

IKEA Group Sustainability Report

FY13



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Discover how IKEA Foundation works with global charitable partners to create substantial and lasting change for millions of children and their families.



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Introduction

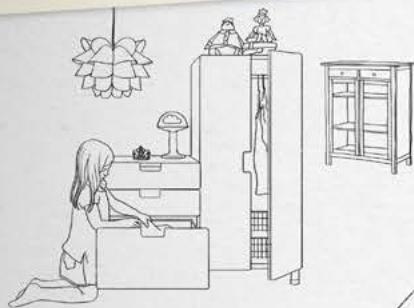
At IKEA, sustainability is a part of our roots. Our company comes from the farmlands of Sweden where thin soil and harsh conditions meant people had to be innovative and strong-willed to make the most of limited resources. We've grown a lot since our humble beginning in 1943, but our values haven't changed. In this report you'll read about how we're building on many years of working with social and environmental issues to ensure we have a positive impact on people and the planet.



About the IKEA Group

The IKEA Group has operations in 43 countries

We have a total of 303 stores in 26 countries¹; 28 Trading Service Offices in 24 countries; 32 Distribution Centres and 11 Customer Distribution Centres in 16 countries; 44 IKEA Industry production units in 11 countries.



9,500 products

The IKEA range consists of approximately 9,500 products. Every year we launch about 2,000 new products. We have 12 in-house designers and 60-70 external designers via contracts.

€27.9 billion

Total sales FY13

Total sales increased by 3.1% to €27.9 billion (+3.6% adjusted for currency impact).

FY03	FY12	FY13
11.4	27.0	27.9

Billions of Euros

2/3

More than 2/3 of our cotton is from more sustainable sources, including Better Cotton.

32%

FSC certified wood
32% of our wood is from more sustainable sources (Forest Stewardship Council certified and recycled).

22.4 million

LED products
In FY13 we sold 22.4 million LED products.

135,000

Total co-workers²

Retail: 101,500
Purchasing, distribution, wholesale, range and other: 15,100
Industry group: 18,400

FY03	FY12	FY13
76,000	139,000	135,000

Total IKEA Group co-workers



303

IKEA Group stores

In FY13, the IKEA Group opened 5 new stores in 4 countries. As of August 31, 2013, the IKEA Group had a total of 303 stores in 26 countries¹.

FY03	FY12	FY13
165	298	303

Number of IKEA Group stores

Co-workers per region

Europe: 95,000
North America: 18,000
Asia and Australia: 11,000
Russia: 11,000

²New way of calculating co-workers
The IKEA Group has adopted a new way of calculating the number of co-workers. Previously published numbers for FY12 and FY13 contained temporary and seasonal positions.

→ 47% of all managers are women.

684 million

Store visits

In FY13, the IKEA Group stores had 684 million visits.

FY03	FY12	FY13
309	690	684

IKEA Group store visits in millions



²At the end of FY13, there was a total of 345 IKEA stores in 42 countries operated under franchise agreements with Inter IKEA Systems B.V. Of these, 42 stores were operated by franchisees outside the IKEA Group.

€1.4 billion

IKEA Food turnover

IKEA Food is comprised of the IKEA Restaurant, IKEA Bistro, IKEA Swedish Food Market and the IKEA co-worker restaurant.

€101 million

IKEA Foundation

The IKEA Foundation donated €101 million in 2013 and over 100 million children will benefit from current IKEA Foundation-funded programmes by FY15.

IKEA Industry

IKEA Industry manufactures wood-based furniture and boards. It's a part of the IKEA Group and its role is to develop and manage production capacities. In total, IKEA Industry has 18,400 co-workers in 44 production units located at 36 sites in 11 countries.



212 million

Printed catalogues

212 million copies of the IKEA catalogue were printed in 29 languages and 62 editions. Of the paper used in the IKEA catalogue, 68% was Forest Stewardship Council (FSC) certified. The IKEA catalogue app was downloaded 9.7 million times.



*Includes IKEA Industry production which accounts for 12% of the total purchase value.

1,046

Suppliers*

In FY13, the IKEA Group had 1,046 home furnishing suppliers in 52 countries.



1.3 billion

Visits to IKEA.com

IKEA.com had 1.3 billion visits during FY13, up 23.1% (from 1.1 billion in FY12).

FY03	FY12	FY13
0.76	1.1	1.3

IKEA.com visits in billions

550,000

Solar panels

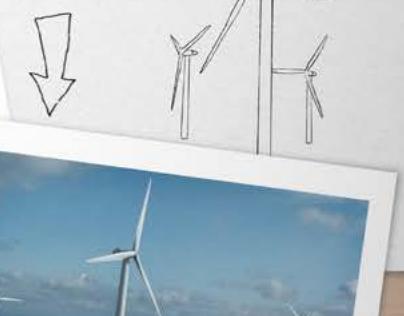
550,000 solar panels are now installed on IKEA buildings worldwide.



137

Wind turbines

In our efforts to become resource and energy independent we have committed to own and operate 137 wind turbines (and in FY13 we had 96 in operation).





A message from Peter

Committed to sustainable business

How does the world tackle the expected shortages of resources and the impacts of climate change while providing people with a good quality of life? These are among the biggest challenges of this century.

Everyone, including IKEA, has a part to play in finding solutions. With our vision of creating "a better everyday life for the many people" I know there is no other way of doing business than in a sustainable way.

We have a long-term approach and strategy that guides us into the future as well as to action here and now. It's about asking ourselves, what we can do with this product right now to make it more sustainable. It's about many small steps that combine to make a big difference.

That's why I am committed to our People & Planet Positive strategy. It fits perfectly with our vision and I am convinced it's good for our customers, our suppliers, the planet and IKEA.

Companies like ours can play an important role as we move towards a more sustainable society. Just imagine, with 684 million visitors to our stores every year, what a fantastic opportunity we have to provide solutions for life at home that are good for the environment and save money too. And, the unique way we work across the value chain — designing, manufacturing, transporting and selling large volumes — means we can have a positive influence at every stage, often all the way from raw materials to final product.

The task is big, but the challenges we face are energising, as they relate to our vision and strong commitment to develop products that fit with our idea of democratic design. By this we mean everything we sell must meet five conditions: good design, functionality, the right quality, built-in sus-

tainability, and affordability. We, and society, will never succeed if sustainability becomes a luxury only affordable to the few.

We've decided to become resource and energy independent and during last year we substantially increased our investments in wind and solar energy. We also moved a step closer to our 2015 goal for all main home furnishing materials to be made from renewable, recyclable or recycled materials.

We want to contribute to a better life for people and communities. So, we continue to strengthen the work we're doing with IWAY, our supplier code of conduct. We're not perfect and our systems need constant improvement, but it is absolutely clear IWAY has made a very big difference. Through the IKEA Foundation, we focus on helping to create a better life for children in many parts of the world and by 2015 over 100 million children will benefit from current IKEA Foundation-funded programmes.

A better everyday life for the many people is what all IKEA co-workers work for every day. The IKEA values are our common base and the engagement and enthusiasm I've seen when recently visiting colleagues in China, Russia, Poland, Austria and other countries is a great inspiration!

We have a long way to go and many challenges we face are much bigger than IKEA, which is why we partner with governments, NGOs and suppliers. In some areas we'll take a lead, but it will never be a one-company show.

We have to work together for a better planet for generations to come.

Peter Agnefjäll
President and CEO, IKEA Group



A message from Steve

Making progress towards our goals

Everyone has such an important role to play when it comes to making sustainability happen at IKEA. Purchasers support suppliers to improve energy efficiency, logistics co-workers recycle in the early morning and sales co-workers show customers how our products can save them money and help them live more sustainably — these are just a few examples. The commitment and enthusiasm I see every day is an inspiration. We have so much work to do if we are to meet the goals in our People & Planet strategy, but I know when you have good people doing good things for good reasons, many things become possible.

We made some great progress in FY13, including more than doubling the amount of cotton we buy from more sustainable sources to over 70% of the total and selling 22.4 million LED products. We passed the 500,000 milestone for the number of solar panels installed on our buildings and have now committed to owning and operating 137 wind turbines around the world. All our home furnishing, components, goods transport and global food suppliers maintained approval under our supplier code of conduct (IWAY) or were being phased if they were not able to show a commitment to improve.

We realise we can't find solutions to the complexity of sustainability by ourselves, especially in agriculture and forestry. We don't want to be the judge and jury on how to manage natural systems. That's why we

need to work side by side with independent experts, like WWF, who understand the issues on the ground and who challenge us to do better.

The popularity of our LED LEDARE light bulbs has proved beyond doubt that more sustainable products will always be attractive when our customers can see the obvious savings they can make from day one. Every time a person buys a LEDARE bulb, they save around €7 on their annual electricity bill, and the 12.3 million LEDARE we sold during FY13 added up to an annual savings of €86 million for our customers. That's why we continually work to bring down costs so more people can afford products that help them to live a more sustainable life at home.

My favourite product at the moment is the solar energy service we have started in the UK, together with the energy company Hanergy. Customers in the UK can now buy solar panels, including installation, for less than the market price and it can save them up to half their yearly electricity bill. It just makes such perfect sense, for the wallet and the planet.

I look forward to reporting back on our progress again next year.

Steve Howard
Chief Sustainability Officer, IKEA Group



The year in brief

€40 million

We've saved €40 million through energy efficiency efforts in our stores and warehouses since FY10.

Better cotton

More than 2/3 of our cotton came from more sustainable sources. We invested €1.35 million in projects to help 110,000 cotton farmers improve their incomes and produce cotton using less water and chemicals.



FSC certified wood

We're one of the world's largest buyers of FSC certified wood in the retail sector. In FY13 we sourced almost 1/3 (4.5 million m³) of all of the wood we used from more sustainable sources (FSC or recycled). All suppliers must meet our IWAY Forestry Standard (see p. 26).



**550,000
solar panels**

There are 550,000 solar panels installed on IKEA buildings worldwide. That's enough to cover about 130 football pitches and to provide the annual electricity needs of 20,300 homes.



12.3 million

That's how many LED LEDARE bulbs we sold. Each one saves €7 of electricity costs per year, compared with incandescent. Which means with the bulbs we sold in FY13 our customers are saving a total of €86 million annually.



68%

of the paper in the 2014 IKEA catalogue is FSC certified.

That's nearly triple the amount of FSC-certified paper used in the previous catalogue (23%).

Almost 1/2 of our managers are women

That's significantly higher than the global workforce average of a little more than 1/3.*

*Source: Grant Thornton, Women in senior management: setting the stage for growth, 2013.

Renewable energy

We produced 366 GWh of electricity from our wind turbines and solar panels in FY13. That's enough to power around 110,000 homes.

100% IWAY approved

All home furnishing, components, goods transport and global food suppliers are IWAY (our supplier code of conduct) approved or were being phased out as suppliers.



Supporting the rights of children

The IKEA Foundation donated €101 million in 2013 to projects that create substantial and lasting change for millions of children in some of the world's poorest communities.

Our People & Planet Positive strategy



We believe, through our People & Planet Positive strategy launched in FY12, we can build on our many years of working with environmental and social issues and play our part in meeting the world's biggest challenges, while growing our business.

Our strategy focuses on three areas:

Inspire and enable millions of customers to live a more sustainable life at home. Taking the lead in developing and promoting products and solutions that help customers save or generate energy, reduce or sort waste, use less or recycle water — all at the lowest possible price.

Strive for resource and energy independence. Securing long-term access to sustainable raw materials, promoting recycling and using resources within the limits of the planet, producing more renewable energy than we consume and driving energy efficiency throughout our value chain.

Take a lead in creating a better life for the people and communities impacted by our business. Extending our code of conduct throughout our value chain, being a good neighbour, acting in the best interest of children and supporting human rights.

People & Planet Positive contains many targets and performance indicators which we report on here. We've also defined key performance indicators, which you can find on p. 10.

We're on a journey. Sustainability is one of the four corners of our long-term strategic direction, Growing IKEA Together,

that will enable us to meet our objectives. Our strong values and belief in innovation, togetherness and enthusiasm will ensure we can continue to meet future customer needs and address the higher price of raw materials and energy, while driving down emissions and maintaining our low prices.

Read the full strategy:
People & Planet Positive
IKEA Group Sustainability Strategy 2020



10 INTRODUCTION

PEOPLE & PLANET POSITIVE KEY PERFORMANCE INDICATORS	GOAL	FY12	FY13
Ensure sustainability is part of our everyday work			
Share of IKEA co-workers who agree with the statement: "Within my department sustainability is a natural part of the everyday work"	95% by FY15	70%	70%
A more sustainable life at home			
Sales value of products classified as "more sustainable life at home" products	€2.6 bn by FY20	N/A ¹	€641 m
Resource and energy independence			
Wood used in IKEA products coming from more sustainable sources ²	50% by FY17 ³	22.6%	32.4%
Share of cotton used in IKEA products from more sustainable sources ⁴	100% by FY15	34%	72%
Renewable energy produced as share of total energy consumption	100% by FY20	34%	37%
Home furnishing materials, including packaging, made from renewable, recyclable (in at least one IKEA market) or recycled materials	100% by FY15	91%	98%
Share of waste from stores and other IKEA operations sorted for recycling	90% by FY15	86%	87%
Share of the total sales value coming from home furnishing products classified as "more sustainable" (using our product scorecard)	90% by FY20 ⁵	35%	39%
Reduction of carbon emissions from our own operations (compared with FY10 baseline and relative to sales)	50% by FY15	21.3%	19.3%
Reduction of carbon emissions from our suppliers (compared with 2011 baseline, relative measure)	20% by FY15	N/A ⁶	-0.1%
A better life for people and communities			
Share of co-workers that view IKEA as a company that takes social and environmental responsibility	95% by FY15	83%	82% ⁷
Share of suppliers that view IKEA as a company that takes social and environmental responsibility	95% by FY15	87%	89%
Share of customers that view IKEA as a company that takes social and environmental responsibility	70% by FY15	42%	41%
Share of home furnishing suppliers that are IWAY approved, or being phased out ⁸	100% by FY12 and maintained thereafter	96%	99% ⁹
Share of suppliers (within the IWAY scope) that are IWAY approved	100% by FY15	N/A ¹⁰	68%
Share of tier 1 home furnishing sub-suppliers identified as providing critical materials and processes and compliant with IWAY Musts	100% by FY14	N/A ¹¹	20%

¹Baseline set in FY13.

²More sustainable sources for wood are: Forest Stewardship Council certified or recycled.

³Equivalent to 10 million m³ of wood.

⁴More sustainable sources for cotton are: Better Cotton, cotton grown to other sustainability standards in the USA and cotton from farmers working towards the Better Cotton Initiative standards.

⁵Revised from 90% by FY15.

⁶Baseline set in FY12.

⁷Data based on 82,488 participants of our VOICE survey. Not directly comparable with FY12 as different parts of IKEA participate in VOICE each year.

⁸Excludes new suppliers that have up to 12 months to be approved. Includes suppliers where a noncompliance has been identified and are within the 90-day period allowed to correct the noncompliance.

⁹In China we are working with suppliers to reduce working hours to a weekly average of 49 hours in each month. As an interim step, suppliers can become IWAY approved if working hours do not exceed 60 hours a week including overtime.

¹⁰Scope for this indicator not defined in FY12.

¹¹Identification of critical sub suppliers not complete in FY12.

A more sustainable life at home

Our products for a sustainable life at home are just like any others from IKEA – stylish, functional and affordable. But they're designed with the added goal of inspiring and enabling our customers to live more sustainably: to recycle more easily, to use less energy and water and to reduce waste.

With more than 680 million visitors to IKEA Group stores worldwide and one billion visitors to IKEA.com, even small changes our customers make will add up to a big impact.

By the end of FY20, our goal is to have achieved more than a fourfold increase in sales from products and solutions for a more sustainable life at home, compared with our baseline of around €641 million in FY13.



SAVING WATER

ENASTÅENDE
DISHWASHER
SAVES
9/10 THE
WATER¹

SAVES
HALF THE
WATER²

SAVING ENERGY

INDUCTION HOBS USE
40%
LESS ENERGY THAN
CERAMIC HOBS

41%³
REDUCTION
IN ENERGY

EACH LED BULB
SAVES
€160⁴
COMPARED TO
INCANDESCENT
BULBS

700 million

people visit our stores every year,
finding products and ideas that inspire
a more sustainable life at home.

Many small changes add up to make a big difference for the planet and to people's wallets.

REDUCING WASTE

Space saving solutions
make recycling easy.

Food storage containers help cut food waste,
saving money on food bills.

€500

WORTH OF FOOD IS
THROWN AWAY BY EACH
HOUSEHOLD EVERY YEAR⁵

¹Our ENASTÅENDE dishwasher uses 10 litres of water compared to 120 litres needed to wash-up using a running tap without an aerator. ²All our taps use an aerator that reduces water flow by up to 50% (compared with the EU standard) while maintaining water pressure. ³All our energy consuming products are, on average, 41% more efficient than our range was in 2008. ⁴Over the life of a bulb at average EU electricity costs. ⁵Based on UK and Netherlands data (WRAP/Zero Waste Europe).

Solutions for a more sustainable life at home



Our range of products and solutions for a more sustainable life at home enable customers to:

- Use energy more efficiently
- Produce renewable energy
- Reduce waste
- Recycle more
- Save, reuse or purify water

Products that enable customers to live a more sustainable life at home are identified in our sales tracking system so we can monitor sales and improve customer information. The sales value from these products was €641 million in FY13. We will track progress against this baseline towards our target of a fourfold increase

PEOPLE & PLANET POSITIVE TARGETS

PERFORMANCE in FY13

By FY20, achieve more than a fourfold increase in sales, compared with FY13, from products and solutions that inspire and enable customers to live a more sustainable life at home.

Established baseline data to enable us to track progress against our target. This showed that in FY13, sales from products for a more sustainable life at home were €641 million. Allocated €20 million for development of additional products for a more sustainable life at home.

By FY15, our energy-consuming products will be, on average, at least 50% more efficient than our range was in 2008.

Energy-consuming products are on average 41% more efficient than our range in 2008.

By FY16, our entire lighting range will switch to LED and be offered at the lowest prices.

In FY13, 51% of all lighting products sold were LED or were compatible with LED bulbs (e.g. lamps which customers can use with an LED bulb). Sold 22.4 million LED products including 12.3 million LED bulbs. The LED bulbs alone saved each customer €7 of electricity costs per bulb per year compared with incandescent. Customers will save a combined total of €86 million per year with the LED bulbs sold.*

*Assumes three hours usage each day. Electricity price source: European Residential Energy Price Report, 2012, Vaasa ETT Global Energy Think Tank.

By FY16, all our electric hobs will be energy efficient induction hobs, where technically feasible.

43% of the electric hobs in our range are now induction hobs.

By FY17, offer the most energy efficient home appliances at the lowest price.

All of our fridges, ovens, dishwashers and washing machines are A to A++ and we're working to offer A+++ in all relevant appliance categories by FY17.

by FY20.

We research what our customers need to live a more sustainable life at home and explore how their needs may change over the next five years. This is helping us identify opportunities for new products outside our traditional ranges, such as insulation for windows, solar panels for the home

and water-efficient showers. In FY13 we allocated €20 million for development of additional products for a more sustainable life at home.

Energy

Our energy-consuming products include lighting, televisions and appliances such as hobs, fridges, ovens and dishwashers. Making these products more energy-efficient reduces carbon emissions and saves customers money on their energy bills. Price is important to our customers, and our continual focus on reducing costs means we can enable more people to af-

ford energy-efficient products, such as LEDARE LED light bulbs.

In FY13 our energy-consuming products were on average 41% more efficient when compared with the range in 2008. The majority of this increase in energy efficiency is because of improvements in energy efficiency of lighting products since 2008.



Induction hobs

Compared with glass ceramic hobs, our induction hobs are up to 60% faster and use up to 40% less energy because they transfer heat directly to the pot, without directly heating the hob or surrounding air. We're working to substitute our glass ceramic hobs with induction hobs, so that customers who buy any of our electric hobs can save energy and money. In FY13, 43% of the electric hobs in our range were energy efficient induction hobs and we're aiming for all our electric hobs to be induction hobs by FY16, where technically feasible.



Going solar with IKEA in the UK

Solar panels help families and businesses reduce carbon emissions and reduce energy costs.

They are already an important part of our own renewable energy strategy, and we want to make it easier for customers to get the benefits in their own homes. That's why we're offering a new solar panel purchase and installation service, starting in the UK. Peter and Jane Grey, pictured above, are IKEA UK solar customers who expect to earn €805 a year from their panels.

An average UK household can save up to 50% on their electricity bills by installing solar panels and after around seven years (at current energy

prices) they will have saved enough to cover the purchase and installation costs. After that point the system will produce renewable energy for free and the panels have a lifespan of around 30 years.

Following a successful pilot in FY13, we're rolling out the service to all 17 of our UK stores in partnership with Hanergy UK. IKEA FAMILY members receive a discount which takes the total cost of installation to 15-20% below the average market price.

We hope to introduce the service to more countries over the coming years.

[Read more about the pilot project](#)

LED LIGHTING

LED lights use 85% less energy than incandescent bulbs and last 20 times longer. They don't contain mercury like fluorescent lighting does. Compared with incandescent, our LED bulbs save customers €7 of electricity costs per bulb per year and €160 over the life of the bulb.*

In FY13, 51% of all lighting products sold were LED or were compatible with LED bulbs (e.g. lamps which customers can use with an LED bulb). We're converting all IKEA lighting ranges to LED by FY16.

In FY13, new LED products included our first dimmable LEDARE LED light bulb, our CENTIGRAD LED spot-



light range, and our UPPLERA LED TV. All our new LED light bulbs now use polycarbonate plastic domes, rather than glass, which reduces breakages. We have also improved the light quality and energy efficiency of our LED light bulbs. In FY13 we sold 22.4 million LED products, and we're committed to stimulate demand by further reducing the price of LED bulbs whenever advances in technology allow. In FY14 we will introduce bulbs that are even more affordable thanks to improvements in the production process, including greater automation and changes to the design and materials used. Read about how our co-workers got involved in our LED campaign on p. 18.

*Assumes three hours usage each day. Electricity price source: European Residential Energy Price Report, 2012, Vaasa ETT Global Energy Think Tank.

Water

Domestic water use accounts for 10% of overall freshwater consumption. All IKEA taps use a pressure compensating aerator which reduces the flow of water to eight litres per minute for kitchen taps and six litres per minute for bathroom taps, compared to the EU standard flow of 12 litres per minute. This can reduce consumption by 30-50%, saving between 1,800 and 3,000 litres of water for each tap in the average European household, reducing costs for customers through lower energy bills for hot water and lowering water bills where water use is metered.

In FY13 we sold over 1.2 million taps, which resulted in a combined saving of 2.5 million m³ of water, compared with taps without pressure compensating aerators.

Our research shows the best way to save water when doing the washing up is to use a water efficient dishwasher, such as our ENASTÅENDE dishwasher that uses 10 litres of water on its eco-cycle programme. This compares to 120 litres of water used if you wash up under running water using a tap that doesn't have a pressure compensating aerator. For people who don't have the budget or space to buy a dishwasher, they can replace their old tap with an IKEA tap (which all have aerators) and use a BOHOLMEN sink accessory. This combination reduces the amount of water needed to do the washing up to approximately 49 litres.

Across our dishwasher range, we have improved water efficiency by up to 50%, depending on the model, compared with

products in our range in 2008.

- ENASTÅENDE dishwasher uses 10 litres of water on its eco-cycle programme, which is 90% less water compared to washing up using a running tap that doesn't have a pressure compensating aerator.


GRANSKÄR mixer tap features "cold start" energy-saving technology. The tap automatically releases cold water when you lift the lever straight up, avoiding wasting hot water and saving the energy used for water heating.



- BOHOLMEN sink accessories such as the strainer, sink stopper and water trap let you do your washing up without continuous running water. Washing up this way can use up to 60% less water, compared with using a running tap without a pressure compensating aerator.

- MÄLAREN filters, which we sell in Italy, enable customers to filter their water straight from the tap. It can reduce the need for customers to buy bottled water and also reduces the water flow to 5.4 litres per minute which means less water is used overall.



Customers are sorting more waste in Poland

By offering affordable and innovative systems we have, for many years, made it easier for our customers to sort their waste at home.

In 2013, Poland introduced a new law to encourage people to sort their waste at home and increase recycling. To motivate people, some towns and cities have halved the collection charge for pre-sorted waste.

"Sort and pay less!" is the name of the new IKEA Poland campaign that gives top tips on how to manage waste at home, particularly when space is limited. By providing examples from other European countries where recycling is well established, the campaign reassures customers that sorting waste can easily become a part of their everyday lives.

RATIONELL is our most popular waste sorting product in Poland — consisting of plastic containers of different sizes that can easily fit into small spaces, such as under the kitchen sink. SORTERA bins are also very popular because they can be stacked to provide maximum space efficiency.

We reduced the price of the RATIONELL series by 20% in Poland and organised in-store events for customers and their families to learn about sorting waste.

In June and July 2013, sales of waste sorting solutions in the country were up to eight times more than the same months the previous year.

Waste

We want to encourage recycling by making it easier for our customers to sort their waste at home.

Our kitchen furniture is space-saving and has integrated sorting systems that encourage recycling and waste reduction. The RATIONELL waste sorting system can be used as part of the FAKTUM kitchen and the new METOD kitchen uses the VARIERA sorting system. Both RATIONELL and VARIERA can be used in non-IKEA kitchens and outside the kitchen too. VARIERA, sold globally, is made of recycled plastic.

We offer customers advice on the benefits of sorting their waste, and support to integrate recycling into their everyday lives. For example, in Denmark, we enable customers to find out more about local regulations and recycling options. Our [website in Denmark](#) guides them to choose the right IKEA waste sorting system.

When combined with a change in behaviour, simple products can make a big contribution to a more sustainable life at home. For example, IKEA food containers are used to store, freeze and reheat leftovers — reducing food waste. Customers can also use our KORKEN containers, made from at least 40% recycled glass, for preserving summer foods, like fruit, for winter.

LADDA rechargeable batteries can be recharged up to 500 times, reducing waste and saving money for customers. We sell them pre-charged and ready for use with a wide range of battery operated products. In Sweden we removed our AA



In Sweden we removed our AA and AAA conventional non-rechargeable batteries from sale in our stores and replaced them with our rechargeable ones. We'll review this pilot project and assess how to extend the initiative to more retail countries.

and AAA conventional non-rechargeable batteries from sale in our stores and replaced them with our rechargeable ones. We'll review this pilot project and assess how to extend the initiative to more retail countries.

Using information, tips and ideas on [IKEA.com](#) and in our stores we aim to communicate the benefits of these simple, affordable solutions that save money for our customers and help to protect the environment.

Engaging customers

To create a more sustainable life at home we need to make sure our customers are not only aware of how our products can help but are excited about their benefits. Understanding people's lives at home is essential if we're to design affordable products that meet their needs and enable them to make a better everyday life. That's why we visit homes all over the world to understand better how we can enable people to live more sustainably.

Customer Communications

When it comes to sustainability, the best way to inspire our customers is to get our co-workers engaged and excited about it. The more they know about the environ-

mental and cost savings, the more they can communicate the benefits to our customers.

We have started including sustainability information on the price tags of our products in the store, on our website and in our catalogue which is distributed to millions of households and available online and as a mobile app. This means customers can now begin to read for themselves about the sustainability advantages of many products. So far, information has been added to the products we've identified as helping customers save energy, water and waste and we're working to include this information on the price tags of all products that have a sustainability benefit.

PEOPLE & PLANET POSITIVE TARGETS

By the end of FY15, at least 70% of consumers view IKEA as a company that takes social and environmental responsibility.

PERFORMANCE in FY13

41% of customers view IKEA as a company that takes/demonstrates social and environmental responsibility. This score indicates we have more work to do to communicate our sustainability efforts to consumers. The score is a global average — the score for individual countries varies significantly. In many countries a low score is consistent with a low score given to companies in this area in general. An additional consumer survey we conducted in FY13 indicated IKEA is rated highest amongst competitors in 22 out of 25 countries when asked which companies are committed to sustainability. We will review the 70% target during FY14 to see what a post-FY15 target could be.



Integrating sustainability into customer communications

With over 680 million visitors to our stores and over one billion visitors to IKEA.com every year, we have a huge opportunity to engage with people about living more sustainably.

Our customers say they welcome our encouragement and support. Along with making products in a sustainable way, we need to share tips

and ideas on how to save energy, save water and reduce waste.

That's why sustainability is a natural part of the way we communicate, reflecting how integral it is to what we do. During FY13 we started to introduce more information on sustainability in our product labels, in stores, on IKEA.com and in our catalogue.

IKEA FAMILY

IKEA FAMILY is our club for loyal customers, with more than 65 million members worldwide. Among other benefits, members get special prices on the IKEA FAMILY product ranges and selected parts of the IKEA range.

We've developed new products for the IKEA FAMILY range that help our customers to live more sustainably, like the cook book for left-overs (sales started in October FY14). In the UK, IKEA FAMILY members can receive a discount on full solar panel installation for their homes through our pilot project in partnership with Hanergy UK (see p. 14). Members across all countries receive regular communications about our ambitions to be a sustainable company, and inspiration for how to live a more sustainable life at home.



65 million

IKEA FAMILY members around the world receive information and discounts to encourage them to live a more sustainable life at home.

Promoting LED lighting around the world

We want everybody to be able to live a more sustainable life at home and LED lighting is a simple way for people to save energy and money. LED light bulbs use 85% less energy than traditional incandescent light bulbs, and can last up to 20 times longer.

In FY13, we launched a global campaign to promote the energy-saving benefits of the LED light bulb, and encouraged everybody — customers and co-workers — to switch to LED lighting at home.

We gave nearly 135,000 co-workers

a free LEDARE LED bulb so they could experience the benefits and tell our customers. We launched a "bulb-swap competition" which encouraged co-workers to swap their standard light bulbs for the LED one they received, take a photo and share it using our intranet and internal social networking site.

We promoted LEDARE through our website and in our catalogue to show customers the benefits of switching to LED. Many individual IKEA stores ran their own local campaigns to spread the

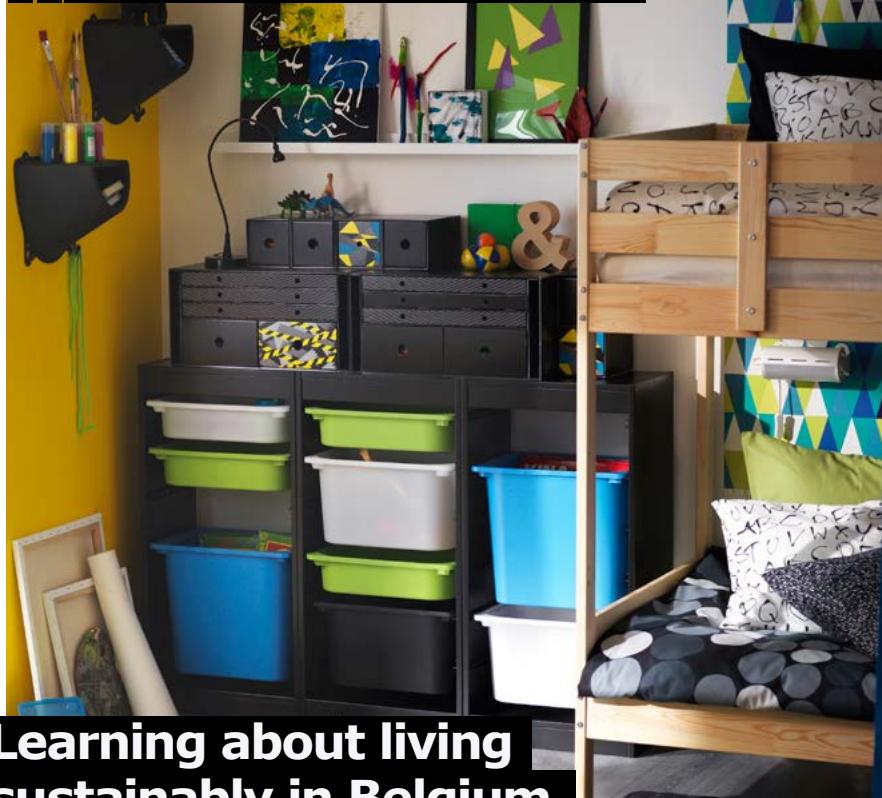
message about LED light bulbs in creative ways.

The buzz created through these activities helped us sell 12.3 million LED bulbs in FY13, contributing to the sale of 22.4 million LED products in total in FY13. By using LEDARE IKEA and our customers saved enough energy to power around 136,000* homes.

We're bringing the benefits of LED to our own locations too. So far, 50 stores have converted to LED lighting (see p. 39).

*Source for household electricity consumption: World Energy Council.





Learning about living sustainably in Belgium

Understanding our customers' daily lives is important if we're to enable them to live more sustainably. In FY13, we ran a research project in Wilrijk, Belgium with 12 customers and four co-workers, building on similar work done in China and Sweden.

We found that saving money is one of the main motivations for making changes at home and many customers believe being sustainable is more costly. We can make a difference by showing customers how to take the necessary steps without big investments.

Many customers feel proud when they do something good for the planet

and are motivated to save resources for the benefit of future generations. Customers are keen to teach children to live more sustainably and we've learned our communications can encourage the whole family to take part in activities such as waste sorting.

Local studies can help us spot new opportunities for products and solutions. For example, in Belgium, waste sorting is obligatory, with high costs for those who do not comply. But many customers are not satisfied with their methods of sorting and this gives us an opportunity to provide affordable solutions that are well designed, easy to

"Our biggest challenge is lack of space — solutions for storing our bikes, sorting our waste and managing our laundry would make a big difference to our family life."

*Marina Wyckmans,
Antwerp, Belgium*



our waste and managing our laundry would make a big difference to our family life."

Marina Wyckmans, Antwerp, Belgium

"We're a couple, currently renting our flat but we will soon be moving to our own house. We're interested in how we can save money on energy and water bills, and transport costs, and we're considering installing LED lights. We'd like to see IKEA providing inspiring, easy and cheap sustainability ideas. Our biggest challenge is lack of space — solutions for storing our bikes, sorting

Ilse Vanleene, Antwerp, Belgium

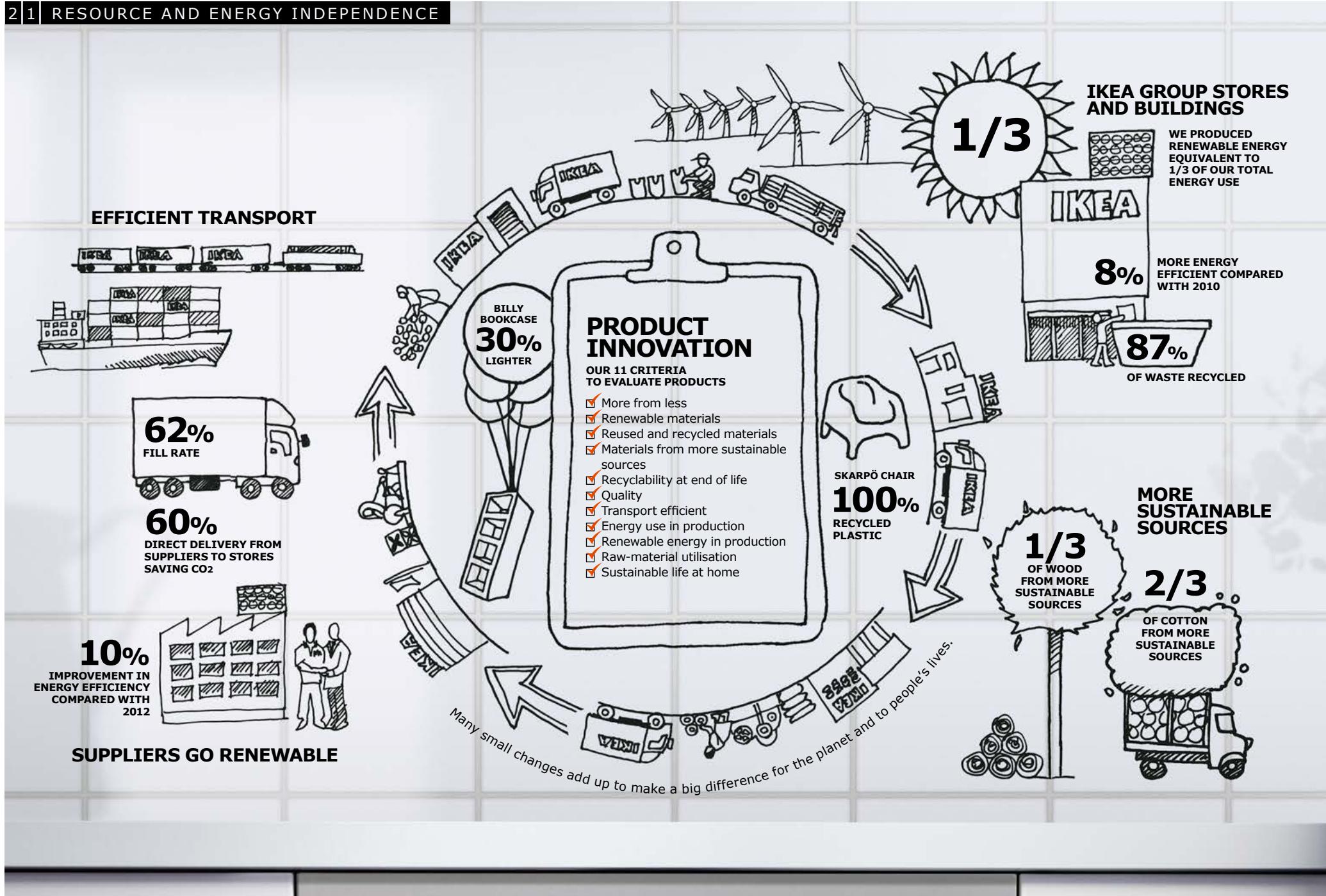
Resource and energy independence

It has always been part of our culture to make more from less, and to economise and save resources.

Now our goal is to become resource and energy independent, so we can continue to offer great products at affordable prices while protecting the planet.

We're integrating sustainability more deeply into product design and working to source and use resources like cotton and wood more sustainably. We're investing in energy efficiency and renewable energy generation so by 2020 the renewable energy we produce will be equal to the energy we consume. By encouraging and supporting our suppliers to do the same we will have an impact beyond our business too.





Responsible sourcing

We work with suppliers and partners to make sure the raw materials we use are better for the environment and the people in the countries we source from. We focus a lot of our attention on wood and cotton, which are essential to our range, as well as leather, down and feathers (see p. 30), palm oil and food.

Responsible sourcing enables us to safeguard future supplies at an affordable price, and to protect valuable natural resources for future generations.

Wood

Wood is an essential raw material in many IKEA products, and a precious natural resource. We always look for ways to use

wood more efficiently and to buy more timber from responsibly managed forests. All suppliers must meet our IWAY Forestry Standard, designed to ensure wood is logged legally and doesn't have a negative impact on the environment. We suspend deliveries from suppliers who fail to meet the IWAY Forestry Standard and we stop working with them if they repeatedly fail to meet the standard. We're one of the largest purchasers of Forest Stewardship Council (FSC) certified wood in the retail sector. By FY17, we aim for 50% of our projected wood volume to come from more sustainable sources (forests certified to the FSC Forest Management standard and recycled wood).

PEOPLE & PLANET POSITIVE TARGETS	PERFORMANCE in FY13
By FY17, 50% of total projected wood volume to come from more sustainable sources.	32.4% of wood from more sustainable sources*, up from 22.6% in FY12. <small>* More sustainable sources for wood are: Forest Stewardship Council certified or recycled</small>
By FY15 all cotton to be from more sustainable sources.	72% of cotton from more sustainable sources*, up from 34% in FY12. <small>* More sustainable sources for cotton are: Better Cotton, cotton grown to other sustainability standards in the USA and cotton from farmers working towards the Better Cotton Initiative standards.</small>
By FY17 all leather to be fully traceable and produced to standards that help protect forests and respect animal welfare.	Developed additional minimum standards for leather suppliers.

"IKEA's ambition to transform its business model in the face of global overconsumption of resources demonstrates leadership. Their intention to produce more renewable energy than they consume reflects a sense of urgency and opportunity to scale solutions. At the same time, IKEA's strategy towards natural resources stewardship using best available practices and standards to align with is a smart strategy. A complex challenge remains which is to define an accurate, reliable and credible way to implement and measure progress against their stated commitment to 'use resources within the limits of the planet'."

Andrew Steer,
President and CEO,
World Resources Institute



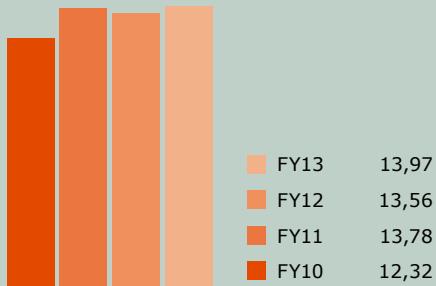
"Establishing the right definitions and measurements is an important part of being able to deliver on our commitment to have an overall positive impact on people and the planet. This includes using resources in a way that is within the limits of the planet. We have made some progress on this, starting with definitions for how IKEA can be forest and water positive, but we recognise that the challenge is much bigger than our one company. We need to work closely with our partners to ensure our approach is robust, credible and can deliver the best possible outcome for people and the planet."

Simon Henzell-Thomas,
Partnerships and Engagement
Manager, IKEA Group



2|3 RESOURCE AND ENERGY INDEPENDENCE

TOTAL WOOD IN IKEA PRODUCTS (million m³rwe)



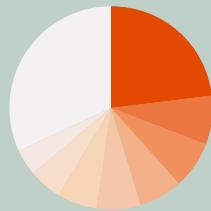
Roundwood equivalent (rwe) is the volume of roundwood (logs) required to produce our products.

Data covers all wood used in IKEA products, including solid wood and wood-based board. Wood used in packaging and printing, which makes up 5% of our total wood volume, is not included.

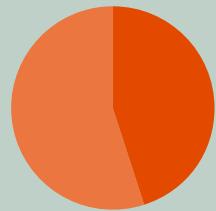
Paper used in products, such as napkins, is not included.

Recycled wood includes joinery off-cuts, old furniture and wood from demolition sites.

COUNTRIES WE SOURCE WOOD FROM (% wood sourced)



TYPES OF WOOD SOURCED (%)



Poland	23.3%
Sweden	7.7%
Russia	7.6%
Lithuania	7.1%
Germany	7.0%
Romania	6.4%
China	5.2%
France	4.1%
Other countries <2.0%	32.0%

For more than a decade we've been working with our partners, such as the global conservation organisation WWF, to improve forest management practices. The partnership is helping to fight illegal logging and supports credible forest certification and responsible timber trade. Together, we are also mapping and protecting a number of High Conservation Value Forests, and working to spread knowledge and tools to support better management of forests.

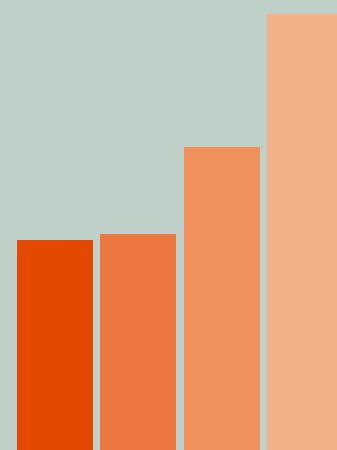
Together with WWF and others, we're a founding member of the FSC and support its work to increase the supply of wood from responsibly managed forests. Since we began working with WWF in 2002, we have contributed to increasing FSC certified forest areas by around 30 million hectares (an area the size of Italy), in the countries where we work together.

By supporting responsible forest management we can safeguard wood supplies and play our part in preventing deforestation.

In FY13 we used around 13.97 million m³ of solid wood and wood-based board materials (not including paper and packaging). This is around 1%* of the total wood used commercially around the world, making us one of the largest users of wood in the retail sector. Wood makes up around 60% of all materials used in our products.

* Based on Food and Agriculture Organization data.

WOOD FROM MORE SUSTAINABLE SOURCES* (% wood sourced)



**From forests certified to the FSC Forest Management standard and recycled wood. Includes solid wood and wood based board.*

Progress in FY13

We increased the proportion of wood from more sustainable sources to 32.4% compared with 22.6% in FY12. This was made up of 28.4% FSC certified wood and an additional 4% recycled material (which we were able to include in our data for the first time).

We trained 190 buyers and co-workers in our trading (purchasing) teams during FY13 on sourcing wood more sustainably. Forest certification systems can be com-

24 RESOURCE AND ENERGY INDEPENDENCE

plex and the training will help them start a dialogue with suppliers on this issue and to manage contracts in a way that supports more sustainable forestry.

Wood-based board is made from many different materials, including sawdust, sawmill chips, logging residues, recovered wood, and waste wood from veneering processes. Tracing the sources of these materials can be challenging. In China, we require suppliers of wood-based board to only use wood from counties or regions where there is a low risk of unsustainable or illegally logged wood entering the board

material supply chain. Together with the Chinese Academy of Forestry, IKEA has created detailed risk maps that will enable us to identify and investigate higher-risk sources.

Auditing and compliance

Each year the majority of our timber supply chain (98% in FY13) is audited by IKEA or third party auditors. A small group of suppliers are considered low risk due the type of timber they supply or the country they're located in and are audited once every two years.

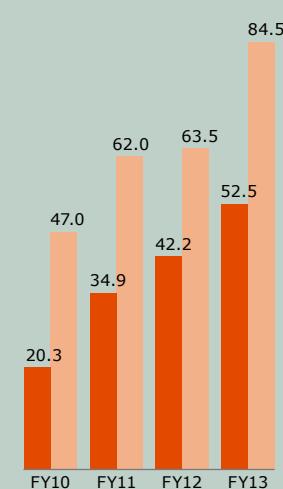
Auditing in our wood supply chain includes:

- Annual auditing by accredited FSC certification bodies of suppliers who have Chain of Custody certification.
- IKEA audits for other wood suppliers against the IWAY Forestry Standard.
- IKEA wood supply chain audits for higher risk areas of our supply chain, which can cover the entire supply chain back to the forest.

In FY13, nine suppliers were not able to provide full documentation on the source of their wood, which meant we could not be sure that the wood they were supplying was from legal sources. We stopped working with these suppliers until they were able to meet our standards on traceability. All the companies involved were able to resolve these issues and are now supplying IKEA.

We encourage all suppliers of products containing wood to achieve certification according to the FSC Chain of Custody

FSC chain of custody certification (%)



■ Share of IKEA suppliers that are FSC chain of custody certified, % total

■ Share of total wood volume from these suppliers, % total

AUDITS OF OUR WOOD SUPPLY CHAIN	FY10	FY11	FY12	FY13
Share of IKEA suppliers that are FSC Chain of Custody certified	20.3%	34.9%	42.2%	52.5%
Share of total wood volume from FSC Chain of Custody certified suppliers	47.0%	62.0%	63.5%	84.5%
Number of IKEA audits — under IWAY Forestry Standard and IKEA wood supply chain audits (number performed by 3 rd party auditors)	124 (7)	139 (5)	116 (5)	149 (11)
Share of total wood volume from suppliers which underwent an IKEA audit during the year	10.3%	12.3%	17.3%	12.4%
Wood volumes that underwent an IKEA audit that comply with IKEA minimum forestry requirements	97.0%	94.0%	95.2%	99.1%
Share of total wood volume from suppliers audited during the year (as part of FSC chain of custody audit or IKEA audit)	57.3%	74.3%	80.8%	97.8%

standard. The Chain of Custody standard applies to manufacturers, processors and traders of FSC certified forest products, compared to the FSC Forest Management standard that applies to forest managers and owners. The Chain of Custody standard verifies FSC certified material and products along the production chain and is designed to prevent illegally logged wood and other types of unwanted wood from entering the supply chain. It requires suppliers undergo regular third-party audits. The share of suppliers that are Chain of Custody certified increased from 42.2% in FY12 to 52.5% in FY13.

Government relations

Forest management is closely linked to government control, so our close collabora-

ration with governments is important.

Some recent examples include:

Europe: We have contributed to and supported the introduction of the EU Timber Regulation, which came into force during FY13, both directly and through the Timber Retail Coalition. The EU Timber Regulation requires companies to carry out due diligence to ensure all wood entering the EU is from legal sources. Since the initiation of the discussions we have been in close contact with the EU Commission. We have approached several of the authorities in the EU to explain how we operate our due diligence systems for legality.

USA: We're a member of the Forest Legality Alliance and have used our experience to contribute to the implementation of the Lacey Act.

2|5 RESOURCE AND ENERGY INDEPENDENCE

Australia: We were part of the Common Platform to promote the Illegal Logging Prohibition Bill, together with Greenpeace and other stakeholders.

China: We're in close cooperation with the Chinese State Forest Administration to improve forest management and the Chinese Academy of Forestry to map high conservation forests and develop methods to ensure legality of the wood that's sourced for our products. We also contributed to guidelines for customs officials in

China and Russia to promote a consistent approach to cross border timber trading.

Russia: A significant part of the WWF and IKEA partnership is about influencing forestry policies to combat illegal logging and respect high conservation values. IKEA has also approached top government officials to present our views on forestry in Russia. We're in close contact with regional authorities where IKEA Industry Group operations are located.

TOWARDS FOREST POSITIVE

We have a goal to become forest positive by 2020, promoting the adoption of more sustainable forestry methods across the industry and contributing to ending deforestation. Part of this commitment means supporting responsible forest management beyond the forests we need to supply the timber for our own products.

Our forest positive commitment includes the following targets:

- By FY17, 50% of our wood will come from more sustainable sources. Based on current projections, this will represent 10 million m³, more than quadrupling the volumes of wood coming from more sustainable sources (based on an FY11 baseline).
- By FY17, 100% of the wood we source from priority areas will come from more sustainable sources.*
- By FY20, we will be contributing to the FSC certification of 15 million hectares of forest in priority areas. That's equivalent to more than double the total estimated area needed to supply IKEA (from a FY13 baseline). This is in addition to 30 million hectares of

FSC forest already added through our earlier partnership projects.

We support projects in 11 countries that contribute to increasing FSC certification. These projects also focus on:

- Identifying and protecting forests with high conservation value and those that are particularly important because of their biodiversity and other local factors.
- Promoting responsible trade in forest products.
- Combating illegal logging.

We also support other initiatives to improve forest management through funding for NGO and government training and education initiatives. For example we're funding around 15 scholarships each year for the Euroforester Programme at the Swedish University of Agricultural Sciences up to 2018.

Production of palm oil and leather can also contribute to deforestation, and we consider them in our commitment to become Forest Positive (see p. 29).

*Countries where IKEA, along with our partners, have identified there is a higher risk of sustainability challenges.



100% of wood in China to come from more sustainable sources by 2015

China is one of our key countries for timber sourcing and manufacturing of wood based products. Around 5% of our wood is grown there, and we also import wood from Russia for processing in China.

Our sourcing teams and forestry experts work with suppliers to prevent illegally imported wood entering our supply chain in China. To support this we've set a target that all wood sourced and processed in China will be

from more sustainable sources (FSC certified or recycled) by 2015. This includes all species of solid wood and bamboo. As well as tackling the issue of illegally sourced wood in our own supply chain, this will have a positive impact on the availability of responsibly sourced wood in China overall.

We are also working together with WWF in Russia and China to protect high value forests and to improve legality in the global timber trade.

The IWAY Forestry Standard

The IWAY Forestry Standard, part of the IKEA supplier code of conduct, sets out the minimum criteria for all wood and board supplied to IKEA:

- Not from forests that have been illegally harvested
- Not from forestry operations engaged in forest-related social conflicts
- Not harvested in geographically identified Intact Natural Forests (INF) or High Conservation Value forests, unless they're certified as responsibly managed
- Not harvested from natural forests in the tropical and sub-tropical regions being converted to plantations or for non-forest use
- Not from officially recognised and geographically identified commercial genetically modified (GM) tree plantations

Suppliers must have procedures in place to implement these standards throughout their supply chain and be able to track and report the origin of their wood.

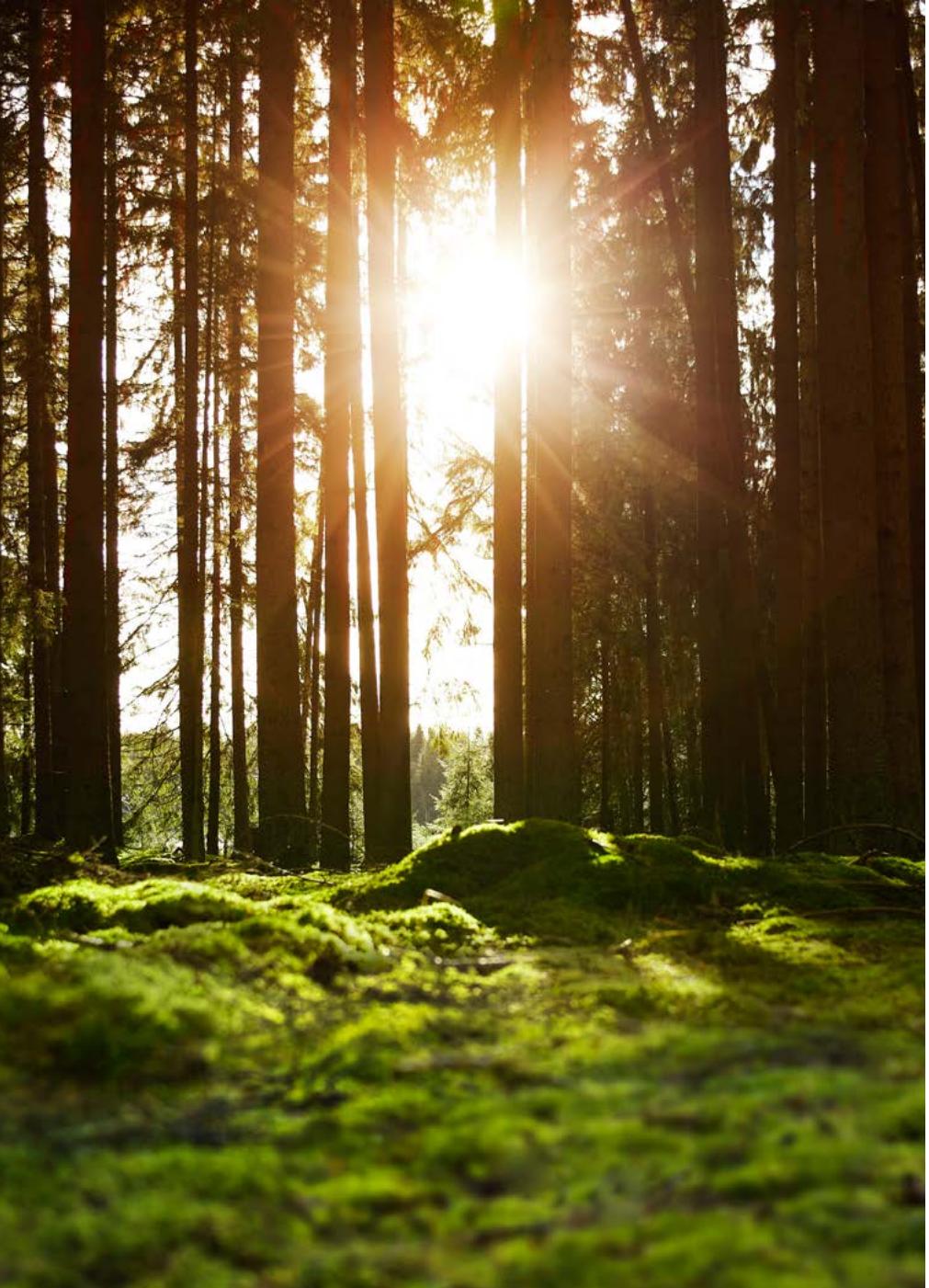
We update IWAY regularly, and in FY13 added new requirements for bamboo suppliers.

Forest Stewardship Council standards

FSC standards vary from country to country depending on the type of forest, local conditions and stakeholder interests, but are guided by a set of common principles and criteria determined by the FSC's members. Among other things, they aim to:

- Protect biodiversity.
- Ensure forest regrowth.
- Protect the rights and needs of people who work and live in the forest.
- Stimulate economic development.

[Click here to find out more on the FSC website](#)



Cotton

Cotton is used in many IKEA products — from sofas and cushions to bed sheets and lampshades. Each year, IKEA uses around 0.6% of all cotton grown around the world. We used 110,000 tonnes of cotton in FY13.

Conventional cotton farming techniques involve intensive use of water and chemical pesticides and fertilisers. Most cotton is grown on small farms in developing countries, and many cotton farmers struggle to make a profit. The industry is known for problems such as child labour, and health risks associated with the use of chemicals.

For more than eight years we've been

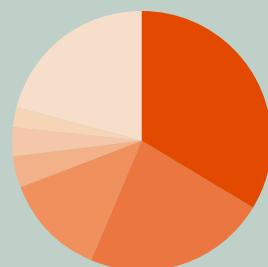
working with our partner WWF and others to improve social and environmental standards in cotton production. We're a founding partner in the Better Cotton Initiative (BCI), an independent organisation that sets social and environmental criteria for more sustainable cotton production. Better Cotton (cotton produced to BCI standards) is traceable up to bale level and as part of the Better Cotton system, farmers are selected randomly to be audited by a third party.

Our goal is for 100% of our cotton to be from more sustainable sources by the end of 2015. Our more sustainable sources include Better Cotton, cotton grown to other sustainability standards in the USA and cotton from farmers working towards the BCI standards.

We're also finding ways to use cotton more efficiently and to reduce our use of cotton by blending it with other textiles and replacing it with alternative materials, such as cellulose fibres.

Our supplier code of conduct, IWAY, introduced 12 years ago, strictly prohibits child and forced labour in our supply chain, and is aligned with BCI standards (see p. 63 for IWAY information). The IKEA Foundation is working with UNICEF and Save the Children to address the root causes of child labour through projects that raise awareness of the importance of education, invest in improving schools and health facilities, and help families find new ways to support themselves. These projects will reach 16 million children at risk of child labour in India and Pakistan by 2017.

COUNTRIES WE SOURCE COTTON FROM
(% of cotton sourced)



India	34.0%
Pakistan	23.0%
USA	13.0%
Turkey	4.0%
China	3.5%
Brazil	2.5%
Others	21.0%



Making a difference for cotton farmers

"With the drip irrigation system I use less water and have fewer weeds. Now I also know how to test the soil so I only add the fertiliser it needs," says Gnaneshwar Shriram Sonwane from the village of Ramnagar, Maharashtra, India

Gnaneshwar was quick to join the IKEA and WWF cotton project run in the Maharashtra district of India when it launched in his village, hoping the better management techniques would increase his income.

He has not been disappointed. As

well as reducing fertiliser use, he has started using insect traps to help him decide when and where to use pesticide. He now combines chemical pesticides with non-chemical and traditional methods. He has started using protective equipment when spraying and no longer suffers from the headaches, eye problems and rashes he used to get. With the extra income, Gnaneshwar wants his children to be well educated. His oldest son hopes to become an engineer.



Ten years of action with WWF – a partnership for change

Many sustainability challenges are so complex we can't solve them on our own. That's why in 2002 we joined forces with WWF, a leading conservation organisation, to tackle issues relating to forest management and cotton production. Ten years on, our combined expertise and scale has enabled us to make a positive difference in our own business and beyond.

The first task for our partnership was to improve forest management, primarily in our sourcing areas. Back in 2002 we had a responsible sourcing target but there just wasn't enough wood available from well-managed forests. Through our joint projects, we've contributed to close to 30 million hectares of forest worldwide becoming certified as responsibly managed — an area roughly equivalent to the size of Italy. Besides supporting credible forest certification, our partnership aims to combat illegal logging, promote respon-

sible timber trade and map and protect High Conservation Value forests.

Our cotton project with WWF began in 2005, and was designed to transform cotton production worldwide. That was a big ambition for an initial collection of projects involving just 500 farmers. But today around 110,000 farmers have adopted more sustainable farming practices, and the Better Cotton Initiative, of which IKEA and WWF are founding members, continues to create more widespread change. Our own supply chain has been transformed, with 72% of cotton now from more sustainable sources, including Better Cotton.

[Read more on the Better Cotton website](#)

"Some people suggested IKEA should

More than $\frac{2}{3}$ of our cotton came from more sustainable sources in FY13

Progress in FY13

In FY13 we sourced 79,000 tonnes of cotton from more sustainable sources. This includes Better Cotton (59.3% of the cotton from more sustainable sources), cotton grown to other sustainability standards in the USA and cotton from farmers working towards the BCI standards.

The share of cotton in our products from these more sustainable sources increased from 34% in FY12 to 72% in FY13. Cotton from more sustainable sources was used in every category of IKEA home furnishing products, including lamp shades, mattresses, carpets, textiles and chairs.

We think it's important that Better Cotton becomes a standard material rather than a marginal or premium-priced product. Rather than buying the majority of the Better Cotton crop in the countries where we source, in FY13 IKEA suppliers purchased 47,000 tonnes of Better Cotton, leaving substantial quantities on the market. This helped avoid distortions in market prices and meant that Better Cotton was available to other purchasers, encouraging wider take up.

We fund projects in cotton growing countries that train farmers in more sustainable cotton cultivation. We invested €1.35 million in FY13, reaching around 110,000 cotton farmers.

We also look for ways to use cotton more efficiently. For example, we've started a project to standardise the way we construct fabric, which could reduce the amount of cotton we need for a piece of fabric by up to 15%.



Palm oil

We use palm oil in candles, food products and for processing rattan for furniture. Palm plantations can be associated with deforestation and loss of biodiversity in tropical regions.

The palm oil supply chain is complex and most of the oil produced sustainably is intermingled with conventional palm oil. To improve traceability we aim for all our palm oil to come from segregated certified sources by the end of 2015 (previously 2020).

The Roundtable on Sustainable Palm Oil (RSPO), a not-for-profit organisation, sets standards for the production of sustainable palm oil and works to increase its availability. We're an active member and participate in the RSPO Trade and Traceability working group.

The GreenPalm programme — approved by the RSPO — supports the production of sustainable palm oil and sells tradable GreenPalm certificates to users. We purchased 45,000 GreenPalm certificates to cover every tonne of palm oil used in our products during FY13.

More than 90% of the palm oil we buy is used in IKEA candles. Working with candle suppliers to secure a supply of segregated certified palm oil takes time, but we aim to reach 30% segregated certified palm oil in IKEA candles by early 2014 and 100% in 2015.

In addition, we're working with Johnson & Johnson, Mondelez International (formerly a division of Kraft Foods) and the Indonesian government to support the

United Nations Development Programme (UNDP) and their Sustainable Palm Oil (SPO) Initiative. The project, which is now in its second year, aims to encourage sustainable palm oil production among small-scale producers and improve their livelihoods, better protect the environment and reduce Green House Gas emissions.

We received a score of 12 out of 12 on the WWF Palm Oil Buyers' Scorecard 2013, which assesses the performance of retailers and consumer goods manufacturers on their use of certified sustainable palm oil.

Leather

Leather is a popular material and used in some of our sofas, rugs and other products. In FY13 we sourced around 5.7 million square metres of leather, including from cattle, sheep and goats. Leather used to upholster furniture makes up 4.5 million square meters of this total, of which 43% is sourced from Brazil. Australia and Argentina are also significant sourcing countries for leather.

Cattle farming and leather processing can be associated with deforestation, poor environmental management in the tanning process, displacement of indigenous people and forced labour. Some of these issues are of particular concern in Brazil. We want to play our part in improving standards in the leather supply chain, working with our suppliers and other important stakeholders.

Chromium is often used in the tanning process. Waste from this process is toxic

to the environment and IKEA is committed to phasing it out in all leather production. In the past few years we have been working with suppliers globally to achieve this goal and we believe this will significantly reduce environmental impacts and that customers will prefer "chrome-free" leather. In FY13, we made particularly good progress in moving to a fully chrome free tanning process in Brazil.

Our traceability requirements mean all suppliers globally must be able to document the source of leather supplied to them, as far back as the slaughterhouse. In Brazil we require slaughterhouses to provide us with a list of farms supplying to them. In FY13, we developed additional minimum standards for leather suppliers in Brazil, covering issues like deforestation and forced and bonded labour. These will be further developed and tested during FY14, and we'll also expand the scope to address animal welfare and indigenous people's rights. We'll do this in partnership with NGOs and suppliers, integrating the requirements into our product requirements for leather sourcing globally. We'll work with suppliers to help implement these standards in their operations and among sub-suppliers including cattle farmers, slaughterhouses, tanneries and finishers. All IKEA suppliers need to fully comply with our supplier code of conduct, IWAY, and we're working with suppliers globally to make sure critical sub-suppliers in our leather supply chain comply with our IWAY Must criteria (see p. 63 for more on IWAY).

Food

We serve and sell food to 261 million customers a year through our store restaurants and Swedish Food Markets.

We work with our suppliers and other organisations to improve the quality of our food, to improve animal welfare and to integrate sustainability into the food value chain.

We reviewed and strengthened our approach to working with food suppliers during FY13, partly in response to the issue of horsemeat in the food supply chain. Our revised approach is based on a comprehensive set of requirements and on-site supplier audits.

We want all our customers to enjoy good quality, healthy and sustainable food at IKEA at an affordable price.

Strengthening IKEA Food quality requirements

In FY13, three batches of meatballs identified as possibly containing traces of horsemeat were withdrawn from sale. We donated 3.5 million portions to the European Federation of Food Banks (FEBA), an NGO fighting hunger and food waste in Europe. We also initiated steps to strengthen traceability in our food supply chain and to further ensure our products only include the ingredients listed in our recipes and on the product labels.

We're currently working on the following actions:

- Strengthening our standards for all food suppliers and introducing more detailed requirements for certain types of

food suppliers.

- Introducing regular announced and unannounced third-party auditing of food suppliers and sub-suppliers according to our new standards.
- Significantly strengthening our overall efforts within quality, sustainability and health, and implement the new standards with suppliers and our business developers.

Animal welfare

We work with Compassion in World Farming (CIWF), an independent NGO, to develop animal welfare standards for our suppliers.

During FY13 we rolled out our standard for laying hens. All egg suppliers must meet the standard, which includes requirements such as outdoor access for hens, by the end of FY14.

We continued to work to implement our global animal welfare policy (approved in FY12), into our purchasing requirements. The policy contains the following requirements:

Rearing

To ensure a good living environment and the freedom to express normal behaviour:

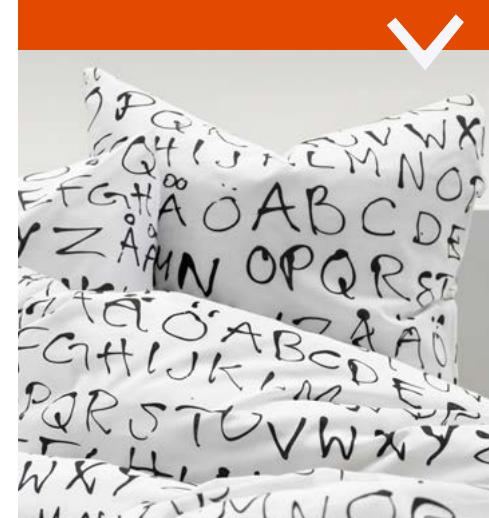
- Adequate space and shelter shall be provided to avoid unnecessary stress, injuries or discomfort.
- Animals must have access to enough food and fresh water to ensure health and vigour.
- Animals must have access to rapid diagnosis and treatment to avoid unnecessary suffering, injury or disease.

Welfare in down and feather production

Around 20% of our pillows and quilts contain down and feather from ducks.

IKEA does not accept animal cruelty and we prohibit live plucking of birds, a practice that is common in the goose down and feather industry. To eliminate the risk of live plucked down and feathers entering our supply chain we only use down and feathers from ducks. Live plucking in the duck industry is very rare.

We have implemented a system to enable us to trace down and feather from the supplier back to the slaughterhouse and we audit slaughterhouses against an animal welfare checklist. Suppliers of down and feather must also ensure sub-suppliers comply with the same requirement.



sary suffering, injury or disease.

- Animals must be respectfully and humanely treated. For example, procedures such as live-plucking or force feeding are not acceptable.

Transport and slaughter

- The method of transport and slaughter must be performed in a way that minimises stress and suffering to the animals.

3|1 RESOURCE AND ENERGY INDEPENDENCE

Certification and organic food

Coffee, tea and chocolate: All coffee sold and served at IKEA has been UTZ Certified since 2008. UTZ Certified is a leading independent certification scheme for coffee, tea and chocolate bars that has been grown with care for people and the planet. All tea and chocolate will be UTZ Certified by the end of FY14 and FY15 respectively.

Wild-caught fish: All herring products in our Swedish Food Market come from sustainable fisheries. In FY14 we'll introduce Marine Stewardship Council (MSC) certification for herring and other wild caught seafood.

Salmon: We worked with WWF to support the development of responsibility standards for farmed salmon, an important product for IKEA. We believe the newly established Aquaculture Stewardship Council (ASC) will improve environmental and social standards in the farmed salmon industry. All salmon products to come from ASC-certified sources by 2015.

Organic food: We always provide one organic menu option in our restaurants. In FY13 we introduced an organic children's meal available in every store around the world. This includes a main dish, yoghurt and fruit all at an affordable price. In our Swedish Food Market range we offer 18 organic products (out of a total of 150).

Reducing environmental impacts

In FY13 we improved the methodology for calculating the carbon footprint of our food products. This showed the CO₂ emissions relating to the food sold and served at IKEA totalled 600,000 tonnes.

We aim to reduce the carbon footprint of the food we sell, including by developing lower carbon alternatives to some of our popular food items. In FY14 we'll develop a vegetarian meatball to be introduced in our restaurants during FY15. This improves customer choice and has a lower carbon footprint than traditional meatballs. We will develop a more detailed carbon footprint methodology for our food products during FY14 to help us factor carbon into our food range development.

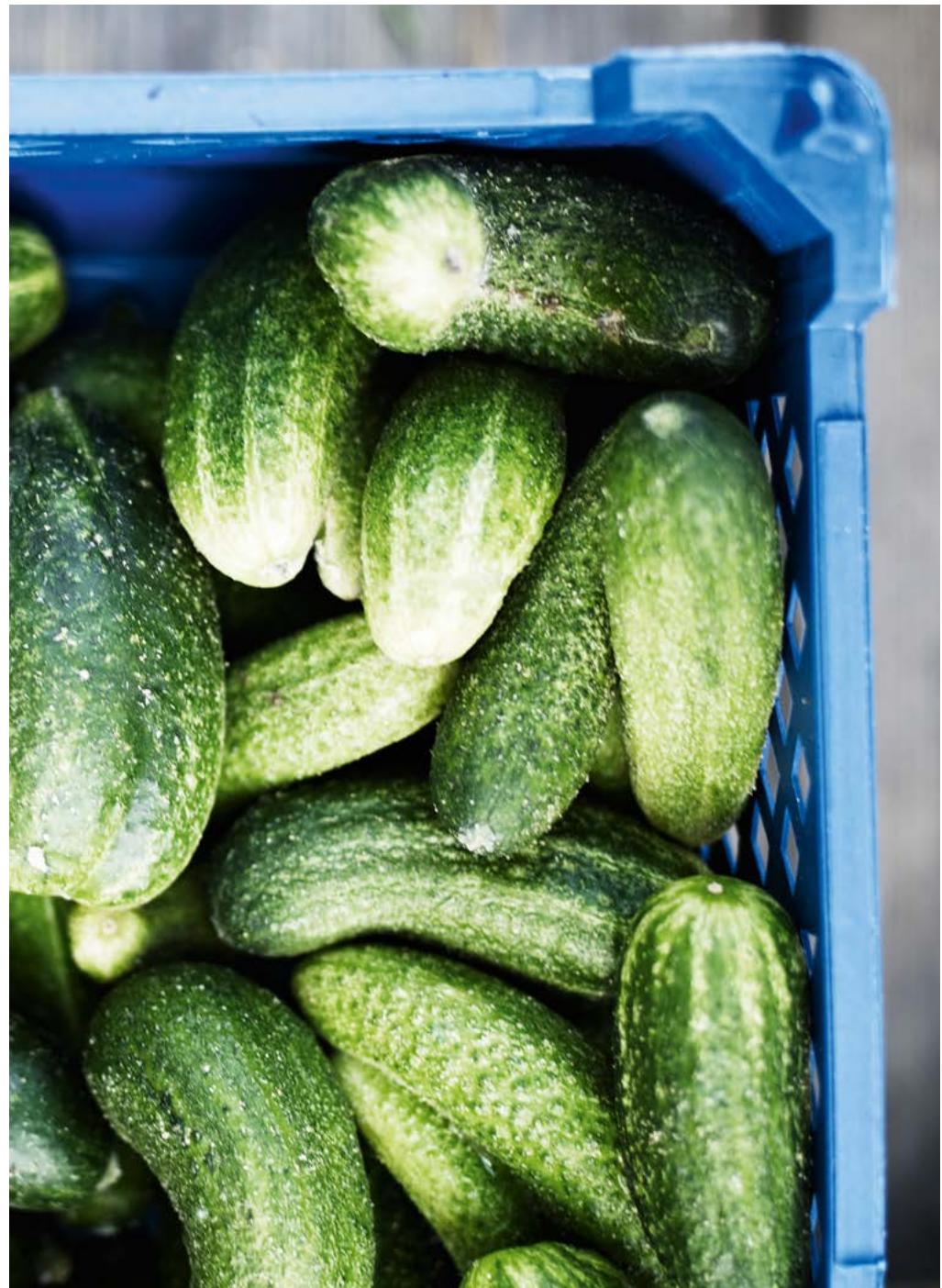
The majority of countries met the goal of no food waste to landfill or incineration. However, in the USA and Russia we did not find suitable alternatives to landfill for our food waste and we're working to address this. In FY13 we launched a set of guidelines on food waste for stores.

Certified food FY13

20% of our Swedish Food Market range (Organic, UTZ and other)

100% of our coffee (UTZ)

25% of our chocolate (UTZ)



More sustainable products

We want to make every product at IKEA more sustainable, without compromising on price, quality, style, function, durability and safety.

We aim to integrate sustainability into each stage of product development, giving co-workers the tools and information they need to create desirable products that are high quality, low-cost and sustainable.

By selecting materials that are better for the environment, and integrating recycled materials into our product ranges, we can reduce costs and avoid the impact of rising material prices.

Sustainability product scorecard

Our goal is to get 90% of our sales value from more sustainable products by 2020. The products we define as "more sustainable" are those that score over 120 on

our Sustainability Product Scorecard. The scorecard is used to continually improve our product range, rather than as a tool to help us communicate with customers, and the classification "more sustainable" is an internal term that gives us a goal to aim for.

In FY13 we extended the timeline for this goal from 2015 to 2020 to better reflect the long lead times involved in home furnishing product development. We also set an intermediate goal to reach 70% of sales value from more sustainable products by 2017.

Product developers use the scorecard to assess a product's sustainability performance and to target areas for improvement. As well as its overall score, each product is assessed on how it compares with the average score for other products in its category. If a new product

PEOPLE & PLANET POSITIVE TARGETS

All main home furnishing materials and packaging will be made from renewable, recyclable (in at least one IKEA market on an industrial scale) or recycled materials by FY15.

By FY20*, 90% of total sales value will come from home furnishing products classified as more sustainable according to our Sustainability Product Scorecard.

*Revised from FY15.

PERFORMANCE in FY13

98% of home furnishing materials and packaging were renewable, recyclable or recycled.*

*We define materials as recyclable if they can be recycled on an industrial scale in at least one of our major retail markets.

39% of sales value came from products identified as more sustainable.

KAJUTA TABLE LAMP

The KAJUTA table lamp uses 75% less material than its predecessor, TALLVIK. It contains 35% reused or recycled materials, is 100% recyclable and easily stackable making it more efficient to transport.



How we improve product sustainability performance

The Sustainability Score Card helps developers and technicians assess and improve the sustainability of products. Criteria relate to how the product is designed and produced.

Materials Guides explain the sustainability performance of individual materials and help product teams choose materials for new products or replace existing materials.

The Resource Chain unit was initiated in FY12 to support our use of recycled materials and to reverse material flows.

The Material Risk Council assesses all potential new materials from a safety, quality and sustainability perspective.

The Life Cycle Assessment Tool helps product developers to understand and compare the relative environmental performance of different materials.

tainability performance.

All our home furnishing suppliers must also comply with IWAY, our supplier code of conduct (see p. 63).

We keep the Scorecard under review and update it regularly, making sure it reflects best practices.

Our Scorecard is just one of the tools and management processes that support our co-workers to improve product sus-

More sustainable materials

Materials from more sustainable sources

We encourage product developers to select materials from more sustainable sources. These include timber certified by the Forest Stewardship Council (see p. 22), Better Cotton (see p. 27), segregated certified RSPO palm oil (see p. 29), recycled wood and lyocell, an alternative to cotton made from wood fibres.

Business areas identify new materials with improved environmental credentials. These are reviewed by our Materials Risk Council and if they meet our standards are classified as a material from a more sustainable source.

Renewable, recyclable and recycled materials

Our goal is that all the main materials in our home furnishing products will be renewable, recyclable or recycled by FY15 – we reached 98% in FY13. We define

Renewable, recyclable and recycled materials* in home furnishing products

2011 > 88%

2012 > 91%

2013 > 98%

GOAL 2015 > 100%

* These are main materials, defined as all materials except additives, lacquering or other finishing substances.

materials as recyclable if they can be recycled on an industrial scale in at least one of our major retail markets. We design our products to be long-lasting and we anticipate that by the end of their life, recycling facilities already available in one country will have spread to others. We're also beginning to set up a number of projects to increase recycling of our products (see p. 44). "Main materials" are defined as all materials except additives, lacquering or other extra substances that would finish, glue or surface-treat a product.

We aim for 50% of all non-renewable materials, including plastic, used in our products to be from recycled sources by the end of FY17. This will include a significant increase in the use of recycled plastic that currently accounts for just 5%* of the plastic we use in our products and packaging. Products that are now made from 100% recycled plastic include our SKARPÖ armchair and RUNNEN floor decking. These goals encourage innovation when looking for new materials, such as replacements for polyurethane foam.

There are three significant materials in our ranges that are not renewable nor widely recycled. These are polyurethane foam (mainly used in our mattresses and sofas), silicone (used in food storage products) and melamine (used in plastic tableware and food storage products). Melamine will be phased out from all products by FY15.

We use polyurethane foam because it is flexible, comfortable, low cost and durable. We have developed new types of foam

OUR SUSTAINABILITY PRODUCT SCORECARD

1. More from less (using fewer materials in the product)
2. Renewable materials
3. Reused and Recycled materials
4. Material from more sustainable sources
5. Recyclability at end of life
6. Quality
7. Transport efficient (number of products per container)
8. Energy use in production
9. Renewable energy in production
10. Raw-material utilisation
11. Sustainable life at home (products that enable our customers to reduce energy and water use, or reduce waste in their homes)

that include renewable materials and we have introduced new requirements for the use of foam that mean product developers must remove or reduce foam where possible, and select foam containing renewable material where available. However, reducing the overall amount of foam used remains a challenge, especially as our sales volumes increase.

We're reducing and replacing silicone where possible, and also sourcing recycled silicone where available. Silicone must be separable from other materials in our products to enable future recycling.

In the FY12 report we stated a figure of 10% for the recycled plastic we use. That figure excluded packaging and some products containing plastics such as carpets. The comparable figure for FY13 is 11% recycled materials.

Durability

We want our products to be functional and well made and give long-term enjoyment. This is better for the environment and for our customers. We know there is always more we can do to ensure our products have the durability that suits their purpose, especially as new techniques are discovered. All IKEA products are tested for durability before they go on sale and are regularly tested once they become part of our range. This includes mechanical tests for products like sofas and chairs, and wear and colour-fastness tests for textiles. We also assess quality as part of the Sustainability Score Card by monitoring the number of customer product returns. We're confident about the quality of our products and that's why we offer extended guarantees (up to 25 years) on a number of items, including kitchens, some of our mattresses, taps, knives and pans.

Efficiency

Making more from less has always been part of the way we work at IKEA. We're always looking for ways to use fewer resources by improving our processes and creating brilliant designs that require less material.

For example, together with IKEA product developers, IKEA Industry Group has been exploring ways to save resources and reduce transportation costs, CO₂ emissions and waste by developing solutions that provide the best customer value while using the most sustainable raw materials, designs and processes.



Greening the textile dyeing process

Sometimes a new technology has great potential but needs investment to get off the ground. That's why we set up IKEA GreenTech. It supports start-up technologies that can help make our business more sustainable.

In FY13, IKEA GreenTech invested in DyeCoo Textile Systems, a Dutch company that has developed the first commercially available waterless dyeing technology.

The textile industry uses large amounts of water and chemicals to dye fabrics, which can lead to pollution and contribute to water scarcity. DyeCoo's technology avoids using the large amounts of water and chemicals needed for traditional dyeing, by instead using carbon dioxide (CO_2),

which is recycled in the process.

Together with partner investors NIKE Inc., we're helping to speed development and availability of the technology for dyeing polyester and cotton. This will mean textiles that are better for the environment and the communities where we work, creating a more sustainable everyday life for everyone.

IKEA GreenTech is an investment company, fully owned by the IKEA Group with 500 million SEK (approximately €60 million) of capital. It has already committed €12 million as investments in companies working with clean technology, energy management and vegetarian food, and a clean technology venture capital fund.

We're now using dual-density particle board in products like kitchen doors. It concentrates the particles where strength is needed most, such as for hinges and handles. This means approximately 20% less material is used without compromising quality and the products are lighter, reducing transport impacts and enabling lower prices.

In FY13 we introduced dual density particle board in France and Germany and increased its use in Sweden. This prevented some 15,000 tonnes of new wood from being harvested, transported and manufactured.

New sources of materials

By collecting and recycling materials we can create a new source of quality raw materials for use in our products, while reducing costs and avoiding waste. This is known as closing the loop. We have launched Resource Chain, a two-year project to develop a framework for how IKEA should work with recycled materials.

During FY13 we ran projects to understand more about how closed loop resource chains should be set up and managed. One effort focused on polyethylene plastic wrapping which was collected from stores, recycled and used as a raw material to make PRÖJS, a desk pad.

We discovered the recycled wrapping is a viable raw material that costs less than buying virgin or recycled material from other sources. We also learned about practicalities, such as keeping the material clean in store and at our supplier, as

Meeting the challenge to shrink our environmental footprint

By setting our own goals for sustainability, we can have a positive influence on our suppliers too.

Until recently we used thousands of tonnes of plastic shrink film which was difficult to recycle. We challenged our shrink film suppliers to find a solution — and with our support, they did. New types of film now in use are not only stronger but also use less plastic and can be recycled to be used again as a raw material.

well as improving the efficiency of collecting and transporting the wrapping. Further pilot recycling projects are underway with other materials, including polypropylene and corrugated cardboard packaging.

Some of our product development teams and category leaders are now exploring how we can integrate the use of materials that have already been used once in our development process. We're also working with suppliers to explore new opportunities and technologies which could improve recycling. Some key challenges remain and we're just at the beginning of finding out how to involve customers and incentivise them to bring back old products for recycling, as well as how to create closed loop resource chains for materials such as wood, foam and textiles.

Product safety

We have a rigorous product safety process based on national and international legislation and safety standards. Products are safety tested during development and production, and once they're on sale.

Co-workers have a duty to report safety-related incidents or concerns through our global safety alarm system. We train co-workers in our stores on our product safety and compliance alarm process, while our Product Safety and Compliance School enables different functions across IKEA to identify, investigate and prevent safety issues. A central team monitors and investigates all reports and can stop sales of a product immediately if needed. We set the threshold for reporting very low so that we do not miss any potential risks.

If a decision is made to recall a product for safety or compliance reasons, we communicate the recall widely through our stores, internet sites, press releases, our internal newsletter, social media sites and our IKEA FAMILY network. We work closely with suppliers to investigate why the issue has occurred and to prevent a similar situation from happening again.

We have 9,500 products in our range. In FY13, the following products were recalled:

- KRITTER and SNIGLAR children's beds, due to cases where the metal rod connecting the guardrail to the bed frame broke, creating a laceration hazard.
- LYDA cups, following reports of hot liquids causing the cups to break, creating a burn hazard.

- Seasonal lighting for outdoor use in Japan and China, because they were supplied with a transformer for indoor use only, creating a risk of electric shock if exposed to water.

We issued additional information for the following products, which were not recalled:

- HENSVIK cots in Japan were found to be unstable when assembled according to instructions. Additional information was provided for customers in-store and on our website.
- A warning label with additional safety information was added to SMILA wall mounted lamps to help customers prevent strangulation risks from the lamp's cord.

Chemicals

We aim to avoid using chemicals that could potentially be harmful to people and the environment, and we always try to select materials, surface treatments and production techniques with the lowest possible emissions. We comply with the strictest laws and regulations in all our markets, and when one country tightens its rules, we introduce these new regulations in all IKEA markets if applicable.

We launched a new Chemical Strategy in FY13 which will be implemented across all IKEA markets. It will enable us to take a lead on identifying and phasing out chemicals and delivering products that minimise effects on health and the environment.

We take a precautionary approach where possible. For example, some people are concerned about the potential health

effects of the plastic additive Bisphenol A (BPA). Although no health impacts have been proven, we do not use BPA in any products that come into contact with food, including our children's plates, bowls and cutlery.

Here are some additional examples of actions we've taken to phase out chemicals that could potentially be harmful to people and the environment:

- Lead in components phased out in 2009
- Polycarbonates in food contact articles and children's products phased out in 2009
- Brominated flame retardants phased out in 1998
- Azocolours in textiles phased out in 1995
- Polyvinyl chloride (PVC) phased out in 1991 (exception: electrical cords)



More sustainable buildings and transport

Our goal is to become energy independent by investing in renewable energy and improving energy efficiency at all our locations. We're also working hard to reduce, reuse and recycle waste and reduce water use. Using fewer resources is better for the environment and helps us lower costs for our customers.

Carbon footprint

In FY13 we developed a new model for calculating our total carbon footprint, from raw material to product end-of-life, which showed our total footprint was 28 million tonnes of CO₂. The model will help us to better identify materials with a high carbon impact and to target reduction efforts.

Raw material production, product manufacturing and product use (of products

that consume energy) contribute most to our total carbon footprint. That's why we're:

- Increasing our share of materials from more sustainable sources (p. 33).
- Working with suppliers to improve their environmental performance (p. 46).
- Designing more sustainable products (p. 32).
- Offering products and services that enable customers to save or generate energy at home (p. 14).

IKEA buildings and co-worker commuting contribute a smaller share to our carbon footprint, but this is where we have direct control and we work hard to make our operations more carbon efficient.

In FY13, our carbon efficiency stayed roughly stable at 27.6 kg CO₂ per m³ of products sold, 19.3% below our FY10 baseline. Carbon efficiency improved in our stores by 3% compared with FY12 due to improved energy efficiency and increased production of renewable energy from PV installations. However, carbon efficiency decreased in our Industry Group compared with FY12 due to increased production of HDF (high density fibreboard), which requires more energy to produce than standard particle board; the acquisition of a facility in Russia with a gas boiler; increased in-house production of components; and the purchase, at some of our



PEOPLE & PLANET POSITIVE TARGETS

PERFORMANCE in FY13

By the end of FY15, we will produced renewable energy equivalent to at least 70% of our energy consumption, and by the end of FY20 we, on Group level, will produce as much renewable energy as all the energy we consume.

Produced renewable energy equivalent to 37% of our total energy consumption (34% in FY12).

Become 20% more energy efficient in our own operations by the end of FY15, compared to FY10.

Energy efficiency increased by 8% in stores, 9% in distribution centres and 14% in the IKEA Industry Group Solid Wood & Flatline Division and 10% in the IKEA Industry Group Board Division, compared with FY10.

By the end of FY15, reduce carbon emissions from our own operations by 50% compared to FY10 (in relative terms).

Carbon emissions (relative to sales) reduced by 19.3% compared with FY10.

By the end of FY16, reduce transport-related carbon emissions by 20%, compared with FY11.

Reduced CO₂ emissions from transport by 10.5% per m³ of products shipped compared with FY11.

Strive for zero waste to landfill wherever possible, with a minimum of 90% of the waste from our stores and other IKEA operations sorted for recycling by the end of FY15.

11% of waste was sent to landfill and we recycled 87% of the waste from our operations.

facilities, of electricity with lower shares of renewable sources.

Absolute carbon emissions increased by 7.7% compared with FY12 to 769,427 tonnes. The increase was mainly due to increased energy consumption as a result of expanding our business. We opened five new stores and also acquired one Industry Group facility in Novgorod, Russia, which contributed significantly to the increase. The Novgorod facility is powered by a gas

boiler, and due to the very low gas prices in Russia, conversion to biomass is economically prohibitive under normal investment criteria. However, given that the site represents a significant share of our energy use, we are now looking to find other financing solutions to make the conversion possible.

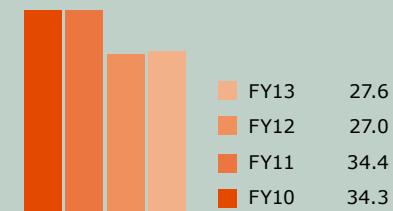
Read about efforts to reduce the carbon footprint of customers travelling to and from our stores on p. 42.

IKEA CARBON FOOTPRINT – from raw materials to product end-of-life (tonnes CO₂)		FY13
Raw materials		13,404,000
Production and distribution		3,802,000
Suppliers <i>Home furnishing, catalogue and food suppliers</i>		2,753,000
Goods transport <i>Excludes customer delivery suppliers</i>		997,000
Business travel		52,000
IKEA		878,000
Buildings		769,000
Co-worker commuting		109,000
Customers		9,481,000
Transportation to stores		2,309,000
Product use	7,172,000 <i>FY12 figure used as we're in the process of developing a new model to estimate this figure</i>	
Products' end-of-life		708,000
Total		28,273,000

IKEA CARBON FOOTPRINT (tonnes CO₂)

Greenhouse gas (GHG) emissions	FY13
Scope 1 (IKEA owned energy generation from gas, biomass and oil boilers and diesel generators)	132,200
Scope 2 (purchased electricity and district heat)	637,200
Total of scope 1 and 2	769,400
Scope 3 (raw materials production, emissions from suppliers, goods transport, business travel, employee commuting, customer transportation, product use and product end of life)	27,503,600
Total of scope 1,2 and 3	28,273,000

CARBON EFFICIENCY:
CARBON FOOTPRINT
PER PRODUCT SOLD
(kg/CO₂/m³)



CARBON EFFICIENCY (% improvement against FY10 baseline)	FY11	FY12	FY13	GOAL
Stores	9.5	26.9	29.1	50.0
Distribution centres	10.7	38.4	32.0	50.0
IKEA Industry Group Solid Wood & Flatline Division	-9.4	8.9	2.7	50.0
IKEA Industry Group Board Division <i>The base year for Board Division is FY11</i>	-	25.0	15.0	50.0
IKEA Components <i>The base year for IKEA Components is 2012</i>	-	-	-	50.0
Total	-0.4	21.3	19.3	

Scope 1 and 2 emissions – IKEA buildings (tonnes of CO₂)	FY10	FY11	FY12	FY13
Stores	435,344	428,997	353,809	359,990
Distribution centres	47,999	45,151	31,451	35,113
IKEA Industry Group Solid Wood & Flatline Division	246,277	287,907	245,688	272,875
IKEA Industry Group Board Division	83,835	92,770	78,537	96,865
IKEA Components	-	-	-	819*
Offices	4,730	4,791	4,641	3,766
Total	818,185	859,616	714,126	769,427

*IKEA Components data is reported for the calendar year 2012.



"Climate change is a global challenge that requires every individual consumer's participation. IKEA is strongly positioned to mobilise its customers' efforts and aspirations to help fight this global challenge. With its broad and deep reach to consumers' lives and work, IKEA and its products carry a clear message that a clean revolution is the only future we want and such a future is possible with renewable energy and resources that can be recycled and reused."

IKEA's aim to have a positive impact by improving people's quality of life and supporting a world that prospers within the limits of one planet is unique and well-established. This approach demonstrates the depth and breadth of IKEA's understanding and knowledge of sustainability and it is clearly a core part of its corporate strategy.

As a leadership company, IKEA will continue to aim high with its efforts. To achieve its goals, innovation has to become a critical part of the strategy."

Changhua Wu, Greater China Director,
The Climate Group



"Climate change is one of the greatest challenges facing society and IKEA wants to be part of the solution. We have always looked for ways to do things differently and innovation is a key component to achieve our ambitious goals to become energy and resource independent and to help our customers to live a more sustainable life at home. Today we are transforming the way we generate and use energy, the way we make our products and the materials we use. Using innovation, we are accelerating development of affordable products that help people to save and generate energy, save water and turn waste into a resource in the home. The scale of the challenge is great, but by innovating and working together with our partners, I am certain IKEA can make a difference."

Håkan Nordkvist,
Head of Sustainability Innovation,
IKEA Group



Energy efficient buildings

Energy efficiency was improved by 8% in stores, 9% in distribution centres and 14% in the IKEA Industry Group Solid Wood & Flatline Division and 10% in the IKEA Industry Group Board Division, compared with FY10. Since FY10 we have saved €40 million through energy efficiency efforts in our stores and distribution centres alone.

Each store has its own energy goal and we review progress towards this every two months. In many countries energy consumption is one of the measures used in assessing overall store performance. Annual energy goals are set for our distribution centres too.

The IKEA Energy Model enables our store designers to understand the impact of different heating, cooling, lighting and energy systems and to integrate energy efficiency and renewable energy into store design and upgrades. The model has been used for around 60 projects globally and is integrated into the design process. By using the tool, our store designers have identified technical solutions which help us

reduce our capital costs and energy consumption. Reducing our energy consumption is about the big investments, but also the changes we make to how we run our business every day.

We're rolling out energy efficient lighting, including LED lighting, to around 200 of our stores and other facilities. So far we've invested €17 million to change the lighting in 50 stores, creating an energy saving of around 10%. Learning from the first stage of the roll out, we've now identified a more cost and energy efficient lighting solution. Using this solution, we'll invest €83 million, or around €700,000 per store, to change the lighting in the remaining stores. This will deliver a €120,000 cost and 15% energy saving per store. When complete, we expect the €100 million investment to deliver an annual cost savings of €15 million.

We're also installing more energy efficient ventilation systems in 63 of our in-store kitchens which will save enough electricity to cover the annual consumption of two stores.

ENERGY EFFICIENCY (% decrease against FY10 baseline*)	FY11	FY12	FY13	GOAL FY15
Stores	4.4	7.9	8	20
Distribution centres	19	18.4	9	20
IKEA Industry Group Solid Wood & Flatline Division	-7.6	14.2	14.1	20
<i>IKEA Industry Group Board Division The base year for Board Division is FY11</i>	-	15	10	20
IKEA Components <i>The base year for IKEA Components is 2012</i>	-	-	-	20

*Data shown shows the change against a FY10 baseline (rather than a FY05 baseline for our previous target), in line with our new target in this area.



Testing the “sustainable store”

We have set ourselves the challenge that every new IKEA store will be more sustainable than the last one built. And because our long-term strategic direction — “Growing IKEA – Together 2020” — means we’ll have many new IKEA stores by 2020, we have put our innovative thinking to work on our “Sustainable Store” project.

In FY13, co-workers who specialise in sustainable buildings, materials and architecture, urban living and mobility, met with other sustainability specialists for creative workshops.

They established 12 principles for what a sustainable store should be like, including using the most sus-

tainable building materials, reducing waste and CO₂ emissions, offering healthy and inspiring places for our co-workers to work in and bringing positive benefits to local communities by establishing long-term partnerships with suppliers, entrepreneurs and NGOs. Factors relating to store location, accessibility and operations will be addressed to provide a shopping experience with sustainability at its core.

Following our “Sustainable Store” project directive, we will build two test stores — one in Germany and one in Japan — due to open in 2016. What we learn there will help us do better as we grow globally.



New renewable energy projects

On-site projects in FY13

- Installed thin-film solar panels on the roofs of five IKEA stores in China where they will provide 10-15% of the buildings' electricity needs. The IKEA Beijing store's panels will generate about 452,000 kWh a year, meeting 5% of the store's electricity needs and reducing CO₂ emissions by around 386 tonnes per year.
- Doubled the number of PV panels on the roof of our Denver, Colorado store in the USA, boosting its generating capacity to 961,000 kWh per year, 12% of the store's electricity needs. At our Charlotte store in North Carolina, 11,334 m² of PV panels generate 1,330,000 kWh of clean electricity annually (that's 28% of the store's electricity needs). The installation reduces CO₂ emissions by 938 tonnes each year — equivalent to taking 195 cars off the road.

Off-site projects in FY13

- Invested in a new wind farm in Rämsberget, Sweden with seven turbines that will produce 72 GWh per year, enough to run about 16,000 homes a year. Having invested in three wind farms in Sweden with a total of 46 turbines, as of 2015 the IKEA Group will produce enough electricity to power all IKEA stores and facilities in Sweden.
- Opened a 26-megawatt wind farm in Rymanów, south-east Poland — 13 turbines will produce up to 61 GWh a year.
- Invested in a new wind farm in Ireland with expected annual production of 25GWh — enough to power 5,500 homes a year.

Investing in renewable energy

We want to be a leader in using renewable energy and we're investing €1.5 billion in renewable energy projects by 2015. We have already installed around 550,000 photovoltaic (PV) panels on more than 100 stores and other buildings in nine countries, and we have 96 wind turbines in operation in seven countries. We have committed to own and operate an additional 41 wind turbines, which will bring the total to 137 turbines. We use some of the electricity we generate from our PV installations and wind turbines and sell some to the grid.

In FY13, we produced renewable energy equivalent to 37% of our total energy con-

sumption (34% in FY12). In addition, IKEA Industry Group Solid Wood & Flatline Division made 691,536 MWh worth of waste wood pellets and briquettes that we sold to others. We also purchased 1,087 GWh of renewable electricity from the grid.

Renewable energy accounts for 61% of the total energy (electricity and heat) used by the IKEA Industry Group. Eighty-two per cent of IKEA Industry Group's heat energy comes from renewable sources. The heat is mainly used to dry wood flakes used to make particle board. We installed a new biomass boiler at a wood board production site in Sweden and are working towards converting all our boilers to biomass.

RENEWABLE ENERGY PRODUCED BY TYPE	FY12	FY13
Wind (GWh)	290	298
Solar PV (GWh)	29	68
Biomass (GWh)	899	1,059
Total (GWh)	1,218	1,425
Percentage of total energy consumption (%)	34%	37%

RENEWABLE ENERGY (PURCHASED ELECTRICITY AND ON SITE GENERATION) AS % OF TOTAL CONSUMPTION*	FY10	FY11	FY12	FY13
Stores	35	41	48	50
Distribution centres	34	39	51	54
IKEA Industry Group Solid Wood & Flatline Division	58	61	60	55
IKEA Industry Group Board Division	62	62	67	66
IKEA Components	-	-	-	49
Total	47	51	56	56

*Historical data revised for some years due to consolidation of data.

Transport

Around 3.5% of our total carbon footprint comes from the energy used to transport our products and 8.5% from customer and co-worker travel.

Product transport

Our products are moved from suppliers to distribution centres and direct to stores by our service providers using road, rail and sea. Our home delivery service is planned and operated by service providers. Efficient packing and packaging design is important because the more products we load into each container, the fewer trucks and ships we need, reducing CO₂ emissions.

We design our product range and transport network to minimise the shipments needed and reduce transport distances. Smart and efficient transport is an essential component of the IKEA business idea and prioritized at every stage. We're on track to meet our ambitious CO₂ reduction targets for transport, such as reducing CO₂ per cubic metre of products transported by 20% by FY16, compared with FY11.

We focus on:

- Optimising our ordering process, equipment, products, packaging and filling rates so more products can fit into each load and fewer shipments are needed.
- Increasing the use of rail and sea transport, a lower CO₂ emissions alternative to road transport.
- Co-operating with transport suppliers to increase the use of modern, fuel-

efficient vehicles, and to explore the use of more sustainable fuels, with a focus on road transport and customer home deliveries in big cities.

- Working with partners like BSR, a sustainable business membership organisation, Green Freight Europe and Green Freight Asia, to develop a common methodology for measuring CO₂ and other transport emissions. We work together to formulate common approaches to public policy, fuel consumption, CO₂ reduction strategies and use of alternative fuels.

- In FY13, we increased volumes per shipment by 1.7% compared with FY12 due to the use of larger equipment, improved packaging and loading solutions.

- A higher filling rate means less space is wasted in each shipment. Our filling rate remained flat at 62% and our goal is to

achieve 70% by FY14 for inbound transport (suppliers to distribution centres).

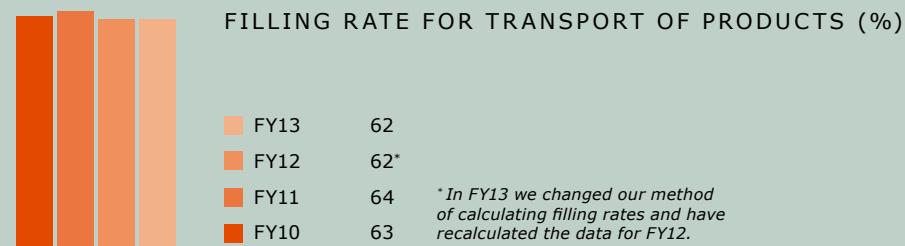
- Overall we reduced CO₂ per cubic metre of products transported by 3.5%, compared with FY12.

We're exploring new ways to cut carbon emissions from shunting trucks used to move shipping containers and trailers, and forklift trucks that move products around our warehouses. These account for around 10% of all CO₂ emissions from our distribution centres. Our warehouse in Lyon, France, is one of the first in Europe to introduce forklift trucks powered by hydrogen fuel cells. The hydrogen is produced with zero CO₂ emissions, either by using renewable energy or by capturing the CO₂ during production. In California, USA, we're testing the viability of an electric shunting vehicle.

In FY13 we opened a quilt and pillow filling station at our distribution centre in Valls, Spain. Filling material and textile covers are delivered to the station where they're made into finished products. Transporting raw materials separately and finishing the quilts and pillows closer to where they're sold in this way is more efficient than transporting finished products from the supplier, saving 2,000 tonnes of CO₂ per year and enabling us to reduce the price of the pillows and quilts by 9%.



TRANSPORT OF PRODUCTS	FY12	FY13	GOAL 2016
Increase in cubic metres of products per shipment (m ³ /shipment) compared with the previous year	2.5%	1.7%	-
Reduction in CO ₂ per cubic metre of products transported (CO ₂ grams/m ³) compared with FY11	7.3%	10.5%	20%
% of products delivered directly from supplier to stores	56%	60%	-





Promoting the use of electric vehicles

Electric vehicles (EV) may not be the right solution for everyone, but we believe they're a great way to travel to and from IKEA and we want to encourage more visitors to travel to our stores this way. This is why we're installing charging points at many of our stores, and as we increase the share of energy that we use from renewable sources, the electricity we use to charge our customers' cars will become greener too.

Around a quarter of IKEA stores have installed EV charge points for customers, with around 15% of IKEA stores having fast EV charge points on site for customers, a figure we expect to rise as we continue to invest in EV infrastructure. We have been testing charging posts at stores in France, Germany, Italy, Sweden, the UK and the USA. At our stores and head office in the USA, we have installed 55

electric vehicle charging stations in partnership with ECOtality.

In France, Europe's leading market for electric cars, we've installed free-to-use fast-charge stations where most electric cars will charge within 30 minutes, enabling customers to charge while they shop and to travel longer distances at no cost. Conventional charging takes eight hours.

Around 60% of Parisians neither own nor have easy access to a car. We're exploring how we can make it convenient to hire a car when they visit our stores. We're partnering with Hertz On Demand 24/7 and Nissan to provide 24/7 self-service electric vehicle hire at six stores in Île-de-France.

By the end of FY20, our goal is to make 50% of home deliveries in ten of the biggest cities with vehicles using non fossil fuels.

BUSINESS TRAVEL	FY10	FY11	FY12	FY13
Number of web and phone meetings*	82,434	104,920	146,015	189,416
Number of hours of video meetings	760	2,800	6,900	12,407
Business travel expenditure index (travel costs in relation to sales: FY07 = 100)	67	66	72	63
IKEA sites with video conference facilities	-	70	110	130

* In 2011 we incorrectly reported the number of web and phone meetings as the number of web and video meetings.

Co-worker meetings and travel

We encourage co-workers to reduce travel, for example by using web, phone or video for meetings. We now have 130 video meeting facilities installed at IKEA sites worldwide, but we know there's more to do to create a culture of using video meetings to replace travel. We've seen a 30% increase in virtual meetings since FY12. This has enabled us to reduce business travel costs relative to sales by 37% compared to our FY07 baseline. This contributed to travel costs being €5 million less in FY13 than in FY07, despite significant growth in our business since then. As well as helping to reduce costs and environmental impacts, using web, phone or video for meetings can help improve work-life-balance for co-workers by avoiding travel time.

When travel is unavoidable, our online booking tools and green meeting guidelines assist co-workers to select more sustainable transport and meeting options. We've updated the information on IKEA Inside (our co-worker intranet) to encourage the use of public transport whenever possible. Sustainability is a key criterion in selecting meeting and travel suppliers.

The "green leaf" symbol in our hotel guide helps co-workers choose hotels that

meet our environmental standards.

Customer travel

Millions of customers visit our stores every year, often travelling by car. This increases traffic, affecting local communities and increasing CO₂ emissions. Furthermore, the trend towards rising fuel prices and decreasing car ownership in urban areas will reduce our customers' ability to visit our stores.

That's why we want to offer our customers a range of more sustainable travel to and from our stores.

Nearly all our stores are accessible by public transport, and this is always a criterion when we select sites for new stores. Around two thirds of our stores display local public transport information, such as timetables, and many publicise an affordable home delivery service.

Approximately 15% of our stores offer IKEA shuttles and promote car sharing/car clubs for customers, and a quarter provide charging stations for electric vehicles (see Promoting the use of electric vehicles, left). Use of more sustainable travel options is much higher in some countries and we share this information with our store designers and managers worldwide.

4|3 RESOURCE AND ENERGY INDEPENDENCE

Water in our operations

Many parts of the world are suffering water stress and scarcity. We aim to use water as efficiently as possible at our sites. In FY13, we mapped local water availability in our supply chain and risks using the Aqueduct tool from the World Resources Institute (WRI). This identified a number of our own stores and distribution centres in areas of high or very high water scarcity and we will use the findings to target water efficiency projects.

In FY13 we developed a model to calculate our total footprint which will enable us to better identify the materials and locations with the greatest impact. The model showed that across our extended supply chain we use 770 million m³ of water. The largest share of water in our extended supply chain is used for the production of raw materials, particularly cotton. You can read about our efforts to increase our share of cotton from more sustainable sources which is grown using less water

than conventional cotton on p. 27. Read about how we're working with our direct suppliers to reduce their water use on p. 48 and about our solutions to enable customers to use less water at home on p. 15.

In FY13, total water use in IKEA buildings decreased by 12.8%, compared with FY12. We believe this decrease is due to incomplete data for our stores rather than progress in reducing water consumption. We're working to improve the data collection process to improve data quality.

Water used for solid wood and board material-based furniture production at IKEA Industry Group decreased by 10% compared with FY12. For board production we achieved a 9% decrease, compared with FY12.

We're studying ways to reduce our water footprint in our distribution centres. We missed our FY13 goal to reduce water use by 15% (on a 2010 baseline), achieving a 12% reduction.

WATER USE BY IKEA UNITS (m ³)	FY10	FY11	FY12	FY13
Stores ¹	3,927,551	4,438,075	4,608,175	3,853,637
Distribution centres	265,524	228,772	223,292	224,430
IKEA Industry Group Solid Wood & Flatline Division	483,096	510,742	542,595	505,220
IKEA Industry Group Board Division	283,277	503,861 ²	773,226	775,130
IKEA Components	-	-	-	4,830
Total	4,959,448	5,681,450	6,147,288	5,363,247

¹ Data excludes stores in Belgium and the USA.

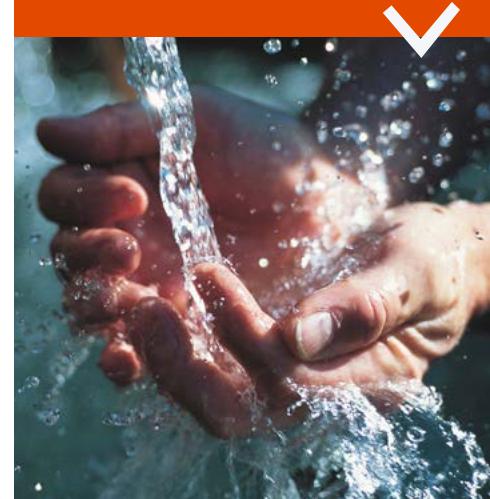
² Data for water use at Board Division in FY11 has been restated due to a mistake in reporting.

Principles of water positive

We have committed to being "water positive" by the end of FY20. We define water positive as helping to increase the availability of clean water where we operate.

We focus on those areas where we can have the greatest impact in our value chain by:

- Ensuring we use water efficiently in our own operations and in our supply chain.
- Improving water quality directly and in our supply chain to ensure the water we discharge is at least as clean as when it was extracted.
- Helping our customers to reduce their use of water by developing and promoting innovative and affordable products.
- Collaborating with others to create the conditions that provide sustainable clean water supplies for people and communities.



Waste

Most of our waste is generated from packaging and other materials used at our stores. We have high waste recycling and recovery rates but we want to go further and send no waste to landfill. We have set the goal of at least 90% of the waste from our stores and other operations to be sorted for recycling and energy recovery by FY15.

Thirteen out of 44 of our IKEA Industry Group factories have exceeded this target by sorting all their waste for recycling or energy recovery. They're sharing their expertise with others to support waste reduction worldwide.

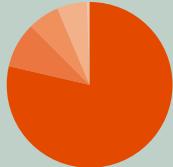
All stores sort materials such as cardboard, glass, metal, paper, plastic and wood for recycling. We're conducting trials to assess whether some waste streams can be recycled into new sources of material for our products.

In the majority of the countries where we have stores, food waste from customer restaurants and co-worker canteens is sorted for composting or sent to a third party that turns it into biogas that can be used to fuel cars and buses, or as animal feed. The majority of countries met the goal of no food waste to landfill or incineration. However, in the USA and Russia we did not find suitable alternatives to landfill for our food waste and we're working to address this. In FY13 we launched a set of guidelines on food waste for stores.

Whenever possible, we avoid products going to waste in our stores. Products returned by customers or damaged before

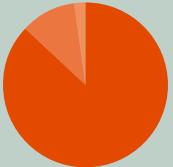
4|4 RESOURCE AND ENERGY INDEPENDENCE

WASTE PRODUCED
IN FY13 (%)



Stores	79%
Distribution centres	9%
IKEA Industry Group Solid Wood & Flatline Division	6%
IKEA Industry Group Board Division	6%
IKEA Components	0.3%

HOW WASTE IS
DISPOSED OF (%)



Share of total waste recycled and energy recovered	87%
Share of total waste to landfill	11%
Share of total waste incinerated without energy generation	2%

WASTE RECYCLING RATE (% total amount waste recycled or energy recovered) ¹	FY10	FY11	FY12	FY13
Stores	84	86	88	89
Distribution centres	91	90	94	95
IKEA Industry Group Solid Wood & Flatline Division ²	58	80	90	92
IKEA Industry Group Board Division	86	64	40	36
IKEA Components	-	-	-	98
Total	82	85	86	87

¹ Excludes waste wood used for energy recovery or reused in products.

² In 2012 we restated previous reported data to exclude waste wood.

WASTE PRODUCED, TONNES*	FY10	FY11	FY12	FY13
Stores	279,778	307,877	335,167	338,463
Distribution centres	34,369	41,758	41,933	39,428
IKEA Industry Group Solid Wood & Flatline Division	31,176	26,177	25,285	24,798
IKEA Industry Group Board Division	10,015	24,621	21,996	23,946
IKEA Components	-	-	-	1,391
Total	355,338	400,433	424,381	428,026

*Excludes waste wood used for energy recovery or reused in products.

being sold are repaired and sold for discounted prices in our As-is department in store. In more than half our stores, we have also installed repackaging machines to make it easier to repack and sell perfect products with damaged packaging, rather than selling at a discount or discarding. We plan to install repackaging machines at all our larger stores and will include the system in every new store. In FY13, through As-is and by using repackaging machines, we gave a second life to almost 70% of products that were returned by customers, damaged before being sold, or had damaged packaging (measured by sales value). As well as being better for the environment, this generated more than €320 million in revenue.

In FY13, 87% of our waste was sorted for recycling or energy recovery, compared with 86% in FY12. In FY14 we'll begin reporting separate data for waste sorted for recycling and waste sorted for energy recovery. We generated 1.8% more waste than in FY12. The changes in our total waste and recycling rate are due to uncertainties in data from our stores and a new board manufacturing unit in our Industry Group beginning production during FY13. The manufacturing site has a gas, rather than biomass boiler, which means some of their wood waste is sent to landfill. Conversion of the boiler to biomass is not economically viable under normal investment criteria, but we are looking at alternative financing options to make the conversion possible. Overall, our Industry Group generated 5% less waste

in furniture-production units (measured in kg of waste/m² product produced) and 2% less in board-production units (measured in kg of waste/m³ boards produced). We're working to improve the quality of the waste data collected from our stores.

In some of our stores we provide public recycling points, enabling customers to return batteries, light bulbs and appliances when they visit the store. These are recycled or disposed of by specialists.

Examples of how we're tackling waste at our stores include:

- The "Second life for furniture" campaign in France, which encourages customers to bring back used and no longer wanted IKEA furniture to be resold in store. The two-month pilot has been very successful and 24 of the 28 stores have chosen to continue offering the service.
- Our stores in Scotland participate in Zero Waste Scotland, a government programme which gives customers who recycle glass, plastic or aluminium drinks containers through one of our "reverse vending" machines a voucher to redeem in store, or the opportunity to make a donation to one of the store's selected charities.

Putting waste wood to good use at IKEA Industry Group

Manufacturing furniture can create a lot of waste wood. In FY13, IKEA Industry Group produced 952,357 tonnes of waste wood. Where possible, this is either reused to produce new wood boards or



sold to other companies as a raw material. If the waste is not suitable for reuse, it's burned in biomass boilers to generate heat or made into pellets and briquettes that can be used as a renewable fuel by other companies. Around 1% of the wood waste goes to landfill. In FY13, 99% of the waste wood was reused or incinerated for energy generation. 82% of heat needed by Industry Group sites was generated by biomass boilers.

IKEA Industry Group chemical management

The IKEA Industry Group makes products and product parts for IKEA. The Group takes great care to manage, or find alternatives for, the potentially harmful chemicals it uses.

Making wood-based panels involves binding together layers of wood with glue that contains formaldehyde, which is controlled by law as it can cause health problems if people are exposed to it above safe levels. We have strict standards governing the use of formaldehyde. The IKEA Industry Group is taking the lead in this area by working to a limit of one third of the emission limits permitted by the EU and we set a requirement for our home furnishing suppliers of one half of the emissions limits permitted by the EU.

We're working to bring our newly-acquired factory in Russia within our standards. Our researchers are continuously looking for effective glues that do not use formaldehyde. The first successfully developed formaldehyde-free new product

at IKEA Industry, COLIGHT, will be produced in FY14.

Air emissions of formaldehyde from our board factories are strictly monitored and must be within our limit (max. 10mg/m³, or 50% German TA Luft air limit of 20mg/m³). All existing Group factories comply. At the recently acquired Russian plant, we're upgrading the emission controls and installing a new Wet Electrostatic Filter (WESP) to further decrease emissions of dust, formaldehyde and other organics from the drying process. The WESP will be operational in FY14.

In FY13 we reduced the use of all chemicals in wood board production by 3% (compared with FY12). This avoids the use of around 5,000 tonnes of chemicals annually.

Energy and water in our supply chain

Reducing energy and water use in our own buildings is important, but we can make an even bigger difference by working with suppliers to do the same. Reducing water and fossil fuel use in the supply chain is good for the planet and can reduce costs for IKEA, our suppliers and our customers. We focus on:

Measuring suppliers' sustainability performance through the Supplier Sustainability Index and using that data in our product development.

Encouraging and enabling suppliers to improve energy efficiency, use alternative fuels and generate renewable energy through our Suppliers Go Renewable programme.

Supporting better water management to reduce consumption, improve quality and increase recycling, focussing on the water-intensive textiles sector.

Supplier Sustainability Index

We use our Supplier Sustainability Index to measure and improve the environmental performance of home furnishing suppliers.

Currently 95% of our suppliers participate in the Index. Each supplier is assessed on energy-efficient production, renewable energy and raw material use. We weight the results to reflect production volumes for each supplier, and then com-

bine them to create an overall index score.

Our goal is to improve the index score by 20% every year from FY13 to FY15. We exceeded this goal for FY12 with a 30.8% improvement compared with FY11. This reflects the work of our purchasing and business teams who support suppliers to develop and implement improvement plans.

We use the Index results as part of our Product Sustainability Scorecard, which helps us improve our product development (see p. 33).

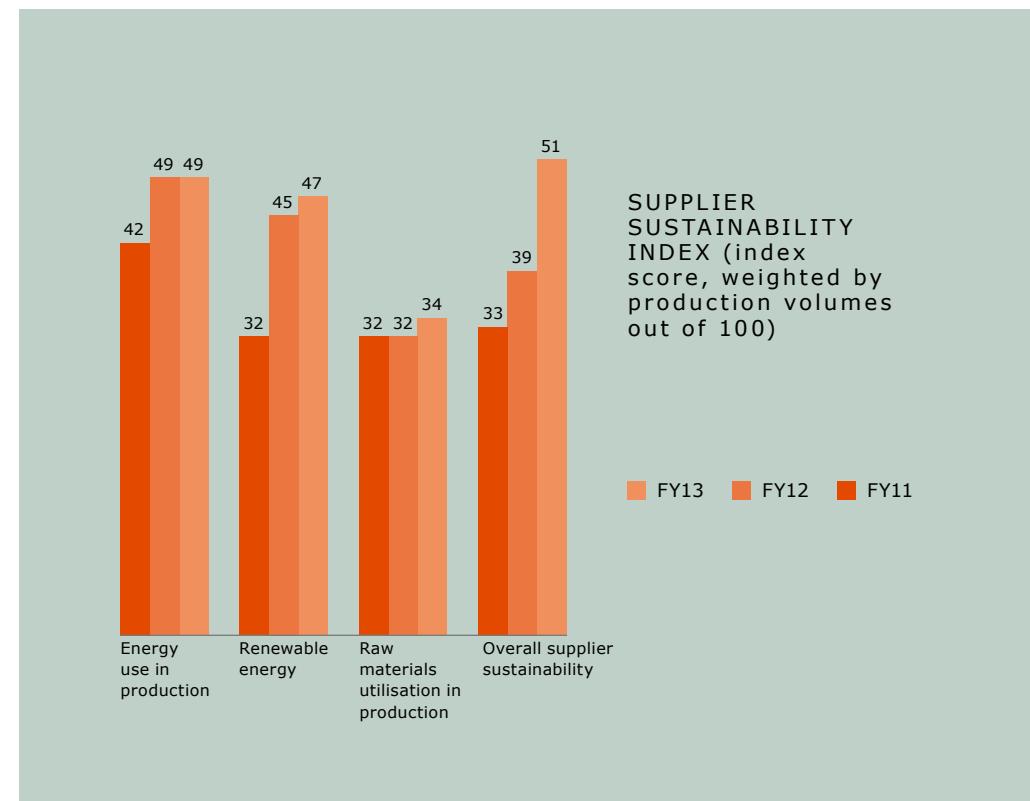
In FY13 the overall weighted Index increased to 51 out of 100 compared with 39 in FY12. Suppliers scored highest for energy efficiency (see p. 47) and they improved by two points for both raw materials and renewable energy.

Supply chain – energy and carbon

Most of our value chain carbon emissions come from raw material extraction, production and distribution. Raw material extraction by sub-suppliers is the most carbon-intensive part of our supply chain. Among our direct suppliers, the most carbon intensive sectors are glass and textile production.

We collected carbon emissions data from 95% of home furnishings suppliers in 2012, and estimated the remainder.

PEOPLE & PLANET POSITIVE TARGETS	→	PERFORMANCE in FY13
Improve Supplier Sustainability Index score by 20% each year.		Supplier Sustainability Index score increased by 30.8% compared with FY12.
By the end of FY17 — 20% improvement in supplier energy efficiency from FY12 levels.		Energy efficiency of direct suppliers improved by 10% compared with FY12.
By the end of FY20 — home furnishing suppliers will be 30% more water efficient than in FY12.		Suppliers 1.5% less water efficient compared with FY12.
By the end of FY15 — home furnishing suppliers will be 20% more carbon efficient than in FY12.		Suppliers were 0.1% more carbon efficient than in FY12.



Suppliers go renewable

IKEA aims to take a lead in increasing energy efficiency while generating and using renewable energy. We encourage our suppliers to do the same. Our Suppliers Go Renewable project supports suppliers in improving their energy efficiency and boosting their use of renewable energy. The project builds on what we learnt from our Supplier Energy Efficiency Project, which involved 100 suppliers in joint projects. Suppliers Go Renewable includes our work with all suppliers on energy management through the Supplier Sustainability Index. We also focus on suppliers with relatively high energy use who are considered priority suppliers and long-term partners of IKEA.

We're running 50 collaborative projects with suppliers during FY14, and planning a further 50 for the following year. The projects include an initial energy audit and assessment to identify opportunities for improved energy management. Targets

are developed as part of each assessment, and are specific to the supplier and the task. We support suppliers by covering half of the cost of the initial assessment and by giving them access to energy specialists in each region. We will share what we have learned from the first 50 projects with our other suppliers.

Performance in FY13

During FY13, direct home furnishings suppliers improved energy efficiency by 10.9%, reflecting our focus on improving supplier energy management.

The proportion of renewable energy used by our suppliers increased slightly from 24.8% to 25.3%. This probably reflects changes in the mix of energy sources in national grids, rather than significant supplier investments in renewable energy.

Carbon efficiency of suppliers stayed stable, despite improvements in energy efficiency and renewable energy use. This was due to more complete reporting of

Tier 1 Home Furnishing (HF) supplier energy and water consumption and carbon emissions	FY12	FY13	RESULT
Tier 1 HF supplier energy consumption			
Energy consumed (kWh)	7,852,932,552	7,132,304,481	-9.2%
Energy efficiency (kWh/m ³ product purchased)	308	274	-10.9%
Renewable share	24.8%	25.3%	2.0%
Tier 1 HF supplier carbon emissions			
CO ₂ eq (kg)	2,024,195	2,061,925	1.9%
CO ₂ efficiency (kg CO ₂ /m ³)	79	79	-0.1%



Working with suppliers on energy – what we've learned

Improving energy efficiency isn't always straightforward. During FY13 we ran pilot projects with five suppliers in China, to understand what we can do to support suppliers and discover the best ways for them to improve energy efficiency and install renewable energy generation. The results from these projects have shown us that:

- Suppliers can improve their energy efficiency by at least 10-20%.
- Suppliers need mainly technical support — partnering with expert energy consultants and local energy conservation and supervision centres is essential.
- Pay-back periods can be long because many suppliers need to invest in more efficient machinery, production improvements, or make structural improvements to enable installation of photovoltaic (PV) panels. IKEA can help suppliers identify low-cost changes.
- Government subsidies are essential to help suppliers benefit from renewable energy. Flexible

financing options, supported by IKEA, could help.

Similar pilot projects are underway in other countries. For example, already during FY13, the learnings from these projects has highly influenced the way we have developed Suppliers Go Renewable. We ran pilots with seven suppliers in Lithuania and Poland helping them to identify reduction opportunities, understand cost savings and government subsidies, share efficient energy practices and knowledge about renewable energy, and to engage their co-workers in saving energy.

Across all our Suppliers Go Renewable projects, we've found our collaborative approach with suppliers is effective and they appreciate our recommendations on how to improve.

We've found that implementing renewable energy generation is more challenging for suppliers than improving energy efficiency. Using the expertise of external consultants is particularly valuable in supporting suppliers.



Improving water treatment in Bangladesh

Access to clean, safe water is something many of us take for granted.

But in Bangladesh, the management of wastewater and effluents is often ineffective. Municipal water treatment facilities — where they exist — struggle to keep up with the pace of urbanisation and population growth. This can harm health and the environment, especially during frequent flooding in the rainy season.

In partnership with GIZ (German International Zusammenarbeit, a sustainable development consultancy), we've created a 60-hour certificated training course for wastewater plant

operators and managers who work at our supplier sites.

The course, developed in conjunction with local universities, covers basic first aid and fire fighting, occupational health and safety, a range of practical exercises, and standard operating and maintenance procedures for wastewater treatment facilities. The course has been designed to enable IKEA suppliers to meet our IWAY supplier code of conduct requirements by managing their waste water better.

Five suppliers participated in the pilot in FY13 and 15 people have been certified.

greenhouse gas emissions in FY13.

We measure energy use at suppliers through our Supplier Sustainability Index. The volume and quality of data improved this year, and as a result we have restated our energy consumption data for FY12.

Water in our supply chain

In FY13, our home furnishings suppliers used 35.5 million m³ of water, equivalent to filling more than 14,200 Olympic swimming pools.

Textile production is our most water-intensive manufacturing process and suppliers in Bangladesh, China, India, Turkey and Pakistan use most of the water used in our value chain. Metal production and growing the plants that we sell in-store also use significant amounts of water. In our sub-supply chain, our most significant water footprint is cotton cultivation (see p. 27).

Improving water efficiency and quality

Our target is for home furnishing suppliers to improve water efficiency by 30% by 2020 from FY12 levels. Direct suppliers' water use increased by 3.5% and water efficiency decreased by 1.5%. This is because water is still relatively cheap in many places and there is little incen-

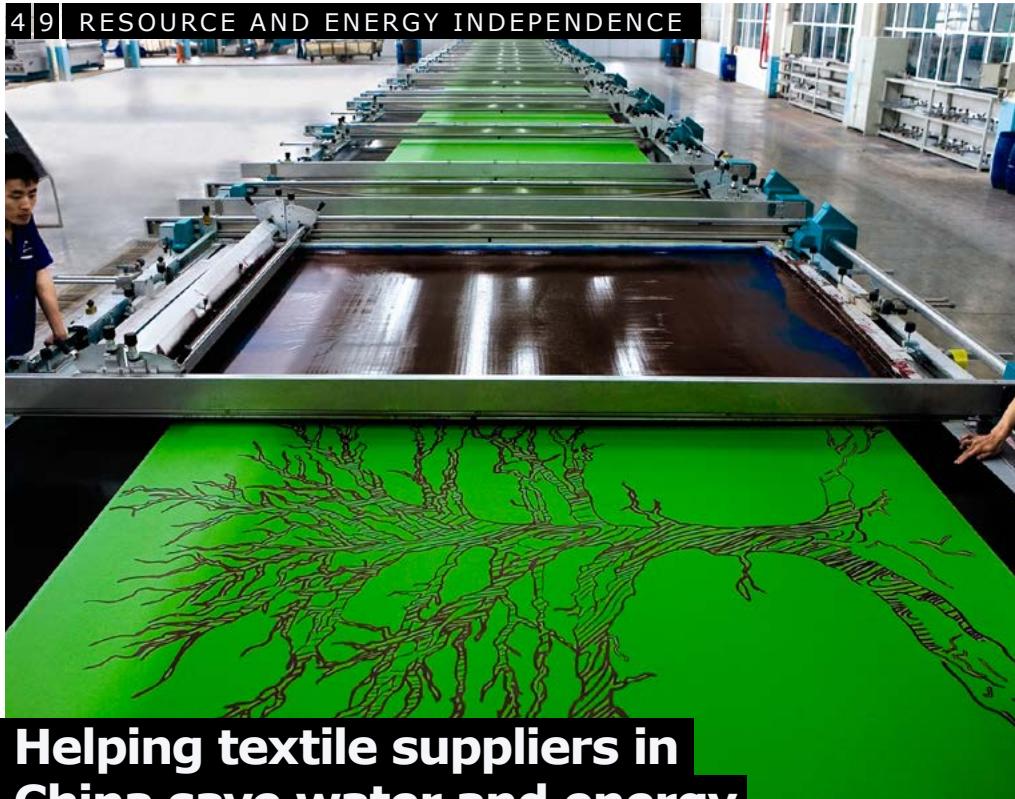
tive to use less. In addition, our water efficiency projects are just beginning, and have not been extended to many of our suppliers yet. We have been working on a new, IKEA-wide water efficiency strategy which will also include suppliers. This will be launched in FY14 and we're expecting quick progress.

Our regional network of water experts supports suppliers to reduce water use and increase water recycling, focussing on suppliers in water-stressed regions like Bangladesh, China, India and Pakistan.

Our pilot projects in Bangladesh and China during FY13 (see p. 49) showed us suppliers can reduce water use by up to 20% through better water management and recycling. However, incentivising water efficiency can be challenging, since even in countries with water scarcity the price of water is still low compared with other resources such as energy. Projects that tackle energy and water use together can be more effective because the two issues are closely connected.

Water stress varies according to region and country, and within countries. In FY13, we mapped local water availability and risks using the Aqueduct tool from the World Resources Institute (WRI). This identified that a number of our suppliers

Tier 1 Home Furnishing supplier water use*	FY12	FY13	RESULT
Water (m ³)	34,340,809	35,548,668	3.5%
Water efficiency (litres/m ³)	1,346	1,367	1.5%



Helping textile suppliers in China save water and energy

YuYue Home Textile Company in China, an IKEA supplier, has already made many environmental improvements to its factory. Now we're working together to reduce water consumption and energy use by up to 15% by August 2014.

The project includes repairs to leaking water and steam pipes, and improved insulation on equipment used for scouring (when impurities are removed from fabric using very hot water and chemicals). Together these changes help YuYue reduce the loss of steam and water. The preparation of

dyes is now automated, and the input of water and chemicals is now monitored digitally, enabling more efficient use of resources.

Through the project YuYue will save 114,000 m³ of freshwater each year, equivalent to the annual water consumption of around 2,296 people in China*. Every year, the factory will save 13,969 MWh of energy, reducing CO₂ emissions by 4,299 tonnes (equivalent to the impact of one person flying from New York to London and back more than 4,000 times).

*Based on average of 136 litres per person per day in Harbin, China.
Source: Domestic water consumption – A field study in Harbin, China, 2008.



Bangladeshi textile supplier cuts water use

Reusing wastewater is one of the many production changes that has helped an important textile supplier reduce its water use.

Our orders account for up to 40% of the production of Zaber and Zubair Fabrics in Bangladesh, where water is often scarce and of poor quality.

We worked with Zaber and Zubair Fabrics to identify opportunities to reduce water consumption, and achieved a 9% reduction.

Improvements included a new aerated system for cleaning print screens

that significantly reduces water use, and reusing waste water for printing.

Zaber and Zubair expects to save around 292,000 m³ of water per year, equivalent to the annual water consumption of around 10,256 people in Bangladesh*. The changes they've made will make it easier to comply with tougher laws on water use in Bangladesh.

We're working with other textile suppliers and we will use what we learned during this project to save water elsewhere.

* Based on average of 78 litres per person per day in Rajshahi, Bangladesh.
Source: Water and Sanitation Program–South Asia (WSP-SA) Survey, 2008.

are located in areas of high or very high water scarcity. We will use the findings and the results of our pilot projects to inform the development of further water projects with suppliers during FY14. Where appropriate, we will take a combined approach to energy and water.

Our IWAY supplier code of conduct requires suppliers to have fully functioning effluent treatment plants to protect water quality. We have started to collect water quality data from suppliers and will use this to develop standards. We rolled out guidelines for textile suppliers on how to improve water recycling, which affects both water consumption and wastewater quality.

Working with the IKEA Catalogue supplier

In FY13, we printed 212 million copies of the IKEA catalogue in 29 languages, using 21 paper and print suppliers. We also publish the catalogue online and via a mobile app, and are mapping our digital supply chain. This will lead to a better understanding of how to measure the environmental impact of our digital products. To date the IKEA catalogue app has been downloaded more than 8.5 million times and we've received 65 million visits to the online catalogue.

We measure the environmental impact of producing the printed catalogue and work with suppliers to reduce energy and water use, cut waste and CO₂ emissions, increase the contribution of renewables, and to source more sustainable paper.

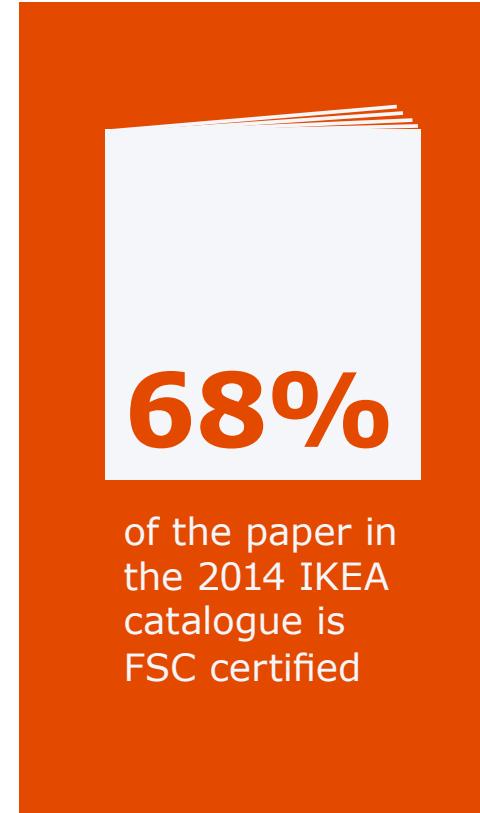
We have challenging goals to improve the overall sustainability performance of the IKEA catalogue by 2016. We aim to reduce energy use by 10% and CO₂ emissions by 20% for the 2016 catalogue, compared with 2012. Our target is that 60% of the energy used should come from renewable sources and all the paper fibre used should be recycled stock or Forest Stewardship Council (FSC) certified.

In FY13, we tripled the amount of FSC-certified wood used in paper production to 68% (compared with FY12), exceeding our goal of 60%. We made progress on reducing the total volume of water and energy used, increasing renewable energy. The percentage of recycled fibre remained stable at around 2%. Despite this, total CO₂ emissions increased, mainly because of better data from suppliers. During FY14 we will increase efforts to reduce CO₂ emissions and work with suppliers to improve data quality and ensure that reporting is aligned to international standards.

We request information on catalogue supplier sustainability performance before negotiating contracts and use this information to select suppliers that support our ambitious goals. In FY13, we introduced the new IKEA supplier code of conduct, IWAY, to all catalogue suppliers (see p. 66).

We organised workshops with co-workers, suppliers, WWF, and paper, print and digital consultants to explore the best ways to improve the sustainability requirements for the suppliers of the IKEA catalogue in FY14.

We worked with WWF to review our



requirements for paper suppliers and will rollout industry-specific requirements during FY14. Assessing the environmental performance of digital suppliers is particularly complex and we're requesting more information from suppliers.



IKEA CATALOGUE ENVIRONMENTAL DATA

	FY10	FY11	FY12	FY13	FY16 TARGET
Printed number of catalogues (millions)	197	208	212	211	-
Catalogue paper (tonnes)	102,476	108,450	107,373	107,083	-
ISO 14001 certified paper suppliers (%)	89	100	94	100	-
FSC-certified Chain of Custody fibre (% of virgin fibre content)	21	30	23	68	100
Recycled fibre content (%)	11	4	2	2.3	-
Share of renewable energy (%)	50	48	42	51	60
Total carbon emissions from production of catalogue (tonnes CO ₂)	95,905	88,916	90,744	92,308	-20% from FY12
Total energy used from catalogue suppliers (MWh)	584	569	570	587	-10% from FY12
Total water use from catalogue suppliers (m ³)	2,815,209	2,832,017	2,833,300	2,870,188	-

ENVIRONMENTAL DATA PER CATALOGUE COPY

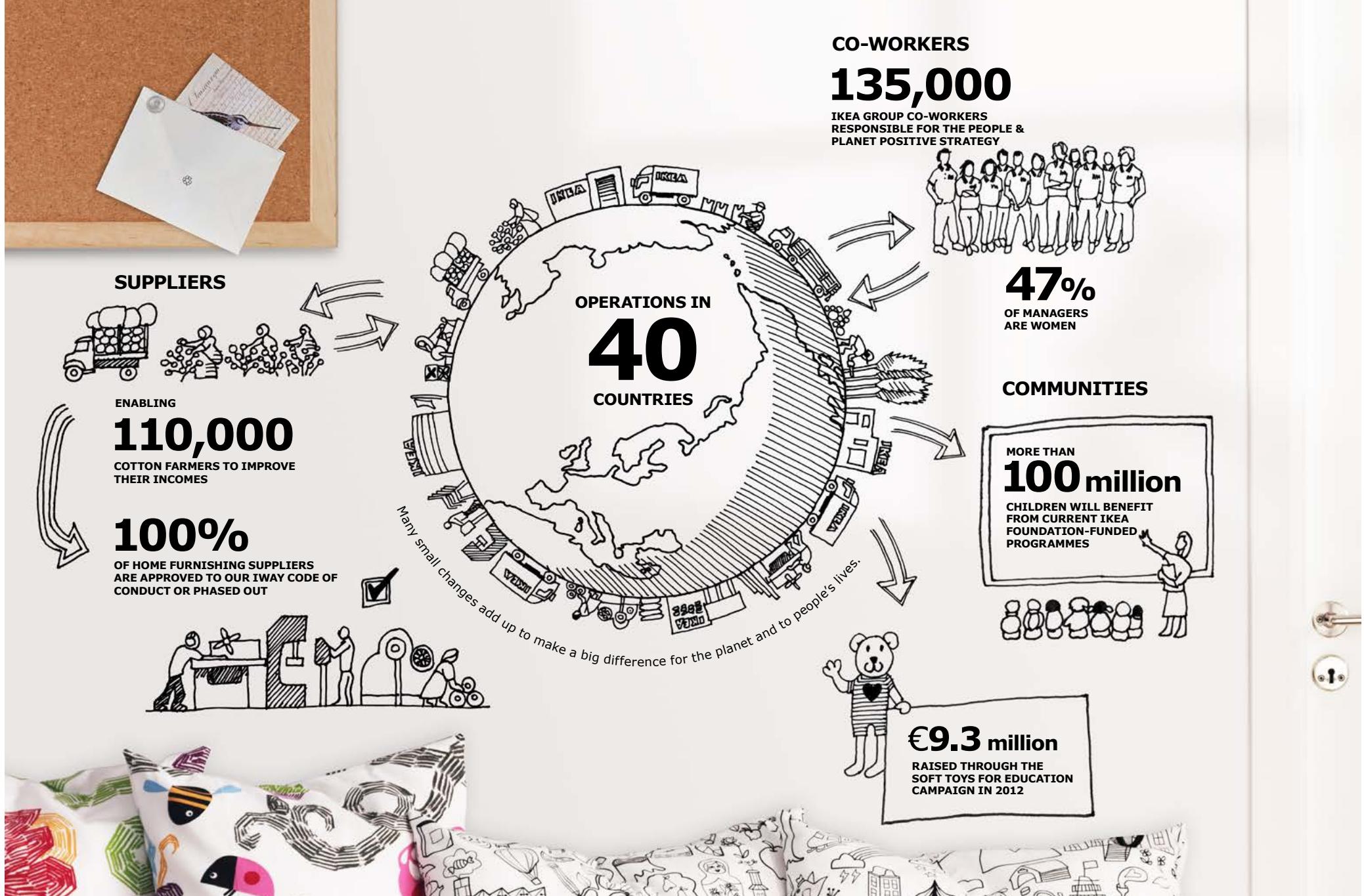
	FY10	FY11	FY12	FY13
Water consumption (litres/copy)	14.26	13.55	13.39	13.62
Energy consumption (kWh/copy)	2.96	2.72	2.69	2.79
Fossil carbon dioxide (kg CO ₂ /copy)	0.49	0.43	0.43	0.44
Emissions to air (gr VOC/copy, Volatile Organic Compound)	1.12	1.15	1.12	1.01
Emissions to wastewater (gr COD/copy, Chemical Oxygen Demand)	3.49	3.47	4.29	3.94

A better life for people and communities

We want to take a lead in creating a better everyday life for all the people and communities touched by our business.

We focus on making IKEA a great place to work, and through IWAY, our supplier code of conduct, we can have a positive influence on the working conditions of the 600,000 people in our direct supply chain too. Respect for human rights is part of how we work at IKEA, and we pay particular attention to protecting children's rights. Projects funded by the IKEA Foundation improve life for vulnerable children and their families around the world.





A great place to work



Our co-workers make IKEA a unique company and we value them greatly. We grow IKEA by giving all our co-workers the opportunity to develop, learn and take on challenging tasks.

We want IKEA to be appreciated and recommended as a great place to work. In FY13 we launched our new People Strategy that builds on our culture and values. It outlines our approach to, and relationship with, people (including co-workers), and describes how we can create a better eve-

ryday life for ourselves and our customers.

We encourage a team spirit at IKEA and are always looking for people who share our humanistic values.

Our culture is built on our values, reinforced through leadership-by-example and our Code of Conduct "Good Business with Common Sense", launched in FY12. In FY13, we trained 120,000 out of 135,000 co-workers on our code of conduct (see p. 78).

PEOPLE & PLANET POSITIVE TARGETS

Ensure the requirements we place on our own operations, with regards to environmental, social and working conditions, meet or exceed those we require of our suppliers using our people strategy.

PERFORMANCE in FY13

Launched IKEA Group People Strategy 2020 and a global IKEA Diversity and Inclusion approach.

***In FY13, there were
135,000 IKEA co-workers
in 43 countries around
the world.***

OUR PEOPLE STRATEGY

Culture and values - The values are the foundation of our work. By living them, we form the unique IKEA culture where team spirit and enthusiasm are key.

Talent management - Every person is seen as a talent and every individual contributes to the growth of the business. We believe in people and invest in their development so they feel recognised and appreciated.

Leadership and diversity - Our high-performing leaders are passionate about leading the business through people. Diverse co-workers mirroring society improve the business results, strengthen our competitiveness and make IKEA a great place to work.

Building competence - We see learning as the process of developing competence. We learn from our customers and our suppliers. We learn from our experiences, and we learn from each other. By sharing our knowledge and experience we can create a better IKEA.

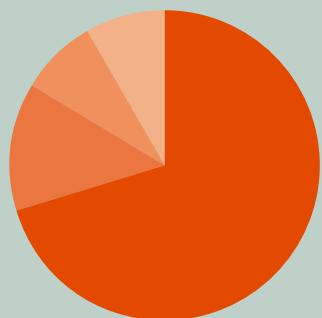
Workplace - In an increasingly virtual work environment, we will use modern ways of working to inform, connect, network and collaborate. Modern technology helps us to encourage a dialogue in an open, honest and trustful climate.

PEOPLE STRATEGY 2020 AND OTHER TARGETS		PERFORMANCE IN FY13
Ensure every co-worker has an agreed, individual development plan		88% of co-workers had an individual development plan*
By 2020 50% of managers will be women		47% of managers are women
By 2020 achieve a Leadership Index result of 75 in our VOICE survey		The Leadership Index result was 74
By FY20 achieve a VOICE index of 725 in our VOICE survey		The VOICE index was 711

* Data relates to 70,000 out of the 82,488 participants of our VOICE survey who had completed a development talk in the past 12 months.

CO-WORKER TURNOVER (%)	FY10	FY11	FY12*	FY13
Part-time	20.5	22.3	18.0	15.4
Full-time	10.6	11.5	10.7	11.5
All	14.8	16.1	16.1	12.8

* Numbers restated due to administrative errors in FY12.



GENDER DIVERSITY (% of women)*	FY10	FY11	FY12	FY13	2020 GOAL
All co-workers	52	55	52	54	-
All managers	39	40	47	47	50

* Data representing 80% of IKEA Group headcount.

Diversity and inclusion

In FY13, the share of all co-workers who are women increased to 54%, from 52% in FY12. The share of managers who are women remained stable at 47% and we did not progress further towards our goal of 50% by 2020.

In FY13, we launched the new global IKEA Diversity and Inclusion Approach, which gives each IKEA unit responsibility for setting diversity goals and KPIs. Its aim is to create an inclusive work environment where co-workers are recognised for their unique contributions. The approach covers diversity in all its forms, from gender, ethnicity, sexual orientation, physical ability, and age to nationality, educational background, parental status, and work experience.

Co-worker networks can help foster an inclusive work environment. In FY13, we launched the IKEA Women's Open Network (IWON), which aims to inspire, connect, empower and enable women in leadership positions at IKEA and to contribute to a more inclusive work climate and better gender balance. One hundred and fifty leaders attended the first meeting and a further three regional meetings will be held in FY14.

Women account for only a small proportion of senior executives in Swedish listed companies. We've partnered with nine major Swedish companies as part of the "Battle of the Numbers" project, which aims to achieve better gender balance at senior levels, boosting both the profitability and competitiveness of companies. Ten

women from each company will meet to explore opportunities to improve career opportunities for women and to share best practices within the group and beyond.

Learning and development

We consider every co-worker a talent, and we aim to offer exceptional learning and career possibilities at both a local and global level.

Co-workers meet regularly with their managers to review their career aspirations and to create an individual development plan. This encourages and enables them to develop their skills and advance their career with IKEA. In FY13, 88%* of co-workers had an individual development plan.

Co-workers are encouraged to challenge accepted solutions, test new ideas and see mistakes as opportunities to grow and develop. Alongside on-the-job training and courses, co-workers can also complete e-learning courses relevant to their function. In FY14 we'll launch a training course on sustainability to help co-workers understand how they can contribute in their day-to-day work.

* Data relates to 70,000 out of the 82,488 participants of our VOICE survey who had completed a development talk in the past 12 months.

Health and safety

Providing a healthy and safe environment for our co-workers is an absolute priority and we never compromise in this area.

We launched a new health and safety standard in FY13 that will help us improve

consistency across our markets. It states our commitment that all co-workers shall experience a healthy and safe workplace at IKEA; physically, mentally and socially.

Managing health and safety issues is integrated into our daily work, and we take a proactive and preventative approach. For example, every day, the duty manager walks through the store before opening to check compliance with our internal safety standards. Our approach at all IKEA units

includes:

- Mandatory safety training for all co-workers.
- Safety committees, made up of co-worker representatives and managers.
- Safety co-ordinators who conduct risk assessments and review safety risks.
- Tracking near-miss incidents and other leading indicators to create a safety culture and prevent future accidents.

We deeply regret the death of a con-

tractor, a forklift truck driver, who lost her life while working at one of our distribution centres in Germany. The contractor was moving a pallet of products at the time of the accident. A full investigation was carried out by IKEA Group, the contractor's employer and local authorities. It was found that standard procedures were not followed at the time of the accident. No wrong doing by IKEA or the person's employer was identified. All drivers at the distribution centre attended extra safety retraining and awareness sessions following the incident.

In FY13, the reported number of occupational accidents for all IKEA organisations increased slightly compared with FY12 due to more complete data.

In the IKEA Industry Group the occupational accident rate improved at both the Solid Wood & Flatline Division and the Group Board Division, with a 37% improvement at the Solid Wood & Flatline Division compared with FY12.

Communication and engagement

Good internal communication is an important part of creating the right culture and motivating and engaging co-workers in every part of the business. Managers must make sure their teams are kept up to date and receive the information they need to do their jobs. We provide communications training and tools to support them.

As well as our intranet site, IKEA Inside, accessible to two thirds of all co-workers, we use internal magazines, meetings, vid-

eo screens, closed-circuit radio and notice boards to keep co-workers updated. Our quarterly co-worker magazine, ReadMe, with articles on company and product news is translated into 19 languages and 55,000 copies are distributed worldwide, as well as made available on IKEA Inside.

We're committed to open dialogue with co-workers and their representatives. The more our co-workers feel their workplace is safe, that their concerns are heard, and that they're well treated, the more motivated we'll all be. That's why we expect managers to be proactively involved in co-worker relations and to make communication with co-workers a priority in their daily work.

We respect the rights of co-workers to join, form or not to join a co-worker association of their choice without fear of reprisal, interference, intimidation or harassment. Dialogue between co-workers and their manager is the most important element for creating an open culture and there are different forums in place in the countries where we work to further facilitate this dialogue.

Our co-worker survey, VOICE, enables us to better understand co-worker views, assess how engaged they feel with their work, and identify areas where we can do better. It's conducted by an independent organisation to ensure confidentiality and each part of the business participates at least once every two years. In FY13, over 82,000 out of a total of 135,000 co-workers participated in the survey. The survey showed that 70% of co-workers agree

OCCUPATIONAL ACCIDENTS (number of accidents requiring 3 days or more absenteeism)	FY12	FY13
Stores	1,448	1,277
Supply	136	124
Industry Group*	1,436	1,664

* Accidents requiring one day or more absenteeism.

INDUSTRY GROUP OCCUPATIONAL ACCIDENT RATE (accidents requiring one day or more absenteeism per million hours worked)	FY10	FY11	FY12	FY13
IKEA Industry Group Solid Wood & Flatline Division	16.45	15.07	9.62	6.07
IKEA Industry Group Board Division	-	16.61	12.71	12.53

VOICE RESULTS	FY10	FY11	FY12	FY13	GOAL
VOICE index	659	716	712	711	725 by FY20*
Leadership index result	73	74	74	74	75 by FY15

* Goal revised from 700 by FY15 as we've already met that goal.

with the statement, "Within my department sustainability is a natural part in the everyday work" (FY12: 70%), and 82% agree with the statement, "I am proud of the way that IKEA works with sustainability (FY12: 83%). The results of VOICE are not directly comparable between years as different parts of IKEA, and different numbers of people, participate in different years.

In FY14 we will launch new training materials and projects to emphasise the relevance of sustainability to people's roles and to inspire them to take action.

We use the results of the VOICE survey to create an overall VOICE index and a Leadership Index, which enables us to identify opportunities to develop and improve our business. In FY13, VOICE index was 711 out of 1000 (712 in FY12), and the leadership index was 74 out of 100 (74 in FY12). The company that conducts the survey classifies a result of 700 or above as "excellent, suggesting the organisation is well equipped to generate business value".

In FY13, we launched a trust line that co-workers can use to report any concerns they don't feel able to raise through their manager or human resources.



Human rights at IKEA

At IKEA, we want to have a positive impact on people's daily lives, from our co-workers and customers to the people working in our supply chain and in the communities connected to our business.

Respect for fundamental human rights is an essential part of our vision: to create a better everyday life for the many people. We're guided by the United Nations Guiding Principles on Business and Human Rights, 2011 that set out the responsibility of businesses to respect human rights and the Children's Rights and Business Principles launched by UNICEF, Save the Children and the UN Global Compact in 2012.

We want to support positive economic, environmental and social development, and we need to take special care to protect vulnerable groups — those who may be at a higher risk of experiencing human rights violations. Simple questions guide us to constantly improve. We strive to always ask: "What's in the best interest of the child; IKEA co-worker; worker in our supply chain; environment?"

Respect for human rights is part of how we work and is integrated into important policies, codes and standards like:

- The IKEA Way on Preventing Child Labour
- IWAY, the IKEA Way on Purchasing Products and Services (our Supplier Code of Conduct)



Children and human rights

Children are the most important people in the world. All our actions should always have the best interests of the child in mind. We take a holistic approach to children's rights.

We design our stores and products to be good for children and we create our Children's IKEA range specifically to inspire them and support their development. We make sure children feel welcome and can play when they visit IKEA. We're especially careful when developing products designed for children — promoting safety, education, play and development.

In many countries, young workers, particularly those between the ages of 15 and 18, don't have the opportunity to continue their schooling. We support the legal employment of young workers by providing entry-level jobs and enabling their career development. All our younger workers are employed under

conditions that support their development and do not put them at risk.

The IKEA Way on Preventing Child Labour outlines our strict policies that prohibit child labour in our supply chain and explains how we will act in the best interests of the children involved if any cases of child labour are found. Having implemented policies preventing child labour in high risk places like India for many years, we launched the standard in 2000 and regularly update it. As part of IWAY, these requirements are being extended to our sub-suppliers too.

Since 1994 IKEA Group and the IKEA Foundation have been working with organisations like UNICEF and Save the Children to fight the root causes of child labour and promote a better quality of life for communities in our wider supply chain. The projects supported by the IKEA Foundation tackle issues such as poverty, lack of schools and trained

teachers and inadequate healthcare systems.

We supported the launch in 2012 of the Children's Rights and Business Principles, by UNICEF, Save the Children and the UN Global Compact. During FY13 we helped UNICEF to pilot a checklist, workbook, reporting guidelines and policies that will help businesses implement the Principles. These were released in autumn 2013, and we'll use them to help us promote the rights and wellbeing of children throughout our business. We supported launch events for the Principles at local UNICEF and Save the Children offices in Belgium, Brazil, the Netherlands, Spain, Sweden and the UK. We presented our approach to children's rights at these events to encourage other companies to implement the Principles.

- IKEA Code of Conduct
- IKEA Group policies and standards

While we do our best to reduce the risk of human rights abuse, it is not possible to eradicate the risks altogether. That's why we keep working to promote respect for human rights, to improve our due diligence processes and, when necessary, to provide "access to remedy". Access to remedy refers to the steps an organisation takes if it finds it has caused or contributed to human rights violations.

We regularly review and update our systems, aiming to make consideration of human rights central to the way we think about our work and make decisions.

Progress in FY13

In FY13, we focussed on understanding and addressing the specific human rights issues and risks in each area of our business, including starting a continual review of our programmes and processes to make sure they reflect the UN Guiding Principles on Business and Human Rights and the Children's Rights and Business Principles (see Children and human rights p. 58).

We set up a working group of co-workers from different parts of IKEA to lead our efforts on human rights. The group works to strengthen the processes we have in place, and to help us continually improve.

Some people and communities are at a higher risk of human rights abuse and we've identified potentially vulnerable groups connected to our business. These include: children, young workers, women, home-based workers and migrant work-

ers. In FY14 we will continue to work with our partners to promote and protect the human rights of these vulnerable groups. We'll focus in particular on improving working conditions by reducing the risk of child, forced and bonded labour, promoting safe working environments and ensuring fair wages.

We launched the IKEA trust line, a confidential telephone and email service through which co-workers can report violations of IKEA policies and unethical behaviour (see A great place to work p. 54). There is also a telephone and email service through which suppliers in Asia Pacific, Russia, Ukraine and Belarus can report violations of IKEA policies and unethical behaviour. The IKEA Supplier Ombudsman is a neutral mediator that helps IKEA and suppliers resolve disputes that could not be solved through normal business channels.

Throughout our business we continually look to improve how we work, to respect human rights and to protect vulnerable groups. You can read more about what we're doing on the following pages:

Wood p. 22

Cotton p. 27

Co-workers p. 54

Suppliers p. 60

IKEA Foundation p. 70

Governance and ethics p. 73

"Through their innovative sustainability strategy People & Planet Positive, IKEA is now taking the lead in connecting children's rights and sustainability throughout the supply chain and is one of the first global corporations to actively work on the implementation of the Children's Rights and Business Principles. We welcome the increased focus by IKEA on children's rights – it's essential to explore how sustainability can be more clearly connected to children and how children can be involved at all levels. IKEA as a pioneer set a new standard for how we furnish our homes. This is a golden opportunity to set a new standard for corporations on how the world treats children."

*Elisabeth Dahlin,
Secretary General, Save the
Children Sweden and Chairperson,
Global Lead Agency for the IKEA
Foundation Collaboration*



"Children are the most important people in the world and we believe that all our actions should always have the best interests of the child in mind. We want our products to be fun for children and support their development and our stores to be safe and welcoming. Throughout our supply chain we will promote working practices that allow a good quality of life for families. We are working to ensure the implementation of the Children's Rights and Business Principles throughout our business, and together with our partners, we will strengthen our efforts to create lasting change and continue to be a strong advocate for children's rights."

*Greg Priest,
Head of Sustainability Policy and
Compliance, IKEA Group*



The best place to work — suppliers

More than 600,000 people work for our home furnishing suppliers in over 50 countries. We support and encourage suppliers to create good places to work and we're determined to have a positive influence on more people's lives across our wider supply chain.

IWAY — the IKEA Way on Purchasing Products, Materials and Services — is our supplier code of conduct launched in the year 2000. By systematically applying IWAY and supporting our suppliers, we've been able to initiate thousands of improvements in social and working conditions globally.

IWAY is integrated into the way we work with suppliers. Our purchasers, who are IWAY trained, are frequently at supplier sites and we have around 80 full time

IWAY auditors and developers supporting the implementation process, as well as contracted third-party auditors who verify the IWAY results.

IWAY has helped us develop long-term partnerships with suppliers. More than 65% of our home furnishing suppliers have worked with us for more than five years and the average length of a supplier relationship is around nine years. Since the start of IWAY, we've expanded the scope of its implementation from our first tier home furnishing suppliers to areas such as transportation, warehousing, food, retail operations and our non home furnishing purchases that support IKEA operations globally. We have also begun to go further back in our supply chain focusing on critical regions and industries

PEOPLE & PLANET POSITIVE TARGETS

By the end of FY15 all IKEA suppliers (within the IWAY scope defined in FY12) will comply with our supplier code of conduct, IWAY.

Suppliers within the scope of the target are: all home furnishing suppliers, global transport suppliers, global and national food suppliers, selected retail and Indirect Materials Services (IMS) suppliers and IKEA Components suppliers.

PERFORMANCE in FY13

68% of suppliers within the scope of the target are IWAY approved or are being phased out. IWAY approval has not been assessed at 22% of suppliers within the scope as they have not yet been audited.

100% of home furnishing, land and ocean transport, global food and IKEA Components suppliers maintained IWAY compliance, were being phased out, or were pending a scheduled audit (applies to 1% of the total).

"Oxfam believes that IKEA takes sustainability seriously, and has a strong appetite to improve its social impact. We applaud IKEA for their ambition to develop long-term relationships with suppliers and their code of conduct, IWAY. However, their current strategy is further developed on environmental sustainability and needs strengthening on social sustainability. Oxfam strongly recommends they strengthen it to address a number of social issues in their supply chain including worker and community rights and how to empower women. Oxfam encourages IKEA to take a systemic approach, developing a clear sustainable business vision for how IKEA can positively impact workers and communities across their whole business and supply chain; identifying gaps in their policies and practices and working to address them with support from partners."

Penny Lawrence,
International Director, Oxfam GB



"We want to have a positive impact on people's daily lives, from our co-workers and customers, to the people working in our supply chain and in the communities connected to our business. We are working to strengthen the way we frame our approach to social sustainability in our People & Planet Positive strategy so it adequately reflects our level of ambition and current activities in this area. With input from key stakeholders, we'll articulate a clearer vision for how we can have a positive impact on people across our value chain and we'll look at all our policies and procedures to address any potential gaps."

Steve Howard,
Chief Sustainability Officer,
IKEA Group



where we see higher risks.

While continuing to work to maintain 100% approval among our home furnishing suppliers, we've set clear targets for the other focus areas to achieve full IWAY compliance. We're making good progress and on the following pages we report on levels of IWAY approval at different categories of suppliers.

In addition to our systematic work with IWAY, we also run focused programmes to reduce water and energy use and CO₂ emissions at high impact suppliers (see p. 46), and to support social and economic development in the communities in our wider supply chain.

IWAY governance

The IWAY requirements are set by our IWAY Council, and are based on UN and International Labour Organisation (ILO) conventions, legal requirements and IKEA-specific requirements such as environmental reporting. Communicating our requirements to suppliers, supporting them to meet IWAY and following up to ensure compliance with audits involves several different functions within and outside IKEA.

Overall progress

We have expanded the scope of IWAY beyond home furnishing suppliers to include suppliers of other non-product relate goods and services.

Our goal is for all IKEA suppliers (within the IWAY scope defined in FY12) to comply with IWAY by FY15. Suppliers within the scope of the target are: all home furnishing suppliers, global transport suppliers, global and national food suppliers, selected retail and Indirect Materials Services (IMS) suppliers and IKEA Components suppliers.

At the end of FY13, 68% of suppliers within the scope of the target were IWAY approved or were being phased out. IWAY approval has not been assessed at around 22% of the suppliers within the scope as they have not yet been audited.

Since we set the above target we've brought additional categories of suppliers into the IWAY scope, for example IKEA Industry Group suppliers, and we'll define a timetable for securing IWAY approval at these suppliers in FY14.

At the end of FY13, 100% of all home furnishing, land and ocean transport, global food and IKEA Components suppliers maintained IWAY compliance, were being phased out, or were pending a scheduled audit (applies to 1% of the total). We continued to expand the supplier categories covered by IWAY to include our national food suppliers.

On the following pages we provide information about IWAY approval at different supplier types.

IWAY AUDIT DATA	FY10	FY11	FY12	FY13
Number of IWAY audits/of which were unannounced				
Europe	365/29	341/144	348/198	337/55
Americas	29/1	26/12	31/15	31/5
Asia	645/501	626/55	607/517	594/434
Total	1039/531	993/711	986/730	917/434
Terminated relationship, number of suppliers				
Due to IWAY noncompliance	10	8	47	26
Due to IWAY noncompliance and other reasons	17	11	25	10
Number of third party child labour audits				
Total	365	370	365	416
Number of IKEA Compliance and monitoring group calibration audits				
Europe	21	24	19	19
Americas	2	3	2	2
Asia	32	25	29	19
Total	55	52	50	40
Number of third-party audits (unannounced)				
Europe	12	12	9	23
Americas	0	0	2	2
Asia	35	32	45	66
Total	47	47	56	91

"IKEA's commitment to respecting international human rights standards based on the UN Guiding Principles on Business and Human Rights is welcome. The IWAY code of conduct for suppliers clearly sets out expectations for compliance with these standards. It is encouraging to see IKEA recognising that the conventional compliance auditing model is not sufficient to embed lasting improvements in complex supply chains where management capacity is often weak and proper worker consultation is lacking. Greater emphasis on driving human rights respect through IKEA's wider value chain would signal the company's intention to place human rights at the centre of the business alongside its impressive leadership in environmental sustainability."

Frances House,
Director of Programmes, Institute
for Human Rights and Business



"We recognise that the best way to bring lasting improvements in conditions for workers is for our suppliers to integrate sustainability into their management. During FY13 we strengthened our IWAY standard and the updated standard is designed to help suppliers integrate IWAY into their own routines and procedures. We are also working to better understand and address the specific human rights issues and risks in each area of our business, including a review of our programmes and processes to make sure they reflect the UN Guiding Principles on Business and Human Rights and the Children's Rights and Business Principles."

Jeanette Skjelmose,
Sustainability Manager, Range and
Supply, IKEA Group



NUMBER OF SUPPLIERS BY CATEGORY

	FY13
Home furnishing	1,046*
Retail cleaning, security, waste management and customer delivery service providers	539
IKEA Food (global suppliers)	120
IKEA Food (national suppliers)	555
IKEA catalogue	21
Indirect Material Services	320
Transport service providers – land and ocean	284
Transport service providers – customer delivery (centrally contracted)	56
IKEA Components	226
IKEA Industry Group suppliers	1,300

* 1,046 suppliers includes IKEA Group's own production operations which stands for 12% of the total production with 44 production units in 11 countries.

TOP 5 HOME FURNISHING PURCHASING COUNTRIES



LENGTH OF SUPPLIER RELATIONSHIPS FY13 (% of all home furnishing suppliers)

< 1 year	1-3 years	3-5 years	5-10 years	10-20 years	> 20 years	Average years
5%	20%	11%	26%	27%	11%	9

IWAY — The IKEA Way on purchasing products, materials and services

- Includes strict requirements on labour rights, working conditions, safety and environmental protection.
- Applies to suppliers within the IWAY scope: all home furnishing suppliers, global transport suppliers, Industry Group suppliers, global and national food suppliers, selected retail and Indirect Materials Services (IMS) suppliers and IKEA Components suppliers.
- Requires suppliers to comply with local laws and regulations including those relating to working hours and pay.
- Applies to the whole factory or site, not just the area supplying IKEA.
- Includes IWAY Musts, a set of basic requirements any new supplier must meet before we sign a purchase agreement with them. This includes requirements to prevent child and forced labour, prevent severe environmental pollution and safety hazards, keep records of working hours and wages and have social insurance.
- Applies to IKEA Components and all its suppliers. These companies provide components and materials to IKEA suppliers and sub-suppliers that are used in IKEA home furnishing products. In this way we have extended the scope of IWAY to include a greater number of sub-suppliers.
- Is communicated to sub-suppliers and audited against by direct suppliers and IKEA Components.
- Contains further specific requirements relevant to different types of suppliers including catalogue, food, transport and wood suppliers.
- Requires that workers do not work more than 60 hours per week, including overtime, or comply with the legal limit in their country, if that is lower. In China, where long hours are common, IKEA requires a maximum of 60 hours per week, including overtime, as an interim step towards full compliance with a maximum monthly average of a 49-hour working week, including overtime. We're also unable to fully apply the IWAY requirement for freedom of association in China and Vietnam because of legal restrictions in these countries.
- Forbids subcontracting without explicit approval.

[Read the full IWAY standard](#)

FUNCTION	ROLE
IWAY Council	<ul style="list-style-type: none"> > Overall ownership of IWAY > Discuss and decide actions on high-risk supply chain issues > Final approval of IWAY documents > Members include the IKEA President and CEO and two other members of Group Management (Chief Sustainability Officer and Corporate Communications Manager)
IWAY Council Working Committee	<ul style="list-style-type: none"> > Develop the IWAY Code of Conduct and supporting materials > Review audit results > Provide clarity on interpreting IWAY standards and resolve disagreements on audit results > Overall responsibility for training IWAY auditors > Approve changes to IWAY Working Methods > Report to the IWAY Council
IKEA auditors	<ul style="list-style-type: none"> > Conduct announced and unannounced IWAY audits at suppliers > Review action plans submitted by suppliers in cases of noncompliance > Conduct follow-up audits and give final IWAY approval > Support IKEA business teams with IWAY questions
Regional IKEA business units	<ul style="list-style-type: none"> > Co-workers in regional business units have regular contact with suppliers in their region and are regularly on-site at factories > Support suppliers with understanding and meeting requirements > Responsible for ensuring IWAY is fully implemented at suppliers under their responsibility
Compliance and Monitoring Group (CMG)	<ul style="list-style-type: none"> > Independent from IKEA auditors and business units > Ensure IKEA co-workers follow IWAY standards > Perform audits to ensure that judgements by IKEA auditors are consistent globally and results are accurate > Support training and development of IKEA auditors > Report compliance results to IWAY Council
Third-party auditors	<ul style="list-style-type: none"> > Independent from IKEA > Verify IKEA audit results > Conduct unannounced audits and calibration audits > Report results to Compliance and Monitoring Group (CMG)

THE HOME FURNISHING SUPPLIER JOURNEY WITH IKEA

STEP 1

A potential new supplier is identified.

An initial assessment indicates whether the supplier will be able to meet the full requirements of IWAY within 12 months and verifies compliance with IWAY Musts, such as working conditions and environmental protection, before we start business with them.

New supplier joins IKEA supply chain.

STEP 2

All IWAY requirements to be fully implemented by the supplier within 12 months of signing a purchasing agreement.

IWAY compliance is verified through an on-site audit covering the whole site including all production areas.

Supplier is approved when all requirements are met. If approval is not reached within 12 months the supplier is phased out.

STEP 3

Follow-up audits are conducted at least once every two years. These can be announced or unannounced.

Audits are conducted by experienced auditors who are full time IKEA co-workers.

Suppliers based in some higher-risk locations including China, South and South East Asia are audited once every year, and typically, two auditors spend two days completing the audit.

Anonymous interviews with workers take place on-site and auditors meet with sufficient numbers of people to ensure they obtain representative views — the feedback cannot be linked back to a particular individual. The findings are used to help our auditors identify potential areas of concern.

Additional verification audits and activities are performed by the Compliance Monitoring Group and third-party auditors to ensure all IWAY standards have been followed and that IWAY is implemented consistently worldwide.

STEP 4

If areas of noncompliance are identified in follow-up audits at an IWAY-approved supplier, an action plan is agreed with the supplier.

If a supplier does not comply with IWAY Musts at any time, deliveries are immediately stopped and corrective actions put in place.

If a supplier does not comply with any other IWAY requirements during the follow-up audit, they have 90 days to correct any issues. If a supplier fails to correct all deviations within given time frames, the supplier is phased out.

Home furnishing suppliers

We work with suppliers to ensure compliance with IWAY through a number of steps.

Progress in FY13

At the end of FY13, all home furnishing suppliers maintained IWAY compliance, were being phased out, or were pending a scheduled audit (applies to 1% of the total). We phased out 26 home furnishing suppliers who chose not to meet IWAY requirements. Working hours was the main issue of noncompliance identified through IWAY audits.

Our work to implement IWAY with suppliers over the last ten years means we now have a supply base that is willing and able to work to our standards. Now we must continue to support suppliers effectively to help them continually live up to our standards. For example, in FY13, 34% of IWAY noncompliances in South Asia related to wages, benefits and working hours. To tackle this we organised a workshop for IKEA business leaders in the region to explore the root causes of the

problem and discuss different ways to approach the issue of working hours. The importance of compliance with IWAY was reiterated to suppliers through a range of communication channels, including one-on-one meetings.

Also during the year, new legislation in Vietnam reduced overtime limits from 48 to 30 hours per month. We've started working with selected suppliers and our buyers to develop our order process so it supports suppliers in planning production efficiently and hiring enough workers to meet production requirements without excessive overtime.

Suppliers in China currently comply with IWAY's 60-hour work week but we aim for all Chinese suppliers to reach a maximum monthly average of a 49-hour week, including overtime, by the end of FY15. Pilots are underway with 14 suppliers in China to help us understand how best to support suppliers in this transition. The pilots include work with our logistics and planning teams to make sure we don't place orders with suppliers that can't be delivered within the limits of a 49-hour working week. The

IWAY approved home furnishing suppliers ¹ , %	FY10	FY11	FY12	FY13
Europe	89	90	100	100
Americas	85	94	100	100
Asia total	26	41	92	97.8
China	7	30 ²	90 ²	99.2
South Asia	62	65	93	92.2
South East Asia	68	65	97	96.7
All regions	57	67 ²	96 ³	99 ³

¹ Data for home furnishing suppliers includes IKEA Industry Group Solid Wood & Flatline Division factories.

² Approved with maximum 60-hour work week.

³ Excludes 79 new suppliers that have up to 12 months to be approved. Includes suppliers where a noncompliance has been identified and are within the 90-day period allowed to correct the noncompliance.

pilot also supports suppliers in improving how they manage the flow of orders. The first results are expected in FY14.

Workers in home-based environments can be at a higher risk of poor employment practices. Although workers in home based environments are not common in our direct supply chain, they're sometimes used by sub-suppliers, especially for handmade products. In FY13 we started to work with three suppliers within the textiles and natural fibre industries — one in Indonesia and two in Vietnam — to set up local weaving centres. By supporting workers to begin using these weaving centres we can improve working conditions and it's easier to implement and monitor IWAY standards. During FY13 we also added new IWAY working methods that relate specifically to home based work, and we'll implement those in FY14.

Transport suppliers

We have a total of 340 (350 in FY12) transport suppliers. Around 230 of them transport our products by land and ocean, and in FY13, we maintained 100% IWAY approval for these suppliers. One of the biggest challenges is ensuring transport suppliers use fuel-efficient trucks with lower emissions. We're implementing a maximum emissions standard for trucks to further reduce emissions (see More sustainable buildings and transport p. 41).

The IWAY approval rate for customer delivery service suppliers increased to 93% in FY13. This applies to customer delivery companies contracted centrally by IKEA (around half the total).

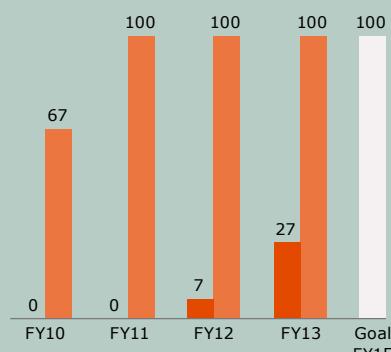
Food suppliers

We maintained 100% IWAY approval at suppliers that provide the ingredients for the Swedish menu options in our restaurants and the food range available in the Swedish Food Market shops in-store (glob-

IWAY APPROVAL OF FOOD SUPPLIERS (% IWAY approved)

National food suppliers

Global food supplier



Indirect materials and services (IMS) suppliers

Established in 2004, IKEA IMS purchases the non-home furnishing products and services needed in the IKEA business. It aims to source high quality, low cost products and services while integrating sustainability into purchasing decisions. We focus IKEA IMS IWAY audits on suppliers that pose a higher risk for IWAY noncompliance, such as providers of store lighting equipment, cleaning, and waste management services. In FY13 we changed the IWAY scope for IMS to include only suppliers where IMS owns the contract with the company. This meant the responsibility for ensuring IWAY compliance at some suppliers was taken on by our retail organisation and the number of suppliers within the scope for IMS dropped to 320 (compared with 769 in FY12). This change means we're only reporting data for FY13 as comparison with previous years is not possible. In FY13 we conducted 62 IWAY

IWAY APPROVAL OF TRANSPORT SUPPLIERS (% IWAY approved)

- Customer delivery suppliers, centrally contracted
- Ocean transport providers
- Land transport providers



IWAY APPROVAL OF INDIRECT MATERIALS AND SERVICE (IMS) SUPPLIERS (% IWAY approved)

- FY13 53%
- FY15 GOAL 100%

al food suppliers).

In FY10, we extended our IWAY food standards to national suppliers — those providing the local food choices in our restaurants. In FY13 we provided more training and support to enable our national food purchasers to extend audits to more national food suppliers, which led to more suppliers achieving IWAY approval.

In FY13, 127 of our national food suppliers were IWAY audited and 40% of them were IWAY approved. This means 27% of the total number of national food suppliers were IWAY approved.

Read about how we are taking steps to strengthen traceability in our food supply chain following the discovery of horsemeat in three batches of meatballs on p. 30.

audits at IMS suppliers, and 53% of the total were IWAY approved. In FY14 we'll focus our efforts on improving compliance in China.

IKEA catalogue suppliers

The IKEA Catalogue is produced by Inter IKEA Systems, the owner of the IKEA Concept and worldwide IKEA franchisor. In autumn 2012 they rolled out requirements equivalent to the updated IWAY 5.1 standard (see p. 69) at all paper, print and digital suppliers. These requirements replaced the IKEA Catalogue Sustainability Requirements previously in effect. All suppliers then conducted a self-assessment of their compliance against the new requirements and our industry-specific requirements for paper, print and digital. The results of these assessments

are used by our purchasers in the supplier selection process. In FY13, we began to audit suppliers against the requirements and we aim to audit all catalogue suppliers by FY16.

For information on the environmental performance of catalogue suppliers see the tables below.

Retail suppliers

In our Retail organisation we're focusing on securing IWAY approval in higher risk categories: cleaning, security, waste management and customer delivery service providers. In FY13 we conducted 136 audits and 19% of the 539 suppliers in this category were IWAY approved. We'll continue to conduct audits and aim to achieve 100% IWAY approval for suppliers in this category by FY15.

IWAY approval at catalogue suppliers	FY10	FY11	FY12	FY13
Share of catalogue paper and print suppliers that are approved according to the IKEA Catalogue Sustainability Requirements, based on self-assessments	86%	90%	89%	82%
Share of catalogue paper and print suppliers that are approved according to the industry specific requirements, based on self-assessments	65%	72%	70%	66%
IWAY audits of retail cleaning, security, waste management and customer delivery service suppliers				FY13
Total number of Retail cleaning, security, waste management and customer delivery service providers				539
Total number of IWAY audits conducted at Retail suppliers				136
Share of IWAY approved Retail cleaning, security, waste management and customer delivery service providers				19%



Auditors help improve working conditions

Supported by auditors like Kelly Deng, IKEA suppliers are improving working conditions.

"It feels good that we care about the environment, health and safety, and people. Seeing the improvements suppliers make to working conditions, hours and pay makes my job feel very worthwhile", says Kelly.

Kelly has visited hundreds of IKEA suppliers in China, talking to workers and managers to find out how they're implementing IWAY and what challenges they're facing.

Around half of IWAY audits and follow-ups are unannounced to minimise the risk a factory and its paperwork are cleaned up before auditors arrive. Over the years, Kelly has seen a big improvement in the way suppliers respond to IWAY.

"At the start, some suppliers can feel that IWAY compliance will be too expensive. It's our job to show them that the benefits can outweigh the costs. Our audits and the way we build close relationships with suppliers over many years mean we can change their mindsets.

"Many factories in China in general have a very high turnover of staff, often due to poor working conditions and treatment. Our suppliers are seeing that the improvements they make through IWAY enable them to retain their staff. This means they can save money on training new hires and are able to meet their delivery obligations. As they become more reliable, they get more orders from IKEA."

IKEA Components suppliers

In FY13, all our IKEA Components units and their suppliers achieved 100% IWAY approval.

IKEA Industry Group suppliers

In FY13, Swedwood and Swedspan were fully integrated with IKEA and became the IKEA Industry Group Solid Wood & Flatline Division and the IKEA Industry Group Board Division respectively. IKEA Industry Group supplies wooden boards and board material based furniture to IKEA and companies in the IKEA supply chain. In FY13, IKEA Industry Group conducted 30 audits at suppliers for its Solid Wood & Flatline Division, and approved 8% of the total number of suppliers to the Division. In FY15 we'll begin auditing IKEA Industry Group board suppliers. An additional five suppliers are now working on improvement ac-

tion plans. Three companies missed the deadline for implementing corrective actions following their audit and will no longer supply IKEA Industry Group. As a supplier to IKEA, IKEA Industry Group itself must also comply with IWAY and all sites are IWAY approved.

Working with sub-suppliers

Many of the challenges in our supply chain are among sub-suppliers.

Our direct suppliers are responsible for communicating the IWAY code of conduct to sub-suppliers and ensuring critical sub-suppliers — those involved in higher-risk processes or who are based in higher risk locations — achieve full and verified compliance with our IWAY Musts. Compliance with IWAY Musts is assessed through an audit by the direct supplier or a third-party audit company. We provide guidance and

training to assist them in this. We also conduct audits to verify compliance in high risk locations.

To improve our understanding and oversight of our sub-supply chain, in FY13 we completed the process of mapping our first-tier sub-supply chain for home furnishings. We identified around 2,200 critical sub-suppliers. Where necessary, we have mapped the sub-supply chain right down to the raw-material production level.

We have consolidated our data on sub-suppliers through a new database, and co-workers and supplier representatives are visiting sub-suppliers to help them develop a better understanding of IWAY Musts. In FY13, 20% of critical home furnishing sub-suppliers were approved to IWAY Musts. This approval rate is based on the audits completed so far and auditing will continue to cover the 2,200 sub-suppliers we've identified as "critical". Implementing IWAY with sub-suppliers is challenging and we have more work to do.

For suppliers involved in critical materials and processes, our goal is to secure compliance to IWAY Musts at all first tier sub-suppliers by the end of FY14 and along entire value chain by the end of FY17.

In addition, the full IWAY code of conduct applies to IKEA Components and all its suppliers. These companies provide components and materials to IKEA suppliers and sub-suppliers that are used in IKEA home furnishing products. In this way we have extended the scope of IWAY to include a greater number of sub-suppliers.



IWAY approval at IKEA Components and suppliers	FY13
Share of IWAY approved IKEA Components units	100%
Total number of IKEA Components suppliers	226
Total number of IWAY audits conducted at IKEA Components suppliers	146
Share of IWAY approved suppliers IKEA Components suppliers	100%

Tier 2 home furnishing suppliers	FY13
Total number of tier 2 home furnishing suppliers	14,000
Total number of tier 2 home furnishing suppliers with identified critical materials and processes	2,200
Share of tier 2 home furnishing suppliers identified as providing critical materials and processes approved to IWAY Musts	20%



Working with suppliers in Vietnam

How do you get owners of a rural sawmill to change their traditional way of doing things?

Through collaboration, understanding and persuasion — these are the skills Van Huynh Ba Bich, Sustainability Developer for IKEA Trading in Vietnam, has been using, together with her network of suppliers and enthusiastic IKEA business teams.

The companies that supply products to IKEA are already IWAY code of conduct approved. And now they are required to ensure their suppliers (sub-suppliers) also comply with minimum standards for working conditions, called the IWAY Musts.

"We don't just leave suppliers to do it on their own. Convincing sub-suppliers of the benefits of implementing the IWAY Musts is something we do together with our suppliers," says Van. She's been working with suppliers to support them in engaging their sub-suppliers to improve working conditions.

"Initially, sub-suppliers, such as the sawmills that deliver wood components to our direct suppliers, were resistant. They saw little need to change their processes and they felt that it would disrupt productivity. They had years of experience in their field — why should anyone come in and tell them to do things differently?" said Van.

"IKEA suppliers now consider working conditions, as well as price, when selecting their sub-suppliers. This is a big step forward."

*Van Huynh Ba Bich,
Sustainability Developer,
IKEA Trading, Vietnam*



"Suppliers started by focusing on their most important sub-suppliers. They highlighted the risks associated with existing working practices, such as health and safety, to persuade sub-suppliers that implementing IWAY Musts were in their own long-term interests.

"We reminded them that while IKEA requirements might be more demanding than the law now, it's likely that regulations will catch up eventually. By changing now, they will be in a better position to supply to other companies, not just to IKEA suppliers, in the future.

"There were some sub-suppliers that decided not to make the changes and they left our supply chain. But the

majority saw the benefits and gradually we have seen them embrace the changes we are asking them to make. Workers are happy with the changes, such as safety covers and earplugs provided for operating machinery, and they know that if they are injured in an accident, they will be compensated by their employers.

"Another really encouraging change is that IKEA suppliers now consider working conditions, as well as price, when selecting their sub-suppliers. This is a big step forward — it's great to see how IWAY is starting to transform business practices for even the smallest companies, like rural saw mills in Vietnam."



Safety standards for buildings in Bangladesh

On 24 April 2013 the Rana Plaza, a garment factory in Bangladesh, collapsed and more than 1,000 factory workers died. None of the companies operating at Rana Plaza were suppliers to IKEA, and we don't source any of our products from similar multi-storey factories in Bangladesh. But following the shocking events at Rana Plaza we've acted to further strengthen our safeguards.

IWAY already includes requirements on emergency preparedness which are designed to protect workers in our supply chain. Suppliers who choose not to comply with these or other IWAY requirements are phased out.

We've now introduced additional on-site checks using specialist construction engineers.

All seven of our direct suppliers in Bangladesh are IWAY approved and our 35 sub-suppliers are approved to IWAY Musts. Independent trained auditors and structural stability experts have carried out the additional IWAY Must compliance, fire safety, health and safety and environmental assessments. This includes physical checks and tests to assess building safety as well as a document review. The work was completed in September 2013. No structural safety and stability issues were found.

Strengthening our standards

We updated and strengthened our IWAY standard during FY13. The new version, known as IWAY 5.1, has already been rolled out to a number of suppliers and will be fully launched with new and existing suppliers in FY14. We'll begin auditing compliance with the new standards in April FY14. This is the fifth update since IWAY was launched in 2000.

Our research shows that suppliers who are able to integrate IWAY into their own routines and procedures are more likely to have a positive and stable IWAY performance. The updated standard is designed to help suppliers do this through a focus on management systems and risk assessments.

IWAY 5.1 formally incorporates our work on engaging sub-suppliers. It also includes new or strengthened requirements in areas such as business ethics, freedom of association, grievance mechanisms, ergonomics and recruitment practices for migrant workers. Our requirements on minimum wages are now included as IWAY Musts.

A programme of workshops, seminars and presentations has been introduced for IKEA teams on the new standard to help them communicate the requirements to suppliers.

Going beyond compliance

Our work doesn't stop once a supplier achieves IWAY approval. We keep working together to maintain compliance and we look for opportunities to support fur-

ther economic, environmental and social development among communities in our supply chain.

For example, we're working with suppliers in South Asia to increase the number of workers paid through bank accounts. This improves transparency concerning wages and enables workers to keep their money safe, manage family finances, and build up savings.

Strong communities



We want to take a lead in creating a better life for communities around the world, supporting children and their families affected by poverty, war and natural disasters. At a global level, we do this through the IKEA Foundation and its work in developing countries.

Nationally and locally, IKEA stores, distribution centres, factories and trading offices work with charities and community groups, and engage co-workers and customers in campaigns. Each IKEA

store supports around 10 local community activities every year and donates, on average, €15,000 worth of products to local children's programmes, refugee and homeless centres, and community events such as clean-up and tree planting days. In addition, most IKEA country organisations have partnerships with national environmental or social NGOs.

The IKEA Foundation is a charity registered in the Netherlands. In 2013 it donated €101 million through funds from IKEA

The IKEA Foundation's Focus

Protect children from child labour by supporting projects that tackle root causes. For example, partnering with UNICEF and Save the Children to support children and families in cotton-growing communities (see p. 27).

Provide a better life for refugee children by committing support and long-term funding to the UN High Commissioner for Refugees (UNHCR) and other leading charities, and by donating IKEA products to help refugee families and the millions of children left homeless by natural disasters and conflicts.

Empower girls and women by funding programmes that support and educate women, improving the opportunities for them and their families. The programmes funded cover a variety of areas, including skills training, health-care, and access to small business loans.

profits. The Foundation's giving comes in three forms: cash grants, IKEA products, and sharing IKEA co-worker time and knowledge with the Foundation's partners. Many of the projects we support help improve life for communities in our extended supply chain.

The IKEA Foundation

Every child deserves a place to call home, a healthy start in life, a quality education, and a sustainable family income. The IKEA

FY13 AT A GLANCE

€101 million donated by the IKEA Foundation, a 21% increase from 2012*

Co-workers and customers raised €9.3 million through the Soft Toys for Education campaign in 2012

Partnered with 32 organisations helping children and families in more than 30 countries

*Foundation data is calculated by calendar year.

Foundation funds projects that create substantial and lasting change for millions of children in some of the world's poorest communities. It works with global partners such as the UN High Commissioner for Refugees (UNHCR) and the Clinton Foundation, as well as smaller charities running innovative projects. By 2015, over 100 million children will benefit from current IKEA Foundation-funded programmes.

The IKEA Foundation also makes donations of IKEA products, and enables IKEA co-workers to share their skills and knowledge to improve the effectiveness of our charity partners.

Progress in 2013

In 2013, the IKEA Foundation donated €101 million, a 21% increase from 2012. This was used to support 32 programme partners globally. It includes €2.07 million worth of product donations (such as baby blankets, mattresses, quilts and quilt covers).

Education after a disaster

Children fleeing conflict and disaster can be traumatised by the experience. A child-friendly learning environment helps them recover. The IKEA Foundation donates IKEA toys and children's products for inclusion in UNICEF's Early Childhood Development (ECD) kits (the donation is equivalent in value to about \$2 million USD). The kits help children learn, play and develop even under extreme conditions.

Eight IKEA products, including building blocks, finger puppets, and children's scissors, have been selected by UNICEF's experts to help stimulate and develop children's thinking. Over two years, 24,000 kits will be distributed to 1.2 million children.



ANNUAL DONATION BY IKEA FOUNDATION (including soft toy donations)

2013	€101 million
2012	€82 million
2011	€65 million
2010	€45 million

Partnering for innovation

The IKEA Foundation encourages innovation, supporting projects that use new approaches and techniques to benefit more people. It works with partners to improve efficiency, helping to make the most of every investment, including:

1. Using incentives to improve health, nutrition, education and livelihoods.

For example, the IKEA Foundation supports Fight for Peace which helps young people in the world's most violent communities, including the biggest group of favelas in Rio de Janeiro, escape crime and violence and reach their true potential. Fight for Peace engages young people, including groups that are often difficult to reach, such as adolescent boys, by offering professional boxing and sports training in a safe environment. In this way, young people are encouraged to take up education and personal development opportunities. The IKEA Foundation is giving over €1.5 million to train staff from 120



organisations around the world by 2015. This is expected to benefit nearly 75,000 young people.

2. Introducing new technologies.

For example, in partnership with the Refugee Housing Unit and the UNHCR, we're helping develop a new type of shelter for refugees. The modular design is easy to transport and construct, and lasts up to three years, compared with six months for a canvas tent. A fabric cover reflects the sun during the day while insulating the shelter at night. A solar panel provides electricity. Around 50 shelters are being tested in UNHCR camps during 2013/2014.

3. Helping families in developing countries get products and services.

For example, the IKEA Foundation is part-

nering with Kickstart, an NGO based in Africa, to support women farmers in Zambia purchase low-cost water pumps that help boost crop yields and family incomes. This is expected to lift 280,000 people from poverty and improve food security for at least 3.8 million more.



Supporting social entrepreneurs

Through social entrepreneurial partnerships we support organisations dedicated to improving their communities and can offer unique products to our customers.

In India, Sweden and Thailand we're working with social enterprises to design and develop limited edition IKEA products now on sale in stores in Austria, Sweden and Switzerland. Our support brings small-scale businesses into our supply chain, which benefits local communities.

In India, for example, we have a partnership with the social enterprise Swaayam Kala. The co-operative started when a group of women training in a United Nations Development Programme (UNDP) wanted to develop

their own textile business. The co-operation with Swaayam Kala is the outcome of a unique partnership between UNDP India and the IKEA Foundation. The women now sell cushion covers to IKEA, which provides them with a new source of income and enables them to contribute even more to their communities.

In Thailand, we're working with the Doi Tung Development Project that employs 300 people making handicrafts. By providing business training and a market for their products, we support local livelihoods as well as Doi Tung's work to restore local forests and improve healthcare and education in the community.

Customer and co-worker campaigns

The IKEA Foundation involves customers and co-workers in campaigns at IKEA stores.

Soft Toys for Education

During November and December each year, the IKEA Foundation donates €1 for every soft toy sold in IKEA stores worldwide. The money goes to UNICEF and Save the Children projects to improve education for children in Africa, Asia and Central and Eastern Europe.

Co-workers and customers raised €9.3 million through the Soft Toys for Education campaign in 2012, down from €12.4 million in 2011. Thanks to the efforts of our co-workers and customers, since the programme began in 2003 the IKEA Foundation has donated €57 million to support over 10 million children in 46 countries.

For example:

- In Bangladesh, funding has supported Save the Children in improving the quality of education and providing preschool education, benefiting 25,198 children and 14,509 adults.
- In Niger, money from the campaign has helped UNICEF increase primary school enrolment by 20% since 2010. 9,700 children (including 4,000 girls) went to school in 283 new and renovated classrooms.
- In Mali, more than 344,000 people, including 25,000 school-aged children, had to flee from their homes to escape armed conflict, food shortages, flooding and cholera outbreaks. The support of the IKEA

Foundation and UNICEF enabled 8,000 teachers to be trained in providing psychological support to children affected by violence.

To increase co-worker awareness and engagement, the IKEA Foundation IWitness Global Citizens programme enables small groups of co-workers to visit projects funded by the Soft Toys for Education campaign and see first-hand what a difference their support makes. They share their experiences with other co-workers via blogs and events.



"Nothing in my working life will ever be better than my visits to the projects funded by IKEA Foundation. I spend much of my time communicating about the impressive work that we do together with UNICEF and Save the Children, but to be able to experience it with my own eyes was a real life changer."

*Yngvill Ofstad,
Sustainability Responsible,
IKEA Norway*

Governance and ethics

Our culture is the inner strength of IKEA, the foundation of our success. We recruit people who share our values. We expect our managers to lead by example and to bring the IKEA values to life. Our strong culture and clear vision enable us to work in a decentralised way, giving our co-workers big responsibilities. Wherever they are in the world, our co-workers must live up to our ethical standards explained in our code of conduct.

Sustainability — reflected in our values and a source of innovation and inspiration — is a cornerstone of our business strategy and we're integrating it into how we work at every level. By working together, sharing ideas and enthusiasm, we will create a more sustainable IKEA.



How we work

The IKEA Group of companies (INGKA Holding B.V. and its controlled entities) has an ownership structure that ensures independence and a long-term approach. Stichting INGKA Foundation, in the Netherlands, is our owner, and its funds can only be used in two ways: reinvested in the IKEA Group or donated for charitable purposes through the Stichting IKEA Foundation.

The Supervisory Board of INGKA Holding B.V., located in Leiden, Netherlands, the parent company of the IKEA Group, consists of: Göran Grosskopf (Chairman), Stina Honkamaa Bergfors, Luisa Delgado, Lars-Johan Jarnheimer, Jonas Kamprad, Göran Lindahl, Peter Lund and Carl Wilhelm Ros. Ingvar Kamprad, the founder of IKEA, is senior advisor to the Supervisory board.

The IKEA Group is led by its President and CEO, Peter Agnefjäll, together with the management group: Jesper Brodin, Alistair Davidson, Helen Duphorn, Martin Hansson, Petra Hesser, Steve Howard and Leif Hultman.

The IKEA Group operates throughout the whole value chain from range strategy and product development to production, distribution and retail. This includes our own manufacturing units, trading offices, customer distribution centres and 303 stores in 26 countries.

The IKEA Group franchises the IKEA retail system from Inter IKEA Systems B.V. in the Netherlands. Inter IKEA Systems B.V. is the owner of the IKEA Concept and the worldwide IKEA franchisor.

Stichting INGKA Foundation

Owner of the IKEA Group

Charity
Stichting IKEA Foundation

Management of financial assets
Stichting IMAS Foundation

The IKEA Group

(INGKA Holding B.V. and its controlled entities)

Chairman of the supervisory board, Göran Grosskopf
President and CEO, Peter Agnefjäll

Production

44
Production Units
18,400
Co-workers

Range & Supply

9,500
Products
28
Trading Service Offices
11
Customer Distribution Centres
32
Distribution Centres
15,100
Co-workers

Retail & Expansion

303
IKEA Group Stores
101,500
Co-workers

Group Functions

Business Navigation
Corporate Communications
Finance
HR
IT
Legal
Property
Risk Management
Strategic Development
Sustainability

Asset Management

Financial assets
Shopping centres
Core related assets

Sustainability governance and management



Sustainability is one of the cornerstones of Growing IKEA Together (our long-term business direction) and is included in the annual business plans of every part of the business. Group Management and the Board of Directors receive regular reports on progress towards our key sustainability objectives.

Our Chief Sustainability Officer, Steve Howard, is a member of Group Management and reports directly to the Group President and CEO, Peter Agnefjäll. The

sustainability managers in each of our three IKEA Group divisions — range and supply, industry, and retail — are also members of their division's management team.

It's our co-workers in every department, country and function who enable us to achieve our sustainability goals. Their efforts are supported by sustainability professionals working across the business — in food, retail, product development and the Industry Group — and by experts in

various areas (such as forestry specialists and supplier code of conduct auditors).

Working with others

The expertise and opinions of customers, co-workers, NGOs, governments, trade unions and industry organisations can help us develop and strengthen our work on sustainability. In some cases, by working together in the right way, we can accomplish more than we might on our own.

We partner with a range of organisations on key issues connected to our sustainability strategy. We do this to overcome barriers outside our direct control, to help create wider change in industry, or simply to learn from others. We've developed long term partnerships to increase the supply of wood from responsibly managed forests, to raise standards in cotton farming and to create opportunities for children living in the developing world. Our key partners include FSC, WWF, Better Cotton Initiative, UNICEF, UNHCR and Save the Children. In FY13 we celebrated the 10th anniversary of our partnership with WWF (see p. 28).

In FY13, we reviewed our People & Planet Positive strategy to identify where we need to partner and collaborate to achieve our goals. This led to new partnerships:

- Climate change and energy — we launched a new collaboration with The Climate Group. We're lead partners on the Clean Revolution Campaign.
- Resource efficiency — we joined forces with the Ellen MacArthur Foundation Circular Economy 100 and will work with

other companies to help lead the practical transition towards a circular economy.

- Inclusive business — we joined the UN Development Programme's "Business Call to Action" (BCtA), a global initiative that aims to support efforts to fight poverty through business.

We will launch other strategic partnerships throughout FY14.

In FY13, we formed the People & Planet Advisory Group which will meet annually to challenge and inspire us on our sustainability agenda. The Advisory Group is made up of senior representatives from NGOs such as The Climate Group, the Institute for Human Rights and Business, Oxfam GB, Save the Children, UNICEF and the World Resources Institute. Our CEO and President, Vice President and Deputy CEO, Chief Sustainability Officer, Corporate Communications Manager and Supply Chain Manager attended the first Advisory Group meeting. The group gave feedback on our People & Planet Positive strategy and discussed sustainability-related opportunities and challenges to IKEA (see next page).

FEEDBACK FROM THE PEOPLE & PLANET ADVISORY GROUP

Our People & Planet Advisory Group met for the first time in FY13. Members reviewed our strategy and gave us this feedback on our progress so far.

IKEA and people	
Feedback IKEA has a strong set of values governing how it treats co-workers. It should make sure these values are shared by suppliers across the value chain.	What we're working on Our supplier code of conduct, IWAY, sets out requirements for how suppliers should treat their co-workers. We aim to select suppliers that share our values, and to work with them to improve standards where necessary. With IWAY 5.1, our updated code, we will further encourage suppliers to integrate the principles that underpin the IWAY standard in their own systems and processes (see The best places to work — suppliers p. 60).
Inequality Feedback In emerging economies, the gap between the middle class and the poorest of the poor continues to widen. IKEA has an opportunity to support the disadvantaged.	What we're working on We aim to help communities escape poverty, through projects funded by the IKEA Foundation, and through our work to include small-scale businesses and social enterprises in our supply chain (see Strong communities p. 70). We are working to strengthen the way we frame our approach to social sustainability in our People & Planet Positive strategy. With input from key stakeholders, we'll articulate a clearer vision for how we can have a positive impact on people across our value chain.
Moral leadership	
Feedback People & Planet Positive gives IKEA the opportunity to stimulate wider change by becoming an advocate and thought leader, taking a strong stance on the issues that matter most to its business.	What we're working on As a global company and well-known brand, we have an opportunity to create change beyond our immediate business. With our People & Planet Positive strategy, we want to take a lead on responsible sourcing, renewable energy, enabling a more sustainable life at home and creating a better life for people and communities. As part of this, we're engaging more in public policy and advocacy on social and environmental issues (see Public policy p. 79).
Green growth Feedback Taking account of the environment can stimulate rather than hinder growth and can be a force for innovation. IKEA needs to communicate this opportunity more clearly internally and externally.	What we're working on We have an ambitious growth strategy to double our sales by 2020. Our People & Planet Positive strategy supports this objective, enabling us to grow in a sustainable way and providing a source of innovation. We will continue to emphasise among our co-workers that sustainability can stimulate growth. We're also increasingly emphasising this externally. For example, through direct advocacy as well as the Clean Revolution Campaign, initiated by The Climate Group, we're emphasising how investment in renewable energy is good for business as well as the planet (see Public policy p. 79).
Customer communications	
Feedback IKEA can play an important role in influencing and educating customers on sustainability.	What we're working on With over 680 million visitors to our stores and one billion visitors to IKEA.com per year, we recognise the huge opportunity to communicate with our customers about sustainability. As well as developing products that enable people to save energy, water and waste at home, we're integrating sustainability into all our communications, focusing on the benefits for customers. In FY13, we began to integrate sustainability information into product labels, store displays, restaurant areas, IKEA.com and our catalogue (see Engaging customers p. 17).

Engaging customers and co-workers

It will take the commitment of all our co-workers to make IKEA a more sustainable business, and we need our customers to get involved too.

We want everybody at IKEA to understand and share our commitment to sustainability. We keep co-workers updated on People & Planet Positive, we involve them in meeting our goals, and we encourage them to share their feedback and ideas.

We run regular campaigns on sustainability for our co-workers, giving them information and inspiration so they can talk to customers about our work. In FY13, this included an LED lighting campaign, through which almost 135,000 co-workers received a free LED light bulb, (see Promoting LED lighting around the world p. 18). We keep in touch with employee views and opinions through our regular VOICE survey (see Communication and engagement p. 56).

In FY13 we updated IKEA Inside — our intranet for co-workers — to feature tools and guidance on sustainability at IKEA, as well as recent reports, information and films about People & Planet Positive. We encourage co-workers to give us feedback through our dedicated People & Planet Positive feed on Yammer, an internal social networking platform.

Following the launch of our People & Planet Positive strategy in 2012, we surveyed co-workers to understand their views. Of the 552 respondents, 82% had

heard of the strategy and 66% thought the strategy was great and what they expect from IKEA. Seventeen percent thought the strategy was good, but not ambitious enough. Only a very small percentage thought that the strategy was not relevant, or did not respond.

We update customers on sustainability at IKEA through information in our stores, the catalogue, our website and other communications (see p. 17).

To collect structured feedback from customers, IKEA conducts market research through the Brand Capital survey, a tool to monitor and improve the implementation of the IKEA concept and to measure customer satisfaction in each market. The survey is conducted once a year. In addition, we monitor how satisfied customers are with their local IKEA store through the annual Customer Satisfaction Index (CSI) survey. This survey provides an international benchmark for our stores, and ensures customer satisfaction is monitored.



Business ethics

Our culture is built on our values, reinforced through leadership-by-example such as our Code of Conduct, "Good Business with Common Sense", launched in FY12. We've always had a zero-tolerance policy for corruption, the use of illegal drugs at work, harassment of co-workers and any actions that are against our values.

In FY13, we trained 120,000 out of 135,000 co-workers on our code of conduct. We aim to reach the remaining co-workers during FY14. Training includes workshops where co-workers can explore potential ethical dilemmas and discuss with their colleagues how we should behave every day and apply the code in our work. The code is also available to all co-workers online, in 26 languages.

Together, our values, Code of Conduct, clear policies, training and workshops help encourage good behaviour throughout IKEA. We make regular risk assessments in countries around the world and ensure any breaches of our policies are investigated and dealt with promptly. Risk assessments are carried out by country or regional risk managers.

We promote an open culture of trust and honest communication at IKEA, built on a foundation of respect and fairness. All co-workers are encouraged to come forward, in good faith, and raise any concern they may have with those involved, where appropriate, or with their manager, senior

management or representatives from our human resources or risk teams. If a co-worker doesn't feel able to raise concerns through these channels they can use the IKEA trust line.

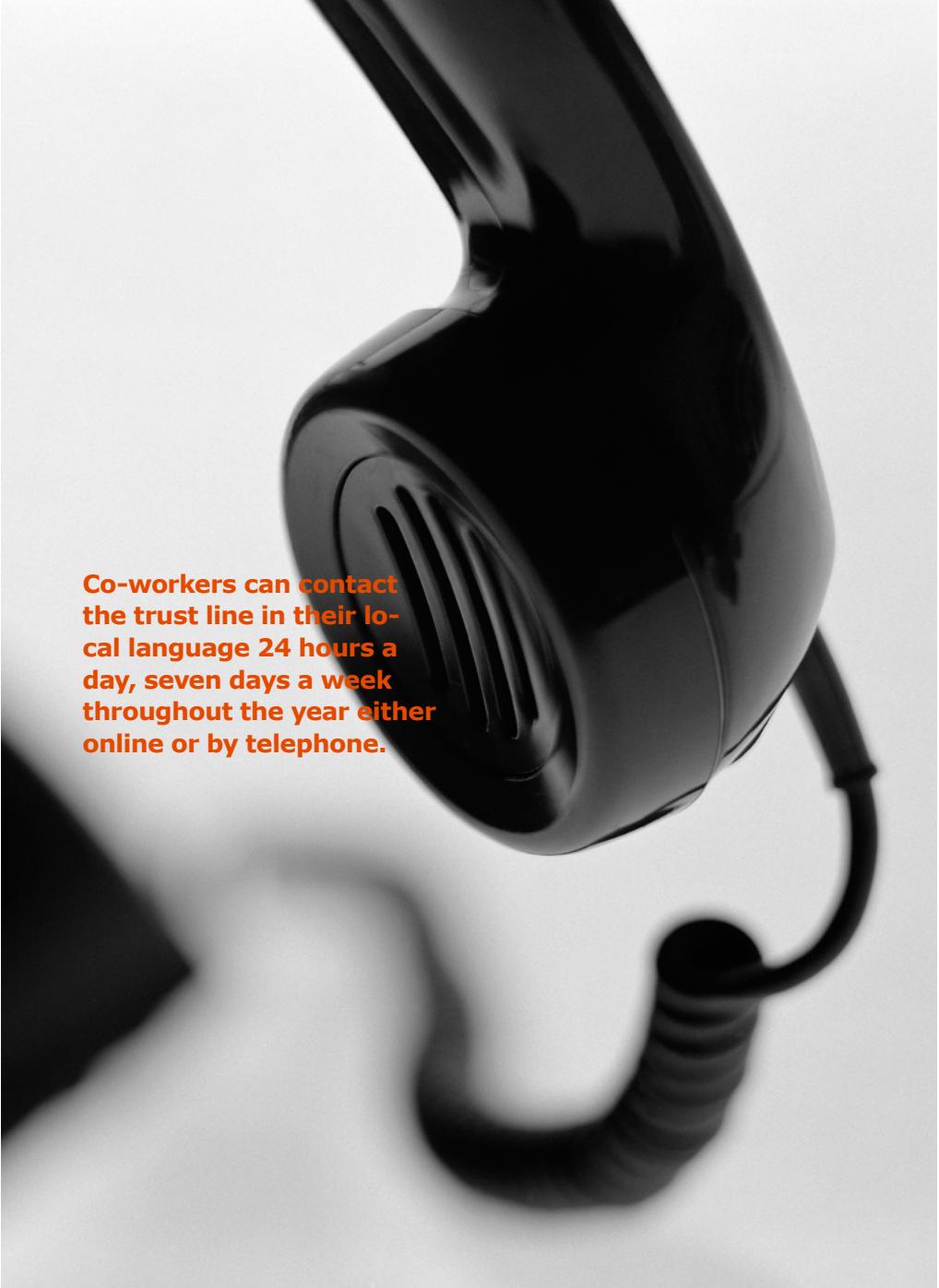
The trust line was launched in FY13 across 37 countries. It gives co-workers a channel to raise concerns confidentially. Co-workers can contact the trust line in their local language 24 hours a day, seven days a week throughout the year either online or by telephone. All concerns are initially evaluated by the trust line managers and those requiring further action are referred to the appropriate HR or risk manager.

Anti-corruption

IKEn does not tolerate corruption in any form, whether direct or indirect, and we work to prevent it.

Our anti-corruption policy and our code of conduct describe how to act if fraud, corruption, theft or other misconduct is suspected. All suppliers must agree to comply with this policy.

In addition to our code of conduct training, we provide additional anti-corruption training for co-workers with procurement responsibilities and those working in countries where there is a higher risk of corruption.



Co-workers can contact the trust line in their local language 24 hours a day, seven days a week throughout the year either online or by telephone.

Public policy

We engage with government officials and policy makers internationally, nationally and locally, seeking to contribute to legislation in areas relevant to our business and our customers. We can use our expertise and experience to make a positive contribution to the debate on many sustainability issues. This advocacy is an increasingly important part of the way we work.

Our approach to public policy is in line with the general principle of honesty as established in our code of conduct. We also adhere to rules and guidelines established by national and regional authorities including the European Transparency Registry.

We do not make political donations.

We participate in the work of trade associations who represent their members in negotiations with legislators and regulators in different countries (see box, right).

During FY13, our public policy activity in the EU relating to sustainability included:

- EU Emissions Trading Scheme (EU ETS) — we supported proposals for reform of the EU ETS designed to ensure it can achieve its purpose of stimulating investment in low carbon technology.

- Climate policy — We represented the private sector in the Petersberg Climate Dialogue, hosted by the German Chancellor Angela Merkel, which involved representatives from 35 countries covering 85% of global greenhouse gas emissions. We were a partner in the European Com-

mission's campaign to promote a low-carbon economy, "World you like with a climate you like". We also contributed to a consultation on the 2030 framework for climate and energy policy in Europe. IKEA supports a clear and stable policy framework that favours long-term investments in renewable energy and promotes energy efficiency solutions.

- Resource efficiency — we met with members of the European Resource Efficiency Platform, a group of experts tasked by the European Commission to make recommendations on resource efficiency, to discuss issues related to the circular economy and to share our experience of closed loop projects (see New sources of materials p. 34). We called for the removal of administrative barriers that hinder plastic recycling in some EU Member States.

- Waste policy — we contributed to consultations on plastic waste policy and EU waste targets. IKEA calls for improved take-back schemes and incentives for consumers. We support increased recycling targets where there is sufficient recycling infrastructure. We also assisted in the development of a guidance document on the WEEE Directive, providing input relating to products containing solar panels.

- Chemicals — we wrote to the European Commission and the Swedish Ministry of Environment on Endocrine Disruptor Chemicals (EDC) to encourage them to set clear definitions of EDCs and explore op-

Examples of memberships in trade association sustainability working forums

- Retail Environmental Action Programme (REAP) — we presented at the annual meeting on the green economy which explored how retailers can work with suppliers and customers to bring better products to the market.
- EuroCommerce (represents the retail, wholesale and international trade sectors in Europe) — we're active in several working groups (including the transport & environment and food committees) and in FY13 supported the preparation of a transport manifesto that addresses congestion and road pricing, and contributed to a retail sector position on sustainable food.
- Green Freight Europe and Green Freight Asia — we're supporting a standardised approach to monitor and report carbon emissions from transport (see p. 41).
- European Retail Round Table (represents Europe's largest retailers and works on sustainable consumption, health and nutrition, and consumer information).
- Timber Retail Coalition — we're part of this group which supports measures to curb illegal logging and advocates for consistent and full implementation of the EU Timber Regulations (see p. 24).

portunities to restrict their use.

Our other public policy activities in the EU included participating in a study of the Payments Systems package (governing customer credit card transactions and other payments), advocating for fair market access (particularly with regards to rules governing new store builds), and contributing to consultations on product safety.

Read about how we're engaging with governments to promote responsible forest management on p. 24.

About our reporting

Our report is an important document which we use to update customers, co-workers and partners on our progress in creating a more sustainable IKEA. This year we're able to report progress towards many of the commitments in our People & Planet Positive strategy launched in FY12 (see Performance towards targets p. 81). We're honest about setbacks and areas where we hoped to make more progress.

The data in this report is for the financial year 2013 (FY13), which ran from 1 September 2012 to 31 August 2013, except where stated.

The information and data in this report cover all wholly-owned companies in the IKEA Group, except for our Russian shopping centre organisation which is excluded due to lack of internal reporting systems to gather this information. We're taking action to be able to include data from the Russian shopping centre organisation in our future reporting. Any other exclusions are stated in the text. In some cases, data has been estimated and this has been indicated in the text. Data for IKEA stores operated by franchisees outside the IKEA Group is not reported.

The IKEA Industry Group (previously Swedwood and Swedspan) is a wholly-owned business and its environmental and health and safety data is included in IKEA Group data.

During FY13, we opened five new stores and one board factory acquired in our In-

dstry Group began operations. Data included in this report is from when the units began operation.

GRI and global compact

Our reporting focuses on the social, environmental and economic sustainability issues we have identified as most relevant for IKEA. We used the Global Reporting Initiative (GRI) guidelines on sustainability reporting as a guide when compiling this report. We welcome the GRI's G4 focus on materiality and reporting of impacts across the value chain, and we follow these principles in our reporting.

We are signatories to the United Nations Global Compact, a set of 10 principles in the areas of human rights, labour, environment and anti-corruption. The UN Global Compact Reference Table (right) shows where we report our progress regarding the 10 principles.

UN GLOBAL COMPACT REFERENCE TABLE

		Location in IKEA Sustainability Report FY13
Human rights		
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and	Human rights at IKEA p. 58
Principle 2	make sure that they are not complicit in human rights abuses.	Human rights at IKEA p. 58 The best places to work — suppliers p. 60
Labour		
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	A great place to work p. 54 Human rights at IKEA p. 58 The best places to work — suppliers p. 60
Principle 4	the elimination of all forms of forced and compulsory labour;	Human rights at IKEA p. 58 The best places to work — suppliers p. 60
Principle 5	the effective abolition of child labour; and	Responsible sourcing p. 22 Human rights at IKEA p. 58 The best places to work — suppliers p. 60 Strong communities p. 70
Principle 6	the elimination of discrimination in respect of employment and occupation.	A great place to work p. 54 Human rights at IKEA p. 58 The best places to work — suppliers p. 60
Environment		
Principle 7	Businesses should support a precautionary approach to environmental challenges;	Resource and energy independence p. 20
Principle 8	undertake initiatives to promote greater environmental responsibility; and	A more sustainable life at home p. 11 Resource and energy independence p. 20
Principle 9	encourage the development and diffusion of environmentally friendly technologies.	A more sustainable life at home p. 11 Resource and energy independence p. 20
Anti-Corruption		
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	Business ethics p. 78

Performance towards targets

OUR COMMITMENTS	GOAL	FY12	FY13
Ensure sustainability is part of our everyday work	By FY15, 95% of co-workers agree with the statement, "Within my department sustainability is a natural part of the everyday work"	70%	70%

A More Sustainable Life at Home			
OUR COMMITMENTS	GOAL	FY12	FY13
Take the lead in developing and promoting products and solutions that enable customers to live a more sustainable life at home	By the end of FY20, achieve more than a fourfold increase (from FY13 levels) in sales from products and solutions, inspiring and enabling customers to live a more sustainable life at home	N/A (Baseline set in FY13)	€641 million
	By FY15, improve efficiency of energy-consuming products by 50%, from 2008 levels	N/A	41%
	By FY16, all our electric hobs will be energy efficient induction hobs*	36%	43%
	By FY16, our entire lighting range will switch to LED offered at the lowest prices	-	51% of all lighting products sold were LED or compatible with LED bulbs (e.g. lamps customers can use with an LED bulb)
	By FY17, offer the most energy-efficient home appliances at the lowest price (offer A+++ appliance in all categories of appliance by FY17)	-	A to A++ offered in all categories
Engage and involve people and communities around our stores, our suppliers and co-workers through impactful, relevant and unique communication	By FY15, at least 95% of co-workers view IKEA as a company that takes social and environmental responsibility	83%	82%
	By FY15, at least 95% of suppliers view IKEA as a company that takes social and environmental responsibility	87%	89%
	By FY15, at least 70% of customers view IKEA as a company that takes social and environmental responsibility	42%	41%

* Exceptions may occur due to local conditions.

8|2 PERFORMANCE TOWARDS TARGETS

Resource and Energy Independence				
OUR COMMITMENTS	GOAL	FY12	FY13	
Strive for resource independence by using resources within the limits of the planet and by encouraging all waste to be turned into resources	By FY17, 50% of total projected wood volume to come from more sustainable sources ¹	22.6%	32.4%	
	By FY15, all cotton to be from more sustainable sources ²	34%	72%	
	By FY17, all leather to be fully traceable and produced to standards that help protect forests and respect animal welfare	-	-	
	All main home furnishing materials and packaging will be made from renewable, recyclable (in at least one IKEA market on an industrial scale) or recycled materials by FY15	91%	98%	
	90% of total sales value will come from home furnishing products classified as more sustainable ³ by FY20	35%	39%	
	A minimum of 90% of the waste from our stores and other IKEA operations sorted for recycling by the end of FY15	86%	87%	
Develop our business through investing in renewable energy sources, energy efficiency, store expansion and refurbishment, low carbon transportation and range development	By FY15, we will produce renewable energy equivalent to at least 70% of our energy consumption, and by FY20 we, on Group level, will produce as much renewable energy as we consume	34%	37%	
	Become 20% more energy efficient in our own operations by the end of FY15, compared to FY10	7.9% in stores	8.0% in stores	
	By FY15, reduce carbon emissions from our own operations by 50% compared to FY10 (in relative terms)	21.3%	19.3%	
	By FY16, reduce transport-related carbon emissions by 20%, compared to FY11	7.3%	10.5%	
Work with our suppliers to improve efficiency and reduce energy use and carbon emissions throughout our supply chain	By FY15, 20% reduction in supplier carbon emissions from FY12 levels	-	0.1%	
	By FY17, 20% improvement in supplier energy efficiency from FY12 levels	-	10.9%	
	By FY20, home furnishing suppliers 30% more water efficient than in FY12	-	-1.5%	

¹ More sustainable sources for wood are: Forest Stewardship Council certified or recycled.

² More sustainable sources for cotton are: Better Cotton, cotton grown to other sustainability standards in the USA, and cotton from farmers working towards the Better Cotton Initiative standards.

³ According to our sustainability product scorecard.

8|3 PERFORMANCE TOWARDS TARGETS

Better life for people and communities				
OUR COMMITMENTS	GOAL	FY12	FY13	
Take a lead in contributing to a better life for people and communities impacted by our business	By the end of FY15, all IKEA suppliers (within the IWAY scope defined in FY12) will comply with our supplier code of conduct, IWAY. IWAY will be continuously assessed and strengthened.	-	68%	
	By FY12, all home furnishing suppliers will be IWAY approved, and will maintain approval thereafter	96%	99%	
	By FY14, all tier 1 home furnishing sub-suppliers identified as providing critical materials and processes are compliant with IWAY Musts	N/A ¹	20%	
	By 2020, 50% of managers will be women	47%	47%	
	By FY15, achieve a Leadership Index result of 75 in our VOICE survey	74	74	
	By FY20, achieve an overall VOICE result of 725 in our VOICE survey	712	711	

¹ Identification of critical sub-suppliers not complete in FY12.



IKEA Group Yearly Summary

Find out what happened at IKEA in FY13 — get facts, hear stories and see where we're headed in the future.

A screenshot of the People & Planet Positive section of the IKEA website. It shows a video player with a thumbnail of a child writing, and three smaller images below it: a person in a kitchen, a construction site, and a group of people. The page has a light blue background and includes the IKEA logo and navigation menu.

People & Planet Positive

Visit the People & Planet Positive section of IKEA.com.

A screenshot of the IKEA Foundation website. It features a banner with three children from different cultures. Below the banner, there's a section titled "Creating better opportunities for 100 million children" with a sub-section about ending child labour. The page includes a "BLOG" section with a small image of a group of people.

IKEA Foundation

Discover what IKEA Foundation is doing to help improve the lives of children around the world.

