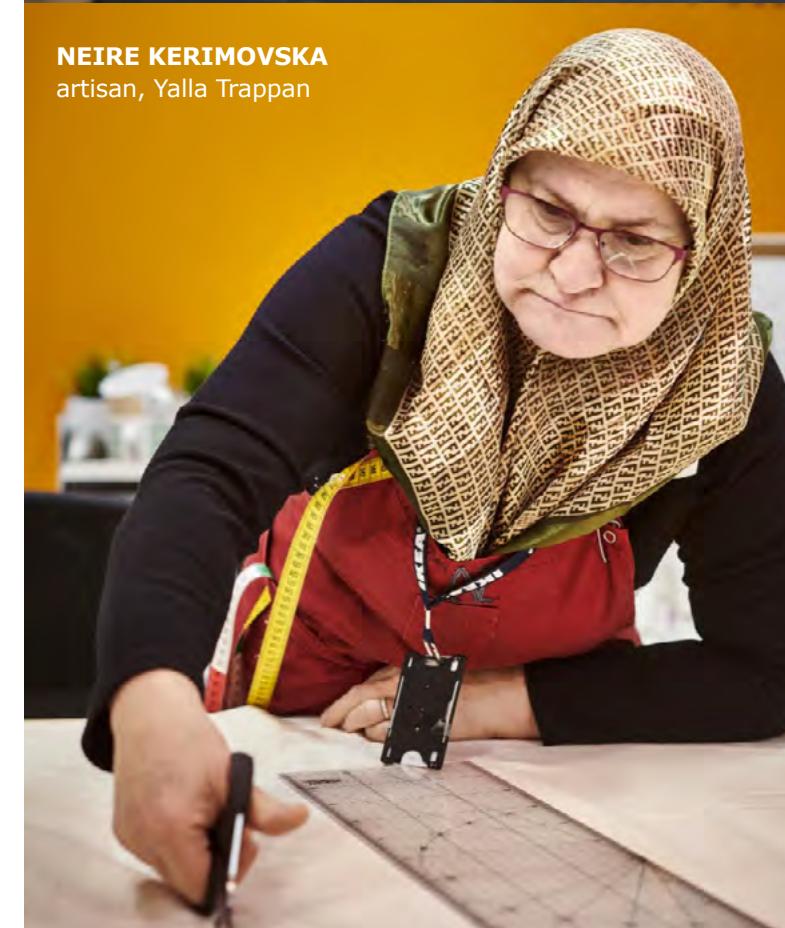
In FY18, we expanded our global and local partnerships with social enterprises:

- We confirmed that one of our international partnerships – Rangsutra in India – will supply textile products to the global IKEA range. They are the first of our partners to make the transition from limited collections to global supply.
- We launched three international limited-edition collections, reaching 180 stores in 25 countries. Our single-origin White Nile coffee is available globally from February 2019. There are now 12,960 farmers contributing to the production of PÅTÅR White Nile coffee. In 2017, when IKEA started the engagement, about 8,000 farmers participated in the project.
- The TILLTALANDE collection, in partnership with the Jordan River Foundation, launched in two stores: Amman, Jordan and Brooklyn, USA. The partnership has so far created jobs for around 150 women,²⁸ enabling local Jordanians and refugees from Syria to work side by side. In FY19, the collection will be made available in additional stores in Europe and the Middle East. Watch more [here](#).

We have received interest in our model from other organisations and companies, and will continue to look for new enterprises to work with to extend the reach of the programme.



ARTISAN
Rangsutra



NEIRE KERIMOVSKA
artisan, Yalla Trappan



COFFEE BEANS
for our single origin
White Nile coffee

In FY18, we created IKEA Social Entrepreneurship B.V. With a focus on livelihoods, equality and inclusion, this new entity aims to grow and support the global social entrepreneurship movement by:

- providing financial support through grants, loans and impact investments
- enabling and sharing skills training and knowledge support through accelerator programmes and co-worker engagement
- facilitating scale-up and marketplace access by working worldwide with social enterprises both outside and closely connected to the IKEA value chain
- developing a framework to monitor social and business impact across all social enterprise partnerships, using learning from our pilot social impact assessments of existing partnerships.

IKEA Social Entrepreneurship B.V. spans the space between philanthropy and business, with the aim of reaching vulnerable and marginalised people, both inside and outside the IKEA value chain.

We are defining the first steps, piloting early partnerships, and recruiting our core team to lead this new initiative. We will report on progress in future years.

Our local communities

Each IKEA company is part of many unique communities. We work to understand the needs and challenges of each of our local communities, so we can have a positive impact.

IConduct includes requirements for IKEA franchisees to motivate and empower co-workers to actively participate in community engagement activities, and to set and measure social impact objectives.

For example, the Southeast Asia IKEA franchisee Ikano Group has committed EUR 5 million to support the innovative Mechai Bamboo School in Thailand. Co-workers raised

additional funds via sponsored activities during their FY18 Health Week. The Mechai Viravaidya Foundation turns schools into lifelong learning centres that act as a community hub for social and economic advancement. Students take classes in maths, reading and agri-business, alongside learning essential life and leadership skills.

Other community engagement activities at IKEA franchisees in FY18 included the following:

- Co-workers at IKEA Retail Jordan²⁹ shared the Ramadan Iftar meal in store with children aged 4-15 from two local orphanages.
- As part of the Let's Play for Change campaign, IKEA Retail Kuwait²⁹ hosted a series of breakfasts for children with autism or mental disabilities.
- During Ramadan, IKEA Retail Morocco²⁹ delivered 2,745 baskets to vulnerable families in rural areas and distributed 110 meals per day to people living in the Casablanca streets.

The IKEA Industry Community Involvement Manual sets out a standardised approach to community engagement for IKEA Industry units. In FY18, 15% of IKEA Industry co-workers participated in 208 community engagement activities. For example, IKEA Industry Danville, USA, provided furnishings for a community centre in a low-income neighbourhood. IKEA Industry Malacky, Slovakia, celebrated Earth Day by teaching children from four local schools about water and waste management.



²⁹ Operated by franchisee Al-Homaizi Group.

Our commitment

Promoting equality

Being a leader in creating a fair and equal society requires us to actively engage with others, have difficult conversations where needed, understand our own impacts, and share and celebrate our achievements. We stand up for our ambitions, values and beliefs, and we are an advocate for change. We look for opportunities to work with others and create partnerships that contribute to global progress.

Examples of advocacy and engagement activities to promote equality in FY18 appear throughout this report. Here, we share some other prominent examples of our efforts to contribute to a fairer, more equal society through dialogue and collaboration.



Responsible recruitment

As a founding member of the [Leadership Group for Responsible Recruitment](#) (LGRR), we recognise that systemic, long-term change in global practices requires open dialogue with governments, suppliers and recruitment agencies. Recruitment processes are complex, often spanning multiple borders and involving many parties. Unless there is pressure to change from all directions, there is a risk that unacceptable practices continue to go unnoticed or unchecked.

We are committed to speaking up on the issues of unethical recruitment, migrant workers and modern slavery. In FY18, we attended and spoke at several events along with other members of the LGRR, including:

- **Government and Business Dialogues for Collective Action on Driving Responsible Recruitment (Bangkok and Kuala Lumpur):** unique opportunities for government representatives, NGOs and multinational companies to engage in constructive dialogue on the Employer Pays Principle.
- **Roundtable events (Bangkok and Kuala Lumpur):** bringing companies, suppliers and recruitment agencies together to discuss possibilities and challenges.

The discussions were productive, and we are looking to engage in similar events in the future.

Social entrepreneurs

As our work with social entrepreneurs has grown, other companies and organisations have expressed an interest. In FY18, we:

- shared our approach with a global clothing company
- discussed the potential for training programmes with two international NGOs
- held early-stage discussions about repurposing ocean plastic and repurposing textile waste from other companies.

Gender equality

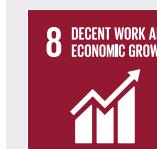
In FY18, addressing gender equality and making the workplace better for people of all genders has been a priority for the franchisee Ingka Group – particularly for the IKEA South East Europe (SEE) region. To put focus on how companies can work together to better contribute to promoting gender equality in society, IKEA SEE organised three multi-stakeholder conferences in three capital cities, launched a communication campaign and promoted messages on equality in IKEA stores for International Women's Day.

SDG Index

The United Nations Sustainable Development Goals (SDGs) provide an inspiring framework for collective action to tackle global issues such as poverty, gender equality and climate change. We use them as a guide as we develop our business, set new ambitions and engage

with our partners. And we recognise that we have an important role to play in contributing to achieving the SDGs, using the global influence of the IKEA Brand and value chain.

Find out more about our contribution to each of the goals in the table below.

SUSTAINABLE DEVELOPMENT GOAL	HOW IKEA CONTRIBUTES	SUSTAINABLE DEVELOPMENT GOAL	HOW IKEA CONTRIBUTES
 1 NO POVERTY	End poverty in all its forms everywhere Providing and supporting decent and meaningful work across the IKEA value chain, pages 46-50 . Working with social entrepreneurs to promote and enable social change, pages 55-56 .	 6 CLEAN WATER AND SANITATION	Ensure availability and sustainable management of water and sanitation for all Supporting IKEA suppliers to improve water management and water treatment practices, page 41 . Reducing the amount of water used across the IKEA value chain, page 41 . Working with WWF to develop a broader collaborative approach on water stewardship, page 41 . Sharing technologies and co-operating with local governments, NGOs and water utilities to support local water-cycles and biodiversity, page 41 . Advocating better water stewardship beyond the IKEA value chain, page 41 .
 2 ZERO HUNGER	End hunger, achieve food security and improved nutrition and promote sustainable agriculture Offering healthier and more sustainable food options, page 15 . Minimising food waste in IKEA Restaurants, Bistros and Cafés, page 25 . Providing products and solutions that enable customers to cut food waste, pages 13-14 .	 7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, sustainable and modern energy for all Investing in renewable energy through new installations, and striving for 100% renewable energy across the IKEA value chain, pages 32-34 . Improving energy efficiency in Inter IKEA operations, pages 32-33 . Promoting renewable energy beyond the IKEA value chain and supporting IKEA suppliers to install and purchase renewable energy, page 34 . Offering products and services to enable the many people to generate renewable energy at home, such as the Home Solar offer, page 14 .
 3 GOOD HEALTH AND WELL-BEING	Ensure healthy lives and promote well-being for all at all ages Advocating and enabling healthy and sustainable living, pages 19-20 . Creating a safe and healthy workplace for co-workers, and supporting our suppliers to do the same, page 48 . Supporting children's right to play, see pages 52-53 .	 8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all Providing and supporting decent and meaningful work across the IKEA value chain, including 208,000 co-workers working under the IKEA Brand, pages 46-50 . Improving environmental and social standards in the supply chain through IWAY, the IKEA supplier code of conduct, pages 46-47 . Developing a comprehensive approach to responsible wage practices, page 49 . Extending our commitment to responsible recruitment, page 50 . Supporting good working conditions for homeworkers in our supply chain, page 50 . Building and promoting a diverse, inclusive workplace, pages 51-57 . Partnering with social enterprises that employ artisans – mostly women who live in rural areas – and empowering them to develop sustainable incomes, pages 55-56 .
 4 QUALITY EDUCATION	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all Building and promoting a diverse, inclusive workplace, pages 51-57 . Supporting children's right to play, see pages 52-53 . Providing work opportunities for younger and older people, and supporting our suppliers to do the same, page 54 . Taking a values-based recruitment approach and offering ongoing learning and development opportunities to co-workers, pages 49-50 .		
 5 GENDER EQUALITY	Achieve gender equality and empower all women and girls Building and promoting a diverse, inclusive workplace, pages 51-57 . Partnering with social enterprises that employ artisans – mostly women who live in rural areas – and empowering them to develop sustainable incomes, pages 55-56 .		

SUSTAINABLE DEVELOPMENT GOAL	HOW IKEA CONTRIBUTES	SUSTAINABLE DEVELOPMENT GOAL	HOW IKEA CONTRIBUTES
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	<p>Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation</p> <p>Working with IKEA suppliers to improve resource and energy efficiency, page 34.</p> <p>Advocating policy change to enable a low-carbon society, page 20.</p> <p>Co-creating solutions for a sustainable future, for example partnering with entrepreneurs who share the IKEA vision, see page 18.</p>	13 CLIMATE ACTION 	<p>Take urgent action to combat climate change and its impacts</p> <p>Creating products and solutions to enable customers reduce their climate impact and to live a more sustainable life at home, pages 13-15.</p> <p>Offering products and services to enable the many people to generate renewable energy at home, such as the Home Solar offer, page 14.</p> <p>Working to become climate positive by reducing more GHG emissions than are emitted across the IKEA value chain while growing the IKEA business, pages 27-36.</p>
10 REDUCED INEQUALITIES 	<p>Reduce inequality within and among countries</p> <p>Respecting human rights, including supporting specific groups in our extended supply chain, such as migrant workers, homeworkers and social entrepreneurs, pages 51-56.</p> <p>Developing a comprehensive approach to responsible wage practices, page 49.</p> <p>Integrating children's rights across the IKEA value chain, pages 52-53.</p>	14 LIFE BELOW WATER 	<p>Conserve and sustainably use the oceans, seas and marine resources for sustainable development</p> <p>Sourcing the fish and seafood for IKEA Bistros, Restaurants and Swedish Food Markets responsibly, from ASC or MSC sources, page 42.</p> <p>Phasing out single-use plastic products and working to divert plastic from oceans and waterways, pages 23 and 41.</p>
11 SUSTAINABLE CITIES AND COMMUNITIES 	<p>Make cities and human settlements inclusive, safe, resilient and sustainable</p> <p>Reducing waste and becoming circular, page 25.</p> <p>Developing products and solutions to enable and inspire people to live a more sustainable life at home, pages 13-15.</p> <p>Reducing air pollutants in the communities around IKEA operations, page 34.</p> <p>Designing our products with safety as a priority, page 15.</p>	15 LIFE ON LAND 	<p>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss</p> <p>Sourcing key raw materials, like cotton and wood, from more sustainable sources including working in partnership with WWF, pages 37-40.</p> <p>Becoming forest positive, for example by promoting sustainable forest management to eliminate forest degradation and deforestation, pages 37-39.</p> <p>Using only FSC certified paper to produce the IKEA catalogue – the world's largest print run ever to be produced using 100% FSC certified paper, page 24.</p>
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	<p>Ensure sustainable consumption and production patterns</p> <p>Creating products and solutions that enable sustainable living, and inspiring co-workers and customers to live more sustainable lives at home, pages 13-15.</p> <p>Transforming into a circular business, supporting the transition to a circular economy, page 22.</p> <p>Providing services for customers to recycle products or give them a second life, page 17.</p> <p>Using renewable, recycled and recyclable materials in IKEA products, pages 22-24.</p> <p>Collaborating to increase the global availability of renewable, recyclable and recycled materials, page 38.</p>	16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	<p>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p> <p>Committing to becoming a leader in creating a fair and equal society that benefits the many, page 44.</p> <p>Ensuring an ethical approach to the way business is done, pages 51-56.</p>
		17 PARTNERSHIPS FOR THE GOALS 	<p>Strengthen the means of implementation and revitalise the global partnership for sustainable development</p> <p>Advocating positive change in society around healthy and sustainable living, see pages 19-20.</p> <p>Advocating a fairer, more equal society, page 57.</p>