

IKEA Sustainability Report FY21



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About this report

This report summarises our performance compared to the [IKEA sustainability strategy, People & Planet Positive](#), during FY21. It covers the entire IKEA value chain and franchise system and provides an update on activities and the ongoing work to measure progress. The IKEA Sustainability Report is issued by [Inter IKEA Group](#).¹

The reporting period follows the financial year 2021 (FY21), which runs from 1 September 2020 to 31 August 2021.

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

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

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

Introduction letter

Steady progress towards our 2030 commitments

FY21 was a year of both challenges and important movements towards our 2030 commitment to become People and Planet Positive. Even though we continued to feel the effects of the pandemic, nearly all stores re-opened, welcoming almost 775 million customers. We'd like to thank our colleagues, customers, suppliers and many other partners for the great support and work. All in all, total IKEA sales were up 5.8% from FY20, even surpassing previous highs.

Important sustainability achievements during the year include improvements throughout the value chain to further reduce the IKEA climate footprint in absolute terms (compared to our baseline, FY16) and launching an online circular product design tool for anyone to use. Climate change, biodiversity loss and increasing inequalities make us even more determined to speed up our work.

This was also the year when we actively supported EU legislation on mandatory human rights due diligence and supported the UN year for the elimination of child labour by reiterating our commitment to children's rights through our own action pledge ([page 47](#)). We also launched the next generation of IWAY (the IKEA way of responsibly procuring products, services, materials and components), and developed a global framework for responsible wage practices across IKEA ([page 42](#)).

As the latest Intergovernmental Panel on Climate Change (IPCC) report indicates, limiting climate change to 1.5°C requires the urgent action of everyone, especially businesses and governments. The IKEA climate footprint in FY21 is estimated to be 26.2 million tonnes of CO₂ eq – a decrease of 5.8% in absolute terms compared to our FY16 baseline – showing steady progress towards our commitment to become climate positive by 2030. Overall, we're pleased to say that we're on track, having reached one-third of our climate goal with two-thirds of the time left. Our goal is to reduce the GHG emissions from the IKEA value chain by at least 15% in absolute terms by 2030 compared to FY16. See the [IKEA Climate Report](#) for all the details.

To reduce our climate footprint, we've made strong progress in our range, such as our new, more energy-efficient LED bulbs ([page 10](#)) and increasing our plant-based food offer ([page 13](#)). As part of our ambition to reach 100% renewable energy for IKEA operations, we managed to secure 100% renewable electricity in 10 additional IKEA markets. The largest achievement was in Russia, where we managed to secure renewable electricity for both our stores and factories. And in China, we secured renewable electricity for all IKEA factories, and packaging and distribution units. This means, as of 1 January 2021, all IKEA-owned factories only consume renewable electricity – globally.

With eight years to go to 2030, the longer-term actions to achieve our goals have been identified and integrated into the business. For materials,

which is the largest and most complex part of the IKEA climate footprint, we now have concrete plans to reduce our impact. Other areas, such as ocean shipping, remain a challenge. While taking climate actions creates many great opportunities and benefits, we also need to secure a just transition to new ways of working, with a specific focus on respecting human rights across the value chain.

We're working hard to enable a systemic shift towards a circular economy. During FY21, we shared, in several ways, our insights from assessing our products in an effort to create a more circular range, including a new public online tool. We've also continued to test circular services for customers. As a home furnishing business, we want to make sustainable living more attractive, accessible and affordable for the many people. Read more on [page 8](#).

This year, one of the defining discussions around the globe was the need for companies to play a central role in reversing biodiversity loss. The IKEA business has worked with responsible forest management, with biodiversity considerations integrated into our practices, for more than 20 years. As a next step, we'll be mapping our impact on biodiversity across the IKEA value chain using the Science Based Targets Network's (SBTN) Initial Guidance for Business. We'll also work with partners to explore how we can use our size and scope to protect and improve biodiversity where we operate.

By taking part in the United Nations Climate Change Conference (COP26) in November 2021, we engaged on topics throughout our holistic sustainability agenda. With partners, we launched a guide for businesses to measure air pollution and a collaboration to purchase zero-emissions fuel for ocean shipping by 2040. Leading up to COP26, we collaborated with the Science Based Targets initiative (SBTi) to define what it means to reach net-zero emissions. During FY22, we'll review how to implement the new net-zero standard – ensuring our commitments are fully in line with science. We're on a journey towards a sustainable future. We're continually revising our plans and raising the level of ambition wherever possible. So far, the collective effort of all IKEA co-workers and partners in FY21 has set us up for an interesting year ahead – one that's full of opportunities.



Jon Abrahamsson Ring
Chief Executive Officer,
Inter IKEA Group



Lena Pripp-Kovac
Chief Sustainability Officer,
Inter IKEA Group

The IKEA business in FY21



225,000

IKEA co-workers

8,000 more co-workers compared to FY20



1,600+

IKEA suppliers and partners¹

With nearly 900 home furnishing suppliers in more than 50 countries and over 100 global food suppliers



9,500

products in the IKEA range

2,400 new products launched in FY21



5 billion

visits to IKEA websites

73% increase in e-commerce sales compared to FY20 (26% online sales, 3% services, 71% store sales)²



775 million

visits to IKEA stores

545 sales locations, 458 stores in 61 markets
13 new IKEA stores opened around the world
42 new meeting points



41.9 billion

IKEA retail sales (in EUR)³

Compared to EUR 39.6 billion in FY20

¹ We work with more than 1,600 suppliers for home furnishing, transport, logistics and distribution services, components, and food.

² Find more business performance details in our FY21 "Year in review".

³ Excluding sales taxes, including sales of IKEA products, food and services by IKEA franchisees.

One brand – many companies

IKEA service providers

Inter IKEA Group

IKEA product suppliers

Inter IKEA Systems
owner of the IKEA Concept and worldwide franchisor

IKEA of Sweden
develops and designs the overall IKEA product range

IKEA Marketing & Communication
develops and designs communication content

IKEA Supply
sources and distributes the IKEA product range

IKEA Industry
a strategic IKEA manufacturer

IKEA franchisees

Ingka Group
32 markets

Al-Futtaim 4 markets
Dairy Farm 4 markets
IKANO Group 4 markets
Miklatorg 4 markets

Al-Homaizi 3 markets
House Market 3 markets
Sarton 3 markets
Al-Sulaiman 2 markets

MAPA 1 market
Northern Birch 1 market
Falabella

This is a simplified overview of the IKEA franchise system and value chain. [Find more details](#). In total, there are 12 IKEA franchisees in 61 markets. Inter IKEA Group includes the IKEA franchisor, range, supply and manufacturing. The IKEA sustainability agenda is set and governed by the Strategic Sustainability Council with the Inter IKEA Group CEO as chair. Read more about our sustainability governance on [page 52](#).

FY21 sustainability highlights



Healthy & sustainable living



Becoming climate positive



Transforming into a circular business



Regenerating resources, protecting ecosystems, and improving biodiversity



Fair & equal

Inspiring and enabling customers to **save energy and money** with SOLHETTA, our next generation of LED bulbs that are more affordable and, on average, 35% more energy efficient compared to our previous LED bulbs (page 10).

Enabling customers to have **cleaner air** at home with affordable indoor air purifiers, FÖRNUFTIG and STARKVIND (page 11).

Enabling customers to **save water** with more water-efficient taps and by developing a water recycling shower solution (page 12).

Offering **more plant-based food** choices with VÄRLDSKLOK, a plant-based mince for home cooking (page 13).

Decreasing our climate footprint, in absolute terms, compared to our FY16 baseline by 1.6 million tonnes of CO₂ eq, a reduction of 5.8%¹ (page 22).

Replacing virgin fossil-based polyester with recycled, **reducing the climate footprint** from polyester by around 45%² (page 36).

Moving closer to 100% renewable energy across the value chain (page 23):

- Achieving **100% renewable electricity** in 10 additional IKEA markets
- Achieving **100% renewable electricity** for all IKEA factories, and component packaging and distribution units, globally.
- **Accelerate the transition to 100% renewable electricity** with a new programme for 1,600 direct suppliers

Sharing a guide on how to measure air pollution across value chains with other companies at COP26. [Read more](#).

Continuing our journey towards only **sourcing renewable or recycled materials** by 2030 – reaching 56% renewable and 17% recycled materials³ (page 16).

Setting a new goal and supporting actions to **phase out the remaining plastics** in our consumer packaging by 2028 (page 19).

Launching a **new interactive circular product design tool** based on what we learned from assessing the 9,500 products in the IKEA range (page 17).

Offering **circular ways** to enable customers to prolong the lifespans of IKEA products, including refurbishment, buy-back activities, and providing more than 18 million spare parts (page 18).

Establishing a **new forest positive agenda** for 2030 aiming to enhance biodiversity, support livelihoods and mitigate climate change (page 30).

Continuing to use **only wood and cotton from more sustainable sources** – 99.5% of the wood used for IKEA products is either Forest Stewardship Council®-certified (FSC®) or recycled (page 29).

Setting a new goal: **at least one-third recycled wood** in IKEA products by 2030 (page 29). Today, 14% of total wood used is recycled.

Joining the Science Based Targets Network Corporate Engagement Program to help shape science-based targets for nature and renewing our nearly **20-year partnership with WWF** (page 32).

Sharing learnings from our unique **restoration of the rainforest and its ecosystems** in Borneo with researchers from around the world (page 31).

Promoting decent work through implementing the next generation of IWAY, the IKEA way for responsibly procuring products, services, materials and components (page 49).

Empowering co-workers to benefit from the technological transformations (page 41).

Protecting migrant workers' rights together with the International Organization for Migration (IOM) (page 45).

Setting new social guidelines, together with others, to **protect the working conditions of truck drivers** (page 48).

Submitted an action pledge in support of the UN initiative designating 2021 as the International Year for the Elimination of Child Labour (page 47).

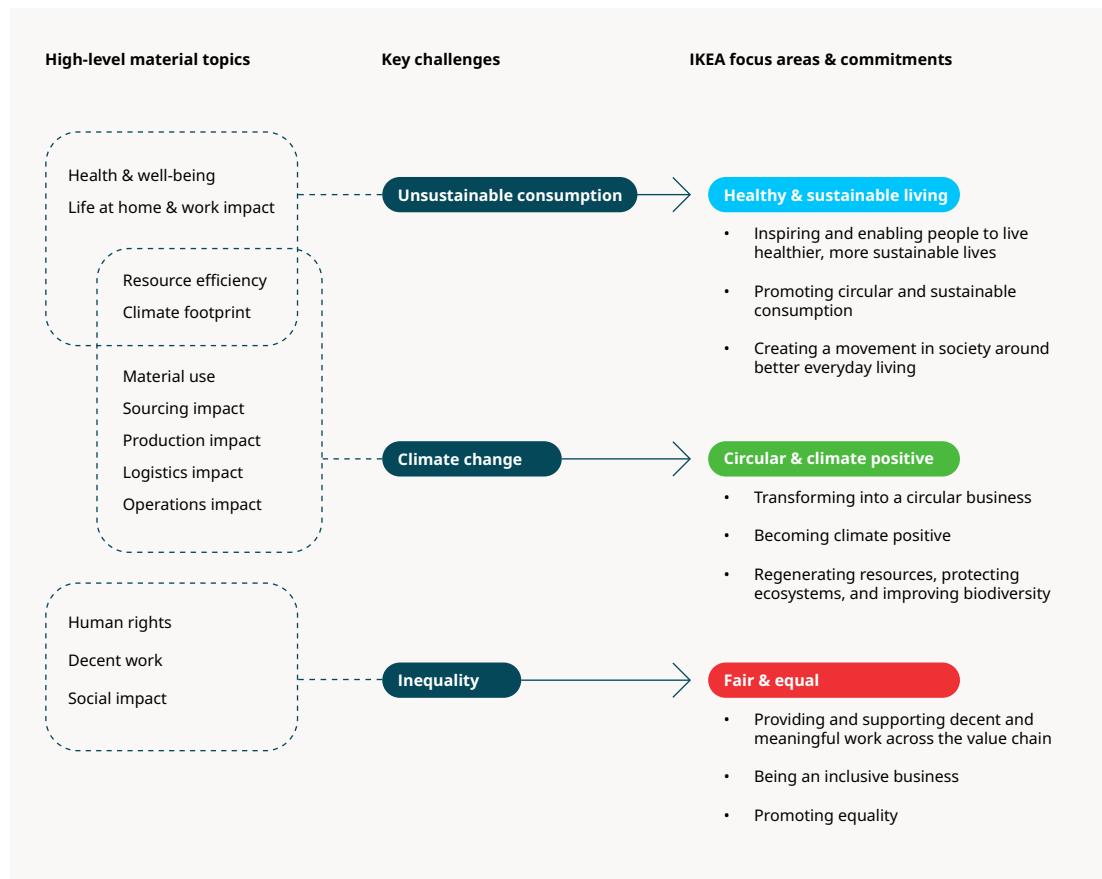
Developing a new framework for responsible wage practices (page 42).

¹ The effects of the pandemic make the footprint in relation to last year difficult to compare and, as expected, our footprint increased compared to FY20 because sales increased.

² Based on industry standards and current research collected in the Quantis World Apparel & Life Cycle Assessment Database (WALDB).

³ In FY21, the scope of these figures expanded and now includes packaging. This makes the figures difficult to compare with FY20.

Becoming People & Planet Positive



The overall IKEA ambition is to become people and planet positive, and to inspire and enable the many people to live a better everyday life within the boundaries of the planet by 2030.

The [IKEA People & Planet Positive strategy](#) describes the sustainability agenda and ambition for everyone in the IKEA franchise system and value chain. Each company, working under the IKEA Brand, sets its own strategic goals to contribute to the common ambitions and commitments.

Our sustainability ambitions and commitments for 2030 are in line with the [UN Sustainable Development Goals \(SDGs\)](#). The purpose of our strategy is to inspire, activate and lead us in our decision making and goal setting, in order to achieve the big positive changes we want to see in the world, and for the entire IKEA ecosystem. It also stimulates action across the IKEA business in the coming years.

We don't have all the answers and can't achieve our goals alone. Therefore, we're committed to working together with others in a collaborative way and being transparent about what we learn. We rely on our culture of entrepreneurship – always moving forward and not waiting for perfection.



The People & Planet Positive strategy is structured based on material topics (see diagram, left). These are considered the most important sustainability issues in terms of the ability of the IKEA business to have an impact.

When we developed the strategy, we looked at what stakeholders expect from us and where they could see us making the biggest positive changes. As an outcome, we clustered the identified material topics into three major challenges: unsustainable consumption, climate change, and inequality.

FY21 global trends and challenges

Our sustainability strategy is reviewed annually to secure alignment with the total IKEA strategic landscape and external developments. This includes assessing the changing realities within our three key challenges: unsustainable consumption, climate change (including biodiversity loss), and inequality. This year, we didn't revise our strategy after review because the topics identified as needing action or attention are already included. To keep ourselves on track to reach our goals, and to keep an outside-in perspective, we receive ongoing input from stakeholders, key scientific reports, advisory boards, sustainability council meetings, and partnerships. This supports us to identify and address trends within our major challenges, revise our plans and raise ambition levels wherever possible. In FY21, we identified the following trends within our major challenges:

ⓘ Healthy and sustainable living is perceived as too expensive

A global study conducted in FY21 found that people around the world express a strong desire to live healthier and more sustainable lives, but almost half of the respondents say it's too expensive.¹ Consumers expect businesses to develop more affordable

and long-lasting products that are good for people and the environment.

We're working to make healthy and more sustainable living inspirational, affordable and accessible for the many people. One example of our efforts is how we're using the advantage of being one of the world's largest food providers to make healthy and sustainable food more affordable and desirable for the many people ([page 13](#)).

ⓘ Urgent action is needed to limit climate change to 1.5°C

Around the world, people are increasingly experiencing the effects of climate change through severe weather and natural disasters like heatwaves, floods and wildfires.² This has raised the importance of drastic emission reductions – halving emissions in absolute terms by 2030 – in order to limit global warming to 1.5°C, which is our best opportunity to limit the effects of climate change.

The IKEA business remains committed to the Paris Agreement and to leading with science-based facts and goals ([page 20](#)).

ⓘ Biodiversity is rapidly declining

Global biodiversity is declining faster than at any other time in human history,³ and this is almost exclusively due to human activities including land use change, pollution and climate change.

We're contributing to developing frameworks and have started a programme to accelerate action from all stakeholders. These include actions connected to SBTN's targets for nature, of which we've been an early supporter ([page 32](#)).

ⓘ Supply chains are disrupted, impacting the use of biofuels in ocean shipping

Supply chains worldwide continue to face huge challenges due to the COVID-19 pandemic, impacting the transport sector, raw material sourcing, and production.

During FY21, the use of sustainable biofuels didn't progress as we'd expected. This was mainly due to the turbulence in the transport industry and constant network changes, followed by high costs caused by supply chain challenges. Despite this temporary setback, the IKEA business has been an early supporter of efforts to reach zero-carbon shipping. Read more in the [IKEA Climate Report](#).

ⓘ Global food systems need to transform

The way food is sourced, supplied and consumed affects all aspects of global sustainability. Improving food systems can enable and accelerate the work toward achieving all UN SDGs, in every country, by 2030.

In FY21, the first-ever [UN Food Systems Summit](#) took place with the aim to accelerate actions to transform global food systems. The IKEA business supported the summit and is taking action across the range, supply chain and business operations to address many of the challenges ([page 14](#)).

ⓘ Inequality is rising and vulnerable groups are increasingly impacted

The COVID-19 pandemic and the acceleration of climate change caused extreme poverty rates to increase last year for the first time in a generation.⁴ There was also an increase in child labour and inequality,⁴ exacerbated by the pandemic.

The IKEA business remains committed to taking responsibility along our full value chain, leading with our human rights agenda ([page 46](#)) and our children's rights roadmap ([page 47](#)).

¹ GlobeScan and IKEA, "Healthy & Sustainable Living Global Consumer Insights", 2021

² Intergovernmental Panel on Climate Change (IPCC), "Sixth Assessment Report" 2021

³ Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), "Global Assessment Report on Biodiversity and Ecosystem Services", 2019

⁴ World Bank Blogs, "Updated estimates of the impact of COVID-19 on global poverty: Turning the corner on the pandemic in 2021?", 2021

Healthy & sustainable living



Commitments and goals

Inspiring and enabling people to live healthier, more sustainable lives

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

Promoting circular and sustainable consumption

We will offer products and solutions designed from the beginning to be circular, have low environmental impact, and be made of renewable and/or recycled materials. We will promote healthier, more sustainable behaviours such as preventing and reducing food-related waste, eating more plant-based and nutritious food, and acquiring, caring for, and passing on products in circular ways.

Creating a movement in society around better everyday living

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

FY21 summary of progress



During FY21, new solutions, products and services were developed and launched to enable and inspire people to live healthier and more sustainable lives. We are developing our ways of measuring progress towards our ambition, beyond data from marketing and communication campaigns and sales.

In FY21, there was a total of more than 5.7 billion visits to IKEA retail through our stores and websites. This shows we have both a big opportunity and a big responsibility to make a positive difference with our healthier and more sustainable food and home furnishing offer.

According to global consumer research conducted in 2021, people around the world express a strong desire to live healthier and more sustainably, but most (70%) feel they're already doing everything

they can to protect the environment.¹ Another global study finds people often overestimate the impact of some actions and underestimate the climate footprint savings of the actions that make the most positive impact.²

Our work is focused on five areas where the IKEA offer (both products and services) has a direct impact on people's health and ability to reduce their environmental footprint at home: energy, air, water, food, and waste. [Read more about our ongoing work.](#)

In FY21, we've been developing an internal tool, the Sustainability Score, that will support our range and product development process. It enables us to make more informed decisions about the sustainability aspects of a product, including circular capabilities, the environmental footprint of materials, and efficient use of water and energy at home. Read

more about our work to develop circular products on [page 17](#), and reduce the environmental footprint of our materials on [page 28](#).

We also took action to remove less sustainable products from our range. We started to phase out all non-rechargeable alkaline batteries and are replacing them with our new LADDA rechargeable batteries. This move enables customers to significantly reduce waste while also saving money in the long run.³

As a large food provider, the IKEA business has a responsibility to inspire and enable healthier, more sustainable food choices. During the year we announced new food commitments for 2025 ([page 13](#)). We also launched several new plant-based food products, including VARLDSKLOK, a versatile mince that can be used to make many dishes at home.

Our goal is to cut food production waste by 50% by the end of 2022 in all IKEA stores globally. In FY21, we reached a waste reduction of 46% compared to baseline FY17.

The circular services we offer are important contributors to a more sustainable life at home and an essential part of transforming our business into a circular one. Read more about our FY21 progress with circular customer services on [page 18](#).

¹ GlobeScan and IKEA, "Healthy & Sustainable Living Global Consumer Insights", 2021

² Ipsos, "Green Planet?", 2021

³ This statement comes from the IKEA business after comparing several scientific life cycle studies on batteries. [See a complete list of the studies.](#)

FY21 key activities

Energy

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



Lighting accounts for about 15% of global electricity consumption.¹ Improving the energy efficiency of lighting sources plays a vital role in decreasing the climate footprint of homes.



Developing even better bulbs

During the year, we introduced SOLHETTA LED bulbs, which last about 25,000 hours and are – on average – more affordable and 35% more energy efficient than previous IKEA LED bulbs.² That means customers can save money on the up-front cost and their electricity bill. When used for three hours a day, a SOLHETTA LED bulb will only need to be replaced every 20 years, which means less waste too.

The energy efficiency of the IKEA lighting range has, on average, improved by 45% between FY16 and FY21. This has been mainly driven by greatly improving the energy efficiency of our already energy efficient LED bulbs. In FY21, we sold 69.3 million LED bulbs.



Bringing our solar panel offer to more homes

At the end of FY21, the IKEA home solar offer (including installation) was available in 11 markets. In total, we supported our customers in saving more than EUR 11.7 million on energy costs. We estimate customers who've purchased IKEA home solar panels in FY21 will save approximately 187,000 tonnes of CO₂ eq over the lifetime of the panels. By 2025, the goal is to have solar panels available in 32 IKEA markets.³



Testing new energy services

In September 2021, STRÖMMA electricity subscription was introduced in Sweden, enabling customers to power their homes with electricity from renewable sources.⁴ The testing of new energy services could continue to broaden the cleaner energy offer, with the aim of creating a scalable solution for other IKEA markets to adopt.

¹ CLASP, "A Lighting Challenge for the World", 2017

² Specifically, when compared to LEDARE and RYET which made up 80% of IKEA LED bulb sales before SOLHETTA launched.

³ Operated by the franchisee Ingka Group.

⁴ IKEA retail in Sweden is operated by the franchisee Ingka Group, which conducts this energy service test.

Air

Clean indoor air is an important factor for health. Developing affordable and high performing solutions to help people purify the air in their homes is an example of how IKEA can make a positive difference.

While products that improve air quality at home are valuable, we're also working on solutions that can create long-term positive change, focusing on the root causes and not only treating the symptoms.

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



The VINDRIKTNING sensor checks the air quality by detecting particles ($PM_{2.5}$) in the home.

→ An affordable air quality sensor for the home

In July, we launched VINDRIKTNING air quality sensor to enable customers to measure, understand, and react to the air quality in their homes. The sensor detects $PM_{2.5}$ particles that can come from many sources, including cooking, sprays, and open fireplaces.¹ A light indicates three levels of air quality: green (good), yellow (ok), and red (not good).

→ Affordable air purifiers for the home

In November 2020, our first air purifier for the home, FÖRNUFTIG, launched in China. It can filter out approximately 99.5% of smaller airborne particles, including $PM_{2.5}$ particles, dust, and pollen. It absorbs various gaseous pollutants such as formaldehyde and other volatile organic compounds (VOCs), while also reducing unpleasant odours.

In October 2021, we launched our first smart air purifier, STARKVIND, which can be connected to the IKEA Home smart system. All STARKVIND models have a built-in air quality sensor and can automatically adjust the fan speed based on the amount of $PM_{2.5}$ detected.



STARKVIND air purifier is designed for indoor use. It's optimised for rooms up to 20m².

¹ $PM_{2.5}$ are small inhalable particles that measure 0.1-2.5 micrometres.

Water

Today, water use in the home makes up about 11% of global freshwater consumption.¹ By continuing to develop and improve the efficiency of our water-using products we're enabling customers to decrease their consumption. [Read more about saving water at home](#). For information about water in our supply chain, see [page 37](#).



BROGRUND tap saves hot water and energy every time the lever is lifted. The cold start function avoids the unnecessary use of hot water.

→ New water-efficient solutions

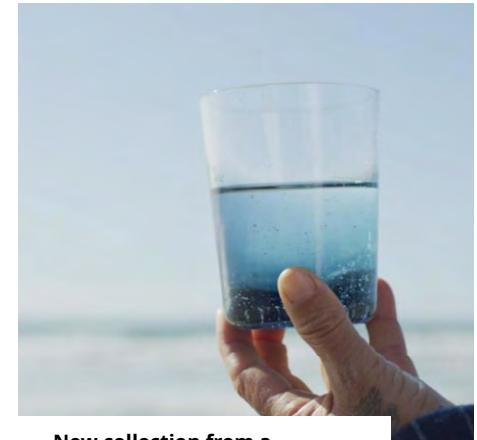
All our showers and taps have a built-in water-efficient regulator that delivers optimal flow no matter the pressure in the water system. In FY21, we launched several new showers and taps with this function, including BROGRUND tap and shower.



An integrated washer in our new BROGRUND shower regulates water flow to save both water and energy.

→ Developing water recycling shower solutions with Flow Loop

In FY21, IKEA partnered with the Danish company Flow Loop to develop a water recycling shower solution to inspire and enable people to be more water-efficient at home. The solution recycles and cleans shower water in a closed loop. The aim is to save up to 80% of water use, and 70% of energy use, when compared to average shower solutions. [Read more](#).



New collection from a planet-conscious collaboration

KÅSABERGA, launching globally in spring 2022, is the latest collection from the partnership of IKEA and the World Surf League (WSL). The collaboration began in 2019 and continued throughout 2021. The new collection is inspired by a lifestyle that's close to the ocean, conscious of the planet, and active. It includes a range of products intended both for the home and the beach and focuses on using renewable materials, like wood, and recycled material, such as polyester. [Read more](#).

¹Our World in Data, "Water Use and Stress", first published 2015, revised 2018

²IKEA acted as an official co-convenor for World Water Week, the foremost global convention on water.

More sustainable food

Throughout FY21, we continued our work to improve and expand our plant-based food offer.

For information about food in our supply chain, see [page 34](#).

→ Food commitments for positive change

In FY21, we announced food commitments for 2025 to inspire healthier and more sustainable choices. By adding options that are delicious, nutritious, responsibly produced and affordable to our packaged food offer, restaurants and bistros, we see an opportunity to have a positive impact.

When it comes to the climate footprint of an individual, choosing plant-based foods makes a positive impact. A plant-based diet with high nutritional quality can also be a healthier choice.¹

A consumer survey from 2020 shows a significant number of meat eaters (41%) would be willing to switch to plant-based alternatives if they tasted equally as good and had the same price and nutritional value.² We see this as an opportunity and will continue our work in this area.

Goals for 2025³

- 50% of main meals offered in our restaurants will be plant-based.
- 80% of main meals offered in the restaurants will be non-red meat.
- 80% of all packaged food offered will be plant-based.
- 80% of all main meals offered in the restaurants will meet our internal criteria for healthier food.^{3,4}

Until we have the digital system in place to measure the entire IKEA food range, we will not be able to confirm whether the goals have been achieved.

→ Championing food waste reduction

In FY21, we reached a waste reduction of 46% compared to baseline (FY17). We are on track towards our goal to cut food production waste by 50% by the end of 2022 in all IKEA stores globally.⁵



During the year, we introduced VÄRLDSKLO plant-based mince. It's a versatile meat-free mince option that can be used to make many dishes at home.



In FY21, HUVUDROLL plant ball was introduced. The ingredients of the plant ball have only 4% of the climate footprint of the ingredients in the IKEA meatball. It was created with the goal of tasting like meat without being made of meat. [Read more.](#)



We introduced LÄTTLAGAT ready meals. They're convenient, nutritious, and tasty frozen meals that are available in different varieties, including a plant ball option.

¹ The Lancet, "Food in the Anthropocene: the EAT–Lancet Commission on healthy diets from sustainable food systems", 2019

² GlobeScan, "Study Finds People Want to Make Healthy and Sustainable Living Choices but Do Not Know Where to Start", 2020

³ Progress on the previously reported food goal for 2022 "1 in 5 main meals and snack sold should be healthier" is excluded from this report because we restructured our nutrition profiling agenda in FY21 ([page 14](#)) making the categories we used to measure this target no longer valid.

⁴ The IKEA Food Nutrition Profiling System (IFNPS) classifies foods or beverages as healthier if they have a better nutritional composition compared to equivalent foods from a similar product category. There are three levels of classification in the system: "Green" is the best, followed by "Yellow" and "Red". "Healthier" means products have been classified as better than "Red" i.e., "Green" or "Yellow".

⁵ This was achieved through a food waste measurement solution that uses a smart scale: a tool to measure the production of food waste in IKEA restaurants, bistros and Swedish Food Markets around the world.



→ **New food classification system helps us improve our food offer**

In May 2021, we launched a science-based classification system for our food. The IKEA Food Nutrition Profiling System (IFNPS)¹ enables us to accelerate the transition of our food offer to a healthier one. It provides a coherent set of nutrition criteria for the entire IKEA food range, including individual food items, snacks and meals. It focuses on tracking the factors that are most closely associated with lifestyle diseases, including energy (kcal), saturated fat, sugars, salt and fibre. [Read more about IFNPS.](#)



→ **Taking part and taking action at the first UN Food Systems Summit**

Last year, the first-ever UN Food Systems Summit took place, raising awareness of the role of the food system in meeting the UN Sustainable Development Goals (SDGs). The IKEA business took part in a series of CEO consultations running up to the event, culminating in the signing of a shared Business Declaration for Food Systems Transformation. We also joined several coalitions on the topics of healthy diets, living income in global food value chains, and soil health.

→ **Supporting the WBCSD to drive private sector progress**

Inter IKEA Group has begun working with the World Business Council for Sustainable Development's (WBCSD) Healthy People, Healthy Business project. The project is building a coalition to identify private sector priorities and opportunities to drive progress on health promotion and disease prevention. The four focus areas include: employee health and wellbeing, resilient and accessible healthcare, healthy lifestyles, and planetary health.



In March, IKEA Canada² released *The ScrapsBook*, a free e-book containing 50 food scrap-based recipes from chefs around North America. It's designed to help people avoid food waste and get inspired to make the most of their groceries. [Read more and get the e-book.](#)



IKEA Indonesia³ collaborated with Indonesian Children Care for the Environment (ICCFTE), in partnership with the Greeneration Foundation and the Swedish Embassy to create an e-book for children that aims to increase awareness of the impact of food and food waste. The e-book is available on the [Greeneration Foundation's website](#). [Read more.](#)

¹The IKEA Food Nutrition Profiling System (IFNPS) classifies foods or beverages as healthier if they have a better nutritional composition compared to equivalent foods from a similar product category. There are three levels of classification in the system: "Green" is the best, followed by "Yellow" and "Red". "Healthier" means products have been classified as better than Red i.e., "Green" or "Yellow".

² IKEA Canada is operated by the franchisee Ingka Group.
³ IKEA Indonesia is operated by the franchisee Dairy Farm.

Transforming into a circular business



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

Our strategic goals

- Designing every product from the very beginning to be reused, refurbished, remanufactured and eventually – after all other possibilities have been explored – recycled, by applying our circular product design principles during the product development process.
- Aiming to only use renewable or recycled materials, by adapting and finding new sources and developing new materials.
- Finding circular solutions for existing and new customers to acquire, care for, and pass on products.
- Taking the lead and joining forces with others through advocacy, collaboration, and business partnerships.

FY21 summary of progress



Transforming into a circular business is a systemic change that impacts every aspect of what we do at IKEA. It encompasses how and where we meet customers, how and what products and services we develop, how and what materials we source, and how we continue to develop our entire value chain.

In FY21, we continued on track in our work with circular product development to secure that all our products will eventually be circular. This is essential in our shift to being a circular business. We also continued to share our circular product design insights and tools to inspire and share learnings with others ([page 17](#)).

This past year, we began acting on the circular product development roadmaps we developed in FY20. Those roadmaps – based on the findings from our assessment of the circular fulfilment rates of the more than 9,500 articles in the IKEA range – outline how we can make sure all our products are developed according to our circular design principles by 2030. Each product is developed based on a selection of relevant circular capabilities for its intended use. In FY21, we continued to develop more circular products by increasing the circular capabilities of the lowest scoring products to 36% (FY20: 28.6%) and maintaining full circular capability of 100% in the highest scoring products. This performance keeps us on track for our 2030 goal.

To enable customers to acquire, care for, and pass on products in circular ways, we've been testing offers for customers to prolong product life. A

roadmap for what circular services to offer and how to launch them globally will be reviewed by our Strategic Sustainability Council in spring 2022.

Our 2030 ambition to only use renewable or recycled materials is very challenging and calls for innovative solutions throughout our entire value chain.¹ In FY21, we continued to focus on developing new capabilities – such as reverse logistics and remanufacturing – and improving the sustainability of the materials we've identified as having the most impact on our circularity goals, such as polyester ([page 36](#)).

In FY21, 55.8% of the materials we sourced were renewable and 17.3% were recycled. We've adjusted the scope of our reporting for these figures – by including packaging – to improve our measurement methods, better reflect our progress, and provide actionable insights. Because of this, these figures

are not directly comparable with FY20 (60% renewable, 10% recycled).

We continue to engage with many stakeholders in conversation and advocacy for the circular economy. In September, the Ellen MacArthur Foundation (EMF) published the Circular Economy Glossary, the result of a close collaboration with the IKEA business ([page 18](#)). This common set of definitions and terms is essential to accelerating the transition to a circular economy.

[Read more about our circular ambitions.](#)

¹ Wood is an important material to consider in our work toward a circular business because most of the IKEA range is based on wood. We want carbon to be stored in our wood-based products for as long as possible. Find out more on [page 29](#).

FY21 key activities

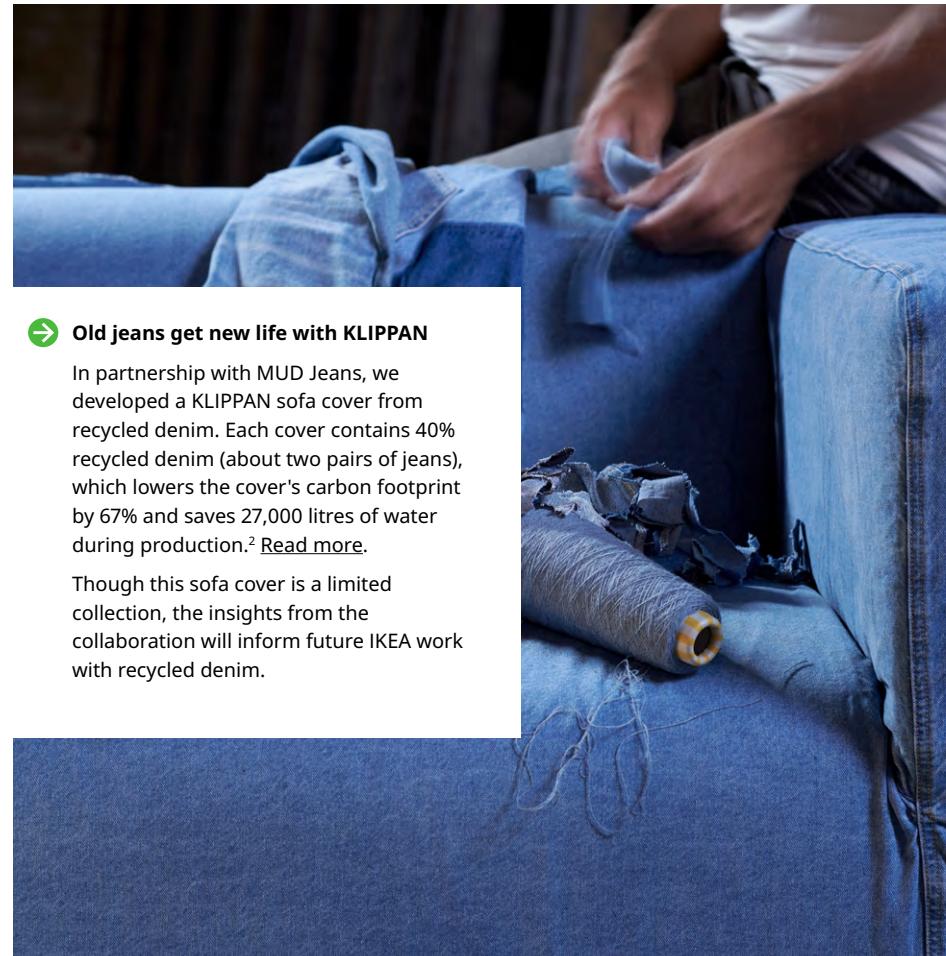
Designing circular products

For us, products are material banks for the future – once they can no longer be used they become secondary raw materials for new products through recycling. That's why we're working to design products to last as long as possible and keep the value of their materials beyond their lifespan.¹

→ Take a (more sustainable) seat

During the year, we've applied circular design thinking to improve the quality, durability and circular capability of several IKEA seating products.

By using more spring support, the amount of foam has been reduced by nearly 38% in KIVIK, UPPLAND, PÄRUP, and GRÖNLID, and we continue to introduce more renewable polyol content in the remaining foam used. We've also increased the amount of recycled polyester in these product families to support the improvement of their overall sustainability. (page 36).



→ Old jeans get new life with KLIPPAN

In partnership with MUD Jeans, we developed a KLIPPAN sofa cover from recycled denim. Each cover contains 40% recycled denim (about two pairs of jeans), which lowers the cover's carbon footprint by 67% and saves 27,000 litres of water during production.² [Read more](#).

Though this sofa cover is a limited collection, the insights from the collaboration will inform future IKEA work with recycled denim.

→ Sharing circular design insights and methods to inspire and accelerate change

In September 2021, we shared our method for assessing how circular a product is by launching an [easy-to-use interactive tool](#) that lets people measure the circular capabilities of any product, whether it's from IKEA or not. The tool shares the circular product design insights we've gained so far, while also enabling users to learn more about circularity in general. And, it can be used by everyone, including designers, companies, and consumers who want to assess home furnishing products they already own.

Our [Circular Product Design Guide](#) is also publicly available. Our design principles consider circularity from the beginning, resulting in products that can be repurposed, repaired, reused, resold, and eventually recycled.



¹ Product lifespan is the time between when a product is produced and when it gets recycled. We base product lifespan estimates on intended product use in expected conditions to fulfil customer needs – this includes reuse, repair and refurbishment.

² Compared to the standard industry method for denim production.

In FY21, we started working with Sahaas Zero Waste, a recycling company in India. This collaboration is focused on collecting Ocean Bound Plastic (OBP) that can be used in IKEA products, such as the GURLI throw, which is now made of 100% OBP.

Enabling and inspiring people to take part in a circular economy



Offering solutions that make products last longer fulfils many customer wishes and solves frustrations.

→ Making spare parts easy to access

In FY21, we provided more than 18 million spare parts to enable customers to prolong the lifespans of IKEA products (FY20: 14 million).

We also launched our easy-to-use online spare parts ordering solution globally – it's available through each market's specific IKEA.com site.

¹ Operated by the franchisee Ingka Group.

² Within the franchisee Ingka Group.

³ These pilots are operated through the franchisees Ingka Group and IKANO Group.

→ A successful replacement parts pilot programme

IKEA Poland¹ launched a selection of replacement parts, such as seat cushions and armrests, for selected sofa families. We're using the experience and insights from the pilot to better understand how to set up a replacement parts offer, based on our standard platform design, that extends product life for customers.

→ Expanding the buy-back furniture service and learning from the results

During the year, customers used our buy-back furniture service to return 155,000 pieces of old IKEA furniture to be resold or recycled. The buy-back and resell service is a permanent service in 26 countries.²

→ Continuing to pilot and learn from furniture subscription services

In FY21, we continued to pilot furniture subscription services for individuals.³ The aim is to find out if leasing furniture through an offer like this enables circular solutions. With each pilot, we're learning more about the opportunities and challenges of this approach and making progress towards the goal of offering an affordable and scalable furniture subscription service.

Taking the lead and joining forces with others



Circular solutions require systemic change. We're working with advocacy, collaboration and business partnerships to accelerate our transformation into a circular business and support others with their transformations.

→ Finding a common language to advance the development of circularity

In September 2021, the Ellen MacArthur Foundation (EMF) published a [glossary of circular terms](#) which was created in collaboration with the IKEA business and has been endorsed by other EMF strategic partners.

Engaging in complex topics, like the circular economy, can be made easier and more accessible by finding a shared language that provides a common starting point for discussion, learning, and collaboration.

→ Contributing to universal circular economy policy goals

In FY21, we collaborated with the EMF to support the creation of [universally applicable circular economy policy goals](#) that provide a framework for national governments, cities and businesses to align their efforts as they transition to circular economies. This set of five goals was published early in 2021.

→ Promoting circular economies in the furniture sector

Throughout 2021, we actively participated with the [European Furniture Industry Confederation \(EFIC\)](#) through a working group that aims to promote a circular economy in the furniture sector. We work collaboratively with regulators and governments to create the right conditions for circular furniture businesses to thrive.



→ **Leading the work to set standards for the furniture circularity**

In June, a representative from the IKEA business was appointed convenor for Technical Committee 207 (TC207-WG10), a project run by the European Committee for Standardization (CEN)¹ to develop requirements and methods for European furniture standard that will be adopted by CEN.



→ **Working with UNEP to support businesses to go circular**

In 2021, the United Nations Environment Programme (UNEP) launched a series of briefs that translate the influential Global Environment Outlook (GEO) report into comprehensive guides for a business audience. The IKEA business contributed to the report titled "[The Role of Business in Moving from Linear to Circular Economies](#)".

→ **Supporting EU Green Deal policymakers**

Over the past year, the IKEA business has actively shared its experience of the process of transforming into a circular and climate positive business with EU policymakers as they set out various legislative and non-legislative proposals. For example, to support the Circular Economy Action Plan, we engaged on the topics of eco-design, textile strategy, and other policies enabling a circular business. There are more than 70 initiatives under discussion in the European Green Deal (EU Green Deal). [Read more about our support of the EU Green Deal](#).



Improving packaging throughout our business

The IKEA business ships an average of 4 billion packages every year (about 40 million m³), which means we can have a big impact by using more sustainable packaging. Today, all our corrugated cardboard is FSC-certified and, since 2015, non-sustainable packaging materials like expanded polystyrene (EPS) are banned (with the exception of appliances).

In FY21, we introduced a Packaging Direction that covers the total IKEA value chain and is valid up to 2025. We reduced the share of plastic packaging to 9% in FY21 (2010: 12%). Our goal is to phase out plastic in our consumer packaging by 2028, and as of 2025 all new products in our home furnishing range will be launched without plastic packaging. [Read more](#).

More sustainable pallets

During the year, we introduced a new paper foot construction for our pallets that's 20% stronger, uses 30% less material, and costs 30% less. The

pallet feet have been introduced in China and Europe and will be rolled out across the entire IKEA supply chain in the coming year.

New packaging innovation accelerator programme

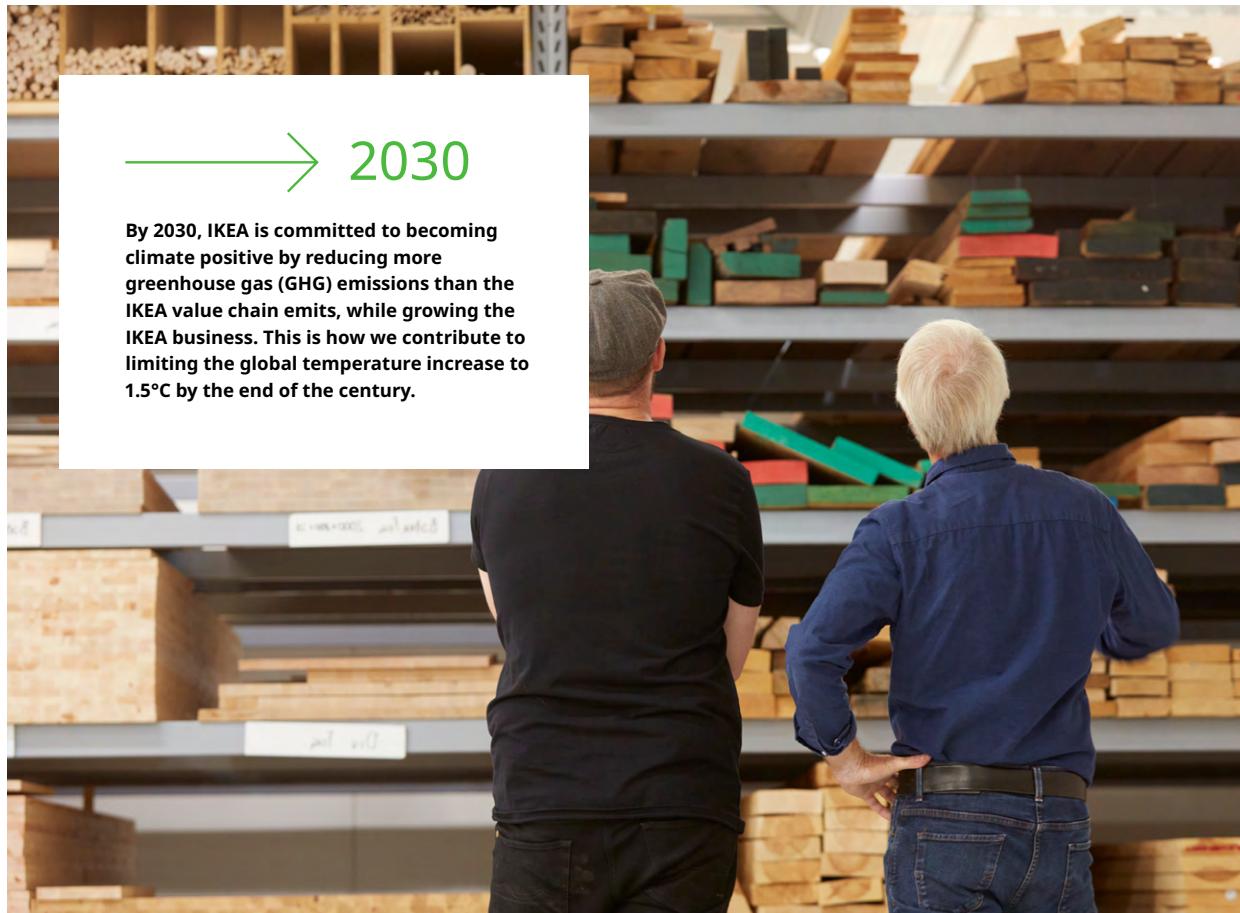
The IKEA business has initiated a programme to tackle the challenges of creating sustainable packaging and is now scouting for potential start-ups to participate.

More sustainable food packaging

Food packaging has specific functional needs and regulations that must be met, making it more complex to work with. In FY21, we launched the IKEA Sustainable Food Packaging Principles, which will help us develop more sustainable food packaging solutions. It focuses on using circular materials, using less material, and increasing transport efficiency, all while keeping food safe.

¹CEN is the European Committee for Standardization. It's an association that brings together the national standardisation bodies of 34 European countries.

Becoming climate positive



→ 2030

By 2030, IKEA is committed to becoming climate positive by reducing more greenhouse gas (GHG) emissions than the IKEA value chain emits, while growing the IKEA business. This is how we contribute to limiting the global temperature increase to 1.5°C by the end of the century.

Our strategic goals

To become climate positive, we must first reduce the climate footprint of the total IKEA value chain in line with the 1.5°C target – including halving emissions by 2030 and reaching net-zero by 2050 at the latest.

To reduce our climate footprint we have set the following strategic goals, in order of priority (details on next page):

- 1. Drastically reducing GHG emissions across the IKEA value chain, in absolute terms.**
- 2. Removing and storing carbon from the atmosphere through forestry, agriculture and products within our value chain.**
- 3. Going beyond IKEA by taking an extended responsibility for the climate footprint of our customers, suppliers and sourcing areas.**

We will achieve our climate positive commitment without using carbon offsets, as we firmly believe that we need to address the root causes of our climate footprint within our own value chain or in connection to our customers, suppliers and sourcing areas. Only by doing so can we transform into a sustainable business.

The IKEA climate footprint covers the entire lifecycle of our products – from the extraction and processing of raw materials, to IKEA stores and other customer meeting points, and finally the use and end-of-life of our products.

The graph shows the contributors to becoming climate positive and reducing GHG emissions by more than the IKEA value chain emits, while growing the IKEA business. While the GHG emissions will



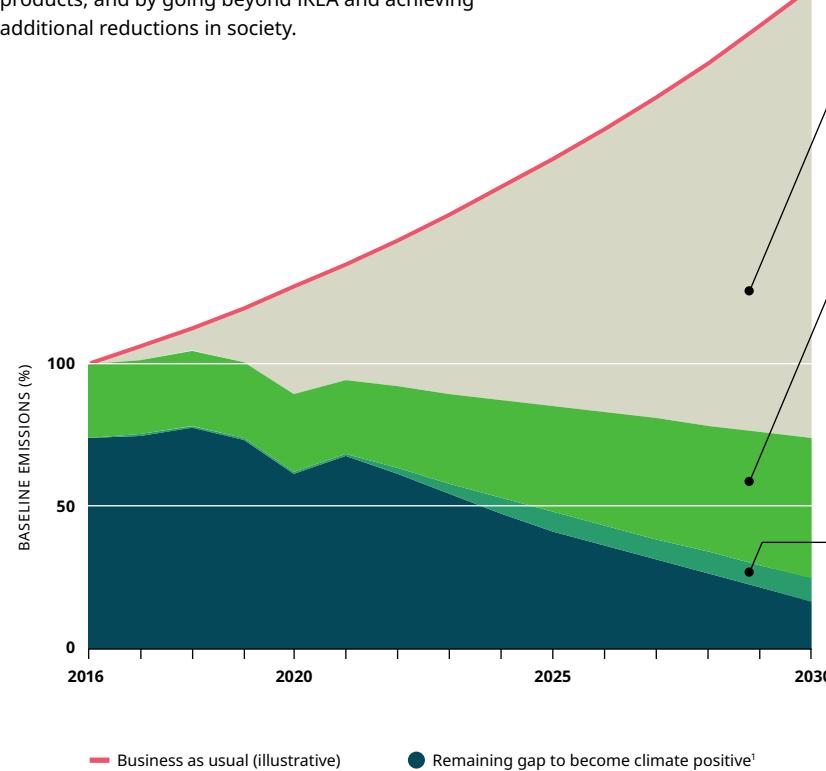
NEW – IKEA Climate Report FY21

This year, for the first time, we have created a separate report focused only on climate change and the work we're doing to become climate positive and contribute to limiting climate change to 1.5°C.

[Read the IKEA Climate Report FY21.](#)

be reduced by at least 15% in absolute terms, this reduction represents the largest relative improvement and is the main driver for decoupling the IKEA climate footprint from growth.

The remaining contributors to becoming climate positive will be in storing carbon in land, plants and products, and by going beyond IKEA and achieving additional reductions in society.



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

The overall goal is, by 2030, to reduce the absolute GHG emissions from the IKEA value chain by at least 15% compared to 2016 while still growing the IKEA business. Accounting for the estimated growth over the same period, this is equivalent to cutting the average climate footprint per product by an estimated 70%.

In addition, sub-goals are set for specific parts of the IKEA value chain. Together, these sub-goals add up to a larger reduction than the 15% in the overall goal.

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

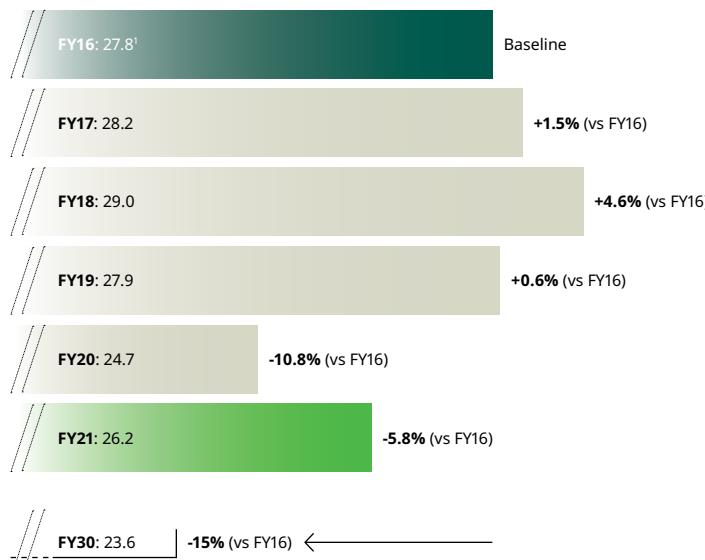
Trees and agricultural crops – which are used for materials, food and fuels – absorb and store carbon as they grow, in the plant itself and in the soil. This removes CO₂ from the atmosphere and, if the land is responsibly managed, has a potential to reduce the climate footprint. In contrast to carbon offsets, this happens within our supply chain and is part of how we responsibly source materials for the IKEA range.

3. Going beyond IKEA

To reduce more than we emit, we will contribute to additional reductions in society by taking an extended responsibility for the climate footprint of our customers, suppliers and in our sourcing areas – not just the part which we can account for as part of the IKEA climate footprint.

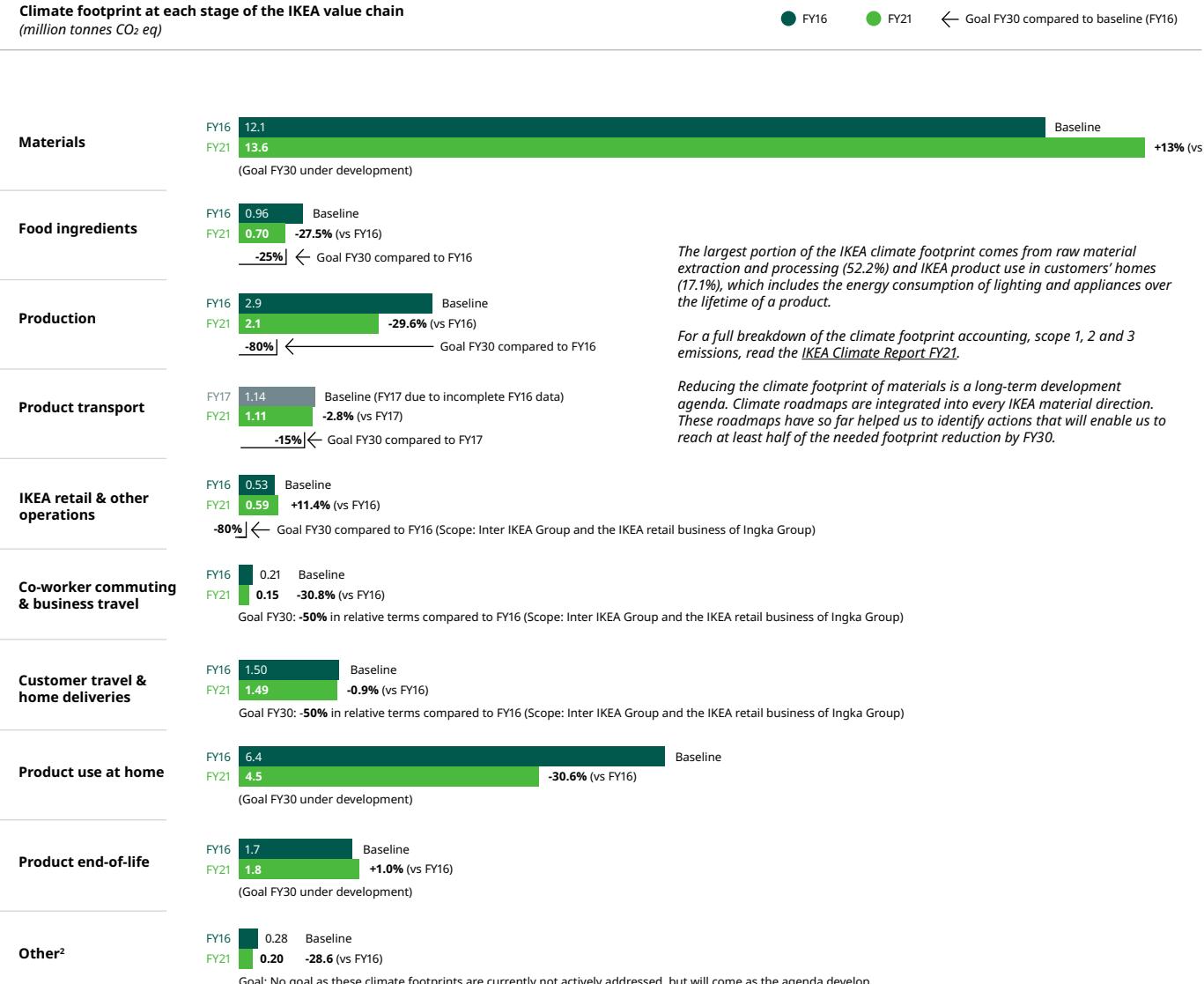
¹ The gap is based on current plans. We work to close this gap and await the final methodology for removing and storing carbon before deciding on the full set of actions to take.

IKEA climate footprint- performance vs. baseline FY16
(million tonnes CO₂ eq)



In FY21, the total IKEA climate footprint decreased by 1.6 million tonnes of CO₂ eq in absolute terms compared to baseline FY16, a reduction of 5.8%, while IKEA sales previous highs. As expected, the climate footprint increased during FY21 as retail sales began to recover from the pandemic.

Climate footprint at each stage of the IKEA value chain
(million tonnes CO₂ eq)



¹ Historical data should not change, but we always revise historical figures if data quality or science has improved.

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

FY21 summary of progress



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

During both FY20 and FY21, COVID-19 impacted our operations and as a result our climate footprint. We've seen disruptions in our supply chain, temporarily closed restaurants, impacts on production and the availability of ocean containers for transport. The IKEA climate footprint in FY21 is estimated to be 26.2 million tonnes CO₂ eq, a decrease of 5.8% in absolute terms compared to the baseline FY16, but an increase of 5.7% compared to FY20. As expected, the climate footprint increased as retail sales began to recover from the pandemic.

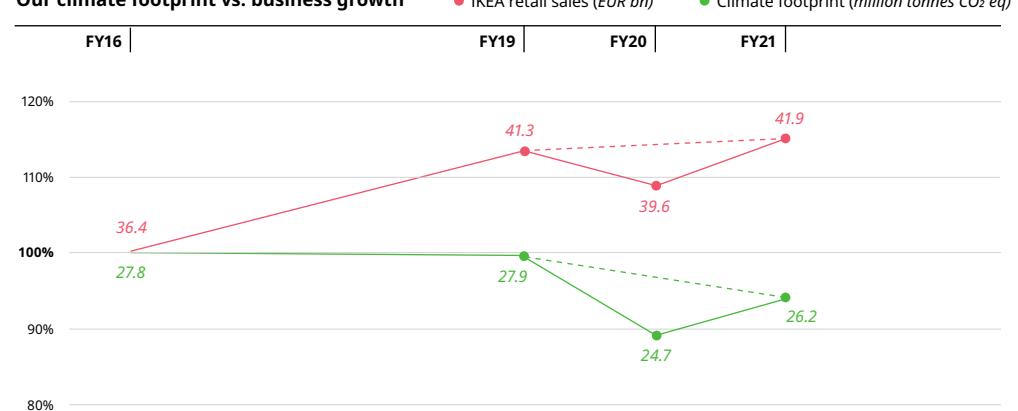
When comparing to pre-pandemic levels (FY19), our retail sales are now higher, while at the same time our climate footprint has decreased by almost 1.8 million tonnes CO₂ eq (FY21 compared to FY19) – continuing the break in trend achieved in FY19. This trend is also reflected in the decrease of the

climate footprint per unit of retail sales by 8% between FY19 and FY20 and 0.1% between FY20 and FY21.

During FY21, we saw solid progress in many areas impacting the total climate footprint such as the continued improvement in the energy efficiency of our LED bulbs, which are, on average, 7.8% more energy efficient compared to FY20. Another area of progress was in our movement towards 100% renewable energy across the IKEA value chain, especially for renewable electricity.

When it comes to our material agenda, however, we see a negative trend as the material footprint is still increasing. [Read more in the IKEA Climate Report](#). But we have plans in place to reach our strategic goal. The outcome of these will take longer than the ones for plant-based food and renewable energy, as new materials need both innovation and upscaling before they have a visible impact on the overall footprint.

Our climate footprint vs. business growth



The climate footprint per sales (million tonnes CO₂ eq per EUR bn sales). Continuing the break in trend achieved in FY19.

FY16 0.76	FY19 0.68	FY20 0.62	FY21 0.62
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----- *The trend when disregarding COVID-19 disruptions in FY20*

FY21 key activities to drastically reducing GHG emissions – Read more in the [IKEA Climate Report](#)

→ Launching a new and more affordable way for people to save energy

In FY21, we introduced SOLHETTA LED bulbs, which last about 25,000 hours and are - on average - more affordable and 35% more energy efficient than previous IKEA LED bulbs.¹

→ Offering more plant-based food choices

FY21 was the first full year we offered our plant ball, the ingredients for which have only 4% of the climate footprint compared to the ingredients of the meat-based version.

→ Achieving 100% renewable electricity in IKEA operations in 10 additional markets

During FY21, 10 additional IKEA markets switched to 100% renewable electricity. The biggest movement was securing 100% renewable electricity for IKEA operations in Russia (stores, offices and factories).

→ Achieving 100% renewable electricity for all IKEA factories and packaging and distribution units globally²

As of 1 January 2021, we have also secured 100% renewable electricity for IKEA Industry and IKEA Components units in China, meaning that all operations globally by IKEA Industry and IKEA Components now only consume 100% renewable electricity.

→ Accelerating IKEA suppliers' transition to 100% renewable electricity

The IKEA business launched a new programme to accelerate suppliers' transition to only consume renewable electricity.³ The programme supports over 1,600 direct suppliers and will first be introduced in three of the largest purchasing countries: Poland, China, and India. Achieving 100% renewable electricity in these countries will save 451,000 tonnes of CO₂ eq emissions per year. That's equivalent to approximately 2% of the total climate footprint of the IKEA value chain.

→ Taking steps to phase out coal- and fossil-oil based fuels in production

By completely removing coal from our ceramic production and from a few textile suppliers who had a high use of coal, we achieved a reduction of 2.3 percentage points. Since FY16, we have reduced the use of coal- and fossil-oil based fuels in production by almost one-third. For alternative fuels used in product transport, the share reduced from 3.3% in FY20 to 0.8%.

→ Increasing the share of recycled polyester in our supply chain

In 2020, we reached the milestone of 90% recycled content in textile products made of polyester. Now, we've widened our measurement scope to include all polyester and fibre applications.

→ Investment to generate more energy from wood waste and minimising air pollution

IKEA Industry signed an agreement for renewable electricity production with Meva Energy AB. The Meva Energy technology generates both electricity and heating from wood waste that's currently not possible to recycle and is incinerated. Compared to conventional technology, the new energy technology not only has an increased electricity output, but also minimises air pollution.

→ New corporate guidance on air quality

Together with the [Climate and Clean Air Coalition and Stockholm Environment Institute](#), we initiated and supported the development of a new air pollutant emissions standard to allow companies to measure their full value chain impact on air quality and take action to reduce it. The first version of the guidance was launched at COP26, after which the IKEA business and other companies will test and help refine the guidance.

Also, at COP26, we joined the Alliance for Clean Air, a new alliance hosted by World Economic Forum, aimed at accelerating corporate action on clean air in a science-based way.



Working with new materials and innovations for a smaller footprint

We're innovating with, and increasing the use of, renewable natural fibres, which require less fertiliser, pesticide and water, and contribute to lowering our materials climate footprint.

And since glues used in boards represent 5% of the total IKEA climate footprint, we are working to convert from fossil- to bio-based glues.

¹ Specifically, when compared to LEDARE and RYET which made up 80% of IKEA LED bulb sales before SOLHETTA launched.

² IKEA Industry and IKEA Components.

³ Through IKEA Supply.

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

During FY21, we continued to contribute to the work of the GHG Protocol to develop a global accounting standard for how to measure the impact on climate change from carbon removals and storage.

This will extend the GHG Protocol with guidance for accounting and reporting carbon removals, land use and bioenergy. Based on this, the Science-Based Targets initiative (SBTi) will finalise its standard for setting goals connected to Forest, Land and Agriculture (FLAG) - work that the IKEA business is also contributing to. Completion is expected by the end of 2022. Once both standards have been finalised, we will set a strategic goal for removing and storing carbon through forestry, agriculture and products as part of our climate positive commitment.

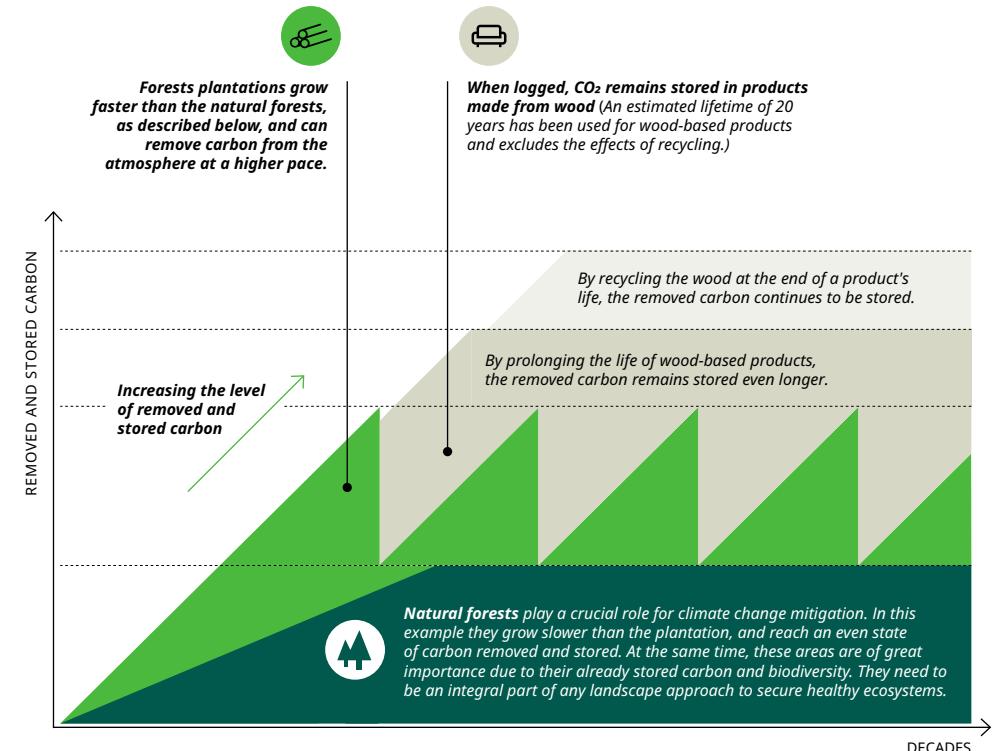
For the purpose of transparency, we have decided to disclose the preliminary figures this year, to the best of our knowledge, for the contribution of removing and storing carbon through forestry, agriculture and products. The reason is to provide an indication of its contribution towards the IKEA climate positive commitment. Please note that all figures are preliminary and subject to change (either increase or decrease) and will be revised once the guidance by the GHG Protocol has been finalised.

The main contribution to carbon removals and storage comes from the increasing carbon stock levels in the forests that we source wood for our products from. In FY21, 5.3 million tonnes CO₂ eq (estimated) was removed through forestry (net removal in the forest). This means that, on average, there is a net increase

in forest growth (above ground biomass), taking into account the decrease from wood harvested and losses from storms or fires. Many forests used for wood production in the world, which today are passively managed, have the potential to remove more carbon from the atmosphere by more active management. Conservation of old growth forests or other areas of high conservation value are at the same time very important. These forests often have a significant amount of carbon stored in them and provide irreplaceable services in terms of biodiversity, soil protection and many others. [Read more about our responsible sourcing of wood.](#)

The second-largest contribution comes from the effect of storing carbon in our products, especially the wood-based materials they use. This has a positive temporary storage effect, as there is a delay to when the carbon is re-emitted into the atmosphere. For our wood-based products, this is estimated to be on average 20 years. The effect of the delayed emissions coming from the temporary storage of carbon in wood-based products, can be estimated to 1.4 million tonnes CO₂ eq.¹ By prolonging the life of IKEA products and materials through circular business models we work to increase this effect. [Read more.](#)

Although the effect of removing and storing carbon seems potentially significant already, it's important to recognise that we'll only reach net-zero once GHG emissions have been reduced in absolute terms by at least 90% by 2050 at the latest. The remaining emissions are then neutralised by the carbon removal and storage effect.²



A simplified model of removing and storing carbon through establishment of a fast growing tree plantation plus restoration of natural forests at degraded land, including the effect of prolonging the carbon storage effect through wood based products and recycling. Trees from responsibly managed forest plantations absorb substantial amount of carbon dioxide (CO₂) from the atmosphere. When trees are made into wood-based products, they act as temporary carbon storage. This storage effect can be extended through reuse, refurbishment, remanufacturing and recycling of the material at end-of-life. In resilient landscapes, the contribution of responsibly managed forest plantations towards climate change mitigation, and the many contributions of natural forests, in terms of biodiversity or soil protection, for example, have to be considered together. The forest's landscape resilience is important in itself in order to secure that the carbon is not released back to the atmosphere due to extraordinary weather events or pests (for instance). A holistic view, where we balance forest growth, carbon storage and other environmental services such as biodiversity, is critical.

¹ Including the recycled material content present in the products, excluding raw material volumes that do not contribute to land carbon removals. By estimating the delayed emission coming from the temporary storage of carbon in products we acknowledge the importance of any emission that reduces the remaining global carbon budget in line with the Paris Agreement.

² Science-based Targets initiative – Net-zero standard.

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



Compared to FY20, the methodology to measure the effect of going beyond IKEA is now developed and we're starting to disclose its performance.

A formal strategic goal will not be set until one is set for removing and storing carbon. The larger the contribution from removing and storing carbon is, the smaller the contribution needed for going beyond IKEA. But, it's important to note that while no strategic goal has been set, we're already actively working with the movements that are part of the going beyond IKEA agenda.

To secure that the movements are connected to the IKEA business transformation – and not act as carbon offsetting – all actions and activities in going beyond IKEA are connected to the IKEA value chain. This means that they are either part of the IKEA range, supplier base or sourcing area.

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

Resource use at home: Solutions that enable the generation of renewable energy like, for example, the SOLSTRÅLE home solar offer.¹ In addition, it also includes solutions to improve the efficiency of energy- and water-consuming products, when used as intended. One example is the MISTELN water nozzle.²

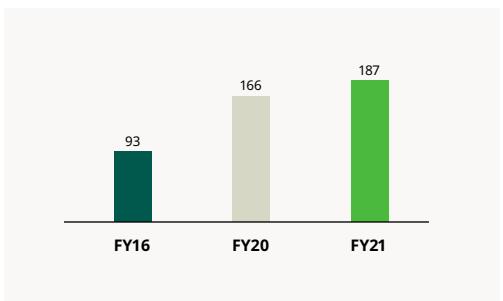
Renewable energy for suppliers: Actions by the IKEA business to convert our supplier partners to 100% renewable energy for their entire factory or operations, not just the IKEA share of their business.

Improving forestry and agriculture in IKEA sourcing areas: Actions by the IKEA business to improve forests or agricultural practices for the total surroundings/landscape where we source resources.

To avoid overestimating the contribution, we're only accounting for the contribution occurring each year, instead of summarising the total avoided GHG emissions that have taken place since baseline FY16. This year, we're only disclosing the effect of resource use at home through the SOLSTRÅLE home solar offer. As some large suppliers have alternated between reporting the climate footprint of their entire factories and only the IKEA portion, we will need additional time to secure consistency in the

reported figures. We're therefore not disclosing the going beyond IKEA contribution from suppliers this year. Until the additional guidance on carbon removals, land use and bioenergy in the GHG Protocol has been finalised, we're also not disclosing it as it otherwise could lead to double accounting.

In FY21, the total avoided emissions for the SOLSTRÅLE home solar offer was approximately 187,000 tonnes CO₂ eq. This is calculated as the effect of the electricity in the national grid, which the renewable electricity from home solar replaces. The average effect is calculated for the lifetime of the home solar panels, similar to how the climate footprint for product use at home is calculated for lighting and appliances.



Thousands of tonnes CO₂ eq avoided through SOLSTRÅLE Home Solar

¹ Available in Ingka Group markets.

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

Regenerating resources, protecting ecosystems, and improving biodiversity



→ 2030

Our ambition for 2030 is to regenerate resources while growing the IKEA business. We aim to only use responsibly sourced renewable or recycled materials in our offer, ensuring that we have a positive impact by regenerating resources, protecting ecosystems and improving biodiversity.

Our commitments and goals

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

FY21 summary of progress



The IKEA business is becoming more resource efficient and transitioning into a circular business. We're also working to make all our sourcing and materials more sustainable.

During FY21, we continued to make progress towards our ambition to use only renewable or recycled materials and strengthening responsible sourcing with the ambition to continuously become more sustainable in our four material groups:

- **Forestry:** We continued to deliver on our requirement to only use FSC-certified or recycled wood (we call this wood from more sustainable sources).¹ Approximately 14% of wood used in IKEA products came from recycled sources (FY20: 12%), moving towards our goal of at least one-third recycled wood by 2030 ([page 29](#)).

- **Agriculture:** We continued to meet our third-party and internal requirements for agricultural materials, including reaching 100% cotton from more sustainable sources ([page 33](#)).
- **Inorganics:** To strengthen responsible sourcing of inorganic materials such as iron, aluminium and copper, we have made an in-depth analysis of 14 inorganic raw materials and have mapped the inorganics used in IKEA products ([page 35](#)).
- **Recycled:** The IKEA business is committed to finding ways to ensure that we source our recycled materials inclusively and bring positive developments to society, including informal waste management set-ups. During the year, we have continued our efforts to source secondary raw materials in a way that's aligned with our fair and equal practices ([page 36](#)).

Many different sustainability aspects need to be addressed in order to achieve responsible sourcing all the way to raw materials. That's why we assess materials as holistically as possible, considering all relevant aspects.

Building on our long-term experience of working with different materials to secure more sustainable sources, we bring consolidated key insights to all material groups. Some of the learnings include securing strict requirements, working with the most credible external certification programmes, having long-term supplier relationships (11 years on average) and being present on the ground.

Transparency and traceability in supply chains continue to be a prerequisite for responsible sourcing. This is accomplished through access to trustworthy data – verified through our own certification programmes and/or through third-party certifications. Depending on the risks, maturity and complexity of each supply chain, IKEA secures – and continues to develop – traceability to varying levels of detail with differing chain of custody models.

People and the IKEA supply chain

We're committed to finding ways to improve working conditions for everyone in our value chain, often in partnerships with NGOs, institutions and with other companies facing similar challenges. Our supply chains are diverse and include a wide range of different working conditions, from large-scale productions for the harvesting of agricultural products to many small-scale operations.

In addition to the diverse supply chain, we also see that the ongoing transformation towards a circular and climate positive business will impact people in the supply chain differently. We're now also working to better understand how we can support and enable just transitions.

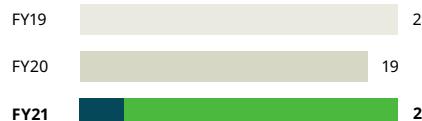
¹ We consider a goal to be fully reached when we achieve more than 98% fulfilment overall. Due to disruptions or new suppliers/business partners, we can't guarantee a 100% fulfilment at every given point in time.

FY21 key activities

Forestry

Wood is the material that's used the most within the IKEA home furnishing business and is therefore a key focus area in our materials and climate agendas.

IKEA wood consumption¹
(million m³ Round Wood Equivalent (RWE))



Approximately 14% of total wood use is recycled.



The mark of
responsible forestry

¹ This figure refers to the wood used in home furnishing products, packaging and communication materials.

In FY20, we reached our goal to only use wood from more sustainable sources and now must maintain this level every year going forward.² In FY21, 99.5% of the wood used for IKEA products was either FSC-certified or recycled. For wood sourced from countries with high forestry risks (accounting for around 30% of our total consumption), all our wood has come from more sustainable sources since 2017. [Read more](#).

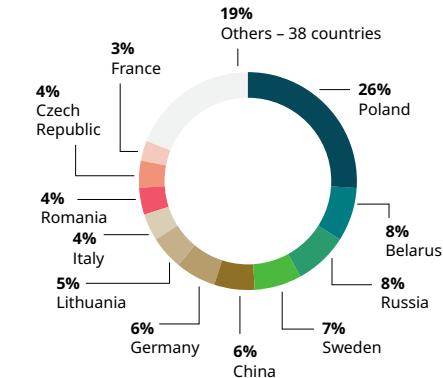
In FY21, our total wood consumption¹ increased to 21 million m³ RWE (FY20: 19 million m³ RWE). Regardless of the 10% increase we were able to maintain and grow the share of wood from more sustainable sources. Approximately 14% of our total wood use is recycled (FY20: 12%). To reduce the pressure on forests, we've set a goal to have at least one-third recycled wood by FY30.

Forests are some of the most dynamic landscapes on our planet, even more so due to climate change. As the world transitions away from virgin fossil materials, demand for forest products are also increasing, adding more pressure on forest resources. In addition, approximately 1.6 billion people rely on forests for their livelihoods worldwide.³ Responsibly managed forests have the capacity to support the livelihoods of people who depend on forests, safeguard biodiversity

and provide a sustainable wood supply. Forests can also support and mitigate climate change. Many forests used for wood production in the world which today are passively managed, have, in a long term perspective, a potential to remove more carbon from the atmosphere by a more active management. [Read more in the IKEA Climate Report](#).

All wood used for IKEA products must meet our critical requirements that ensure it's not (e.g.) sourced from illegally harvested forests, areas with

Wood sources FY21
(% of total used for home furnishing products)



² We consider a goal to be fully reached when we achieve more than 98% fulfilment overall. Due to disruptions or new suppliers/business partners, we can't guarantee 100% fulfilment at every given point in time.

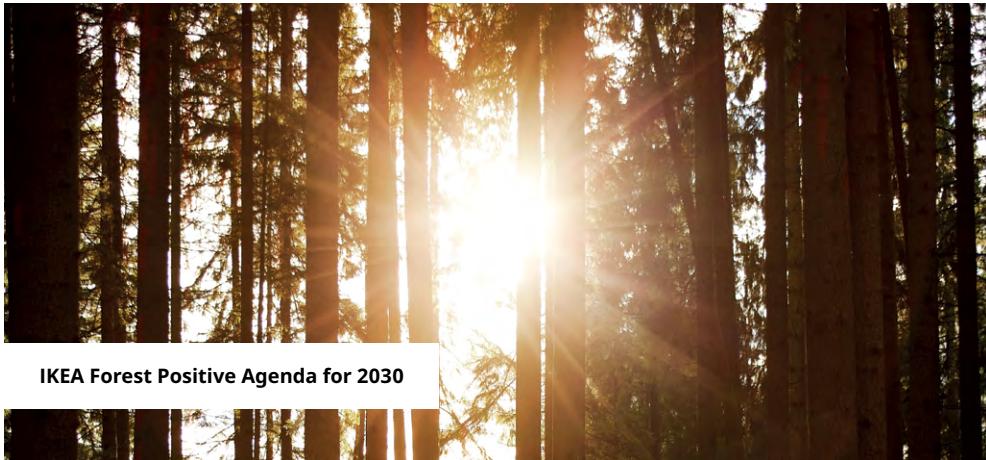
³ United Nations Environment Programme (UNEP), "About forests", 2022

⁴ Afforestation is the establishment of a forest or stand of trees (forestation) in an area where there was no previous tree cover.

social conflict or forests with high conservation values, unless they are certified as responsibly managed and there is approval from the IKEA business. If we find irregularities anywhere in the world, we always take immediate action. For many years, the IKEA business has developed and used a comprehensive control system to ensure that all wood used in our products meets these critical requirements and legal obligations, which includes steps to fully trace wood origin on request.

Benchmarking the carbon removal and storage potential of land use development opportunities

During FY21, we created benchmarks on regenerative projects based on CO₂ removal per invested EUR. We considered the economic viability and resilience of this new land use system and its contribution to aspects such as biodiversity, livelihoods and food security. Together with external partners, we're exploring reforestation, afforestation and forest restoration investment opportunities.⁴ The initiative is part of our commitment to invest in land use development to mitigate climate change and lead regenerative projects on degraded land and it supports the potential contribution from forestry and agriculture to our overall climate agenda. This work is connected to the announced decision at COP25 to invest EUR 100 million. [Read more \(page 31\)](#).



IKEA Forest Positive Agenda for 2030



In January 2021, we launched the IKEA Forest Positive Agenda for 2030 – a focus for the coming years that ramps up our work to further enhance biodiversity, mitigate climate change and drive innovation to use wood in even smarter ways.

Our commitments include the following:

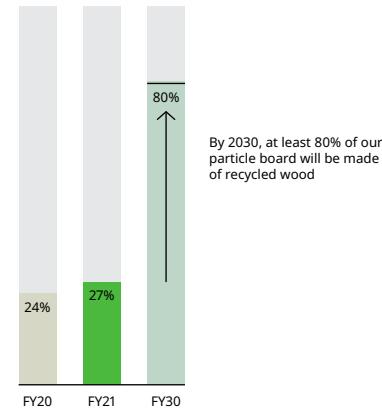
- Taking the lead and making responsible forest management the norm across the world, going beyond the wood sourced for the IKEA business.
- Improving biodiversity, supporting the rights and needs of people who depend on forests across the whole wood supply chain and addressing a climate footprint larger than our own.
- Driving innovation to use wood in smarter ways and storing carbon for as long as possible by designing all products from the very beginning to be reused, refurbished, remanufactured, and eventually recycled.
- Identify and secure all raw materials sourced through our supply chain are not contributing to deforestation or the conversion of natural ecosystems, by 2030 at the latest.
- Securing that at least one-third of the IKEA wood range will be made from recycled wood.
- Continuing to only use wood from more sustainable sources certified by the most credible, global third-party certification systems.



Increasing our recycled wood use in particle board

During FY21, we set a goal that by 2030 at least 80% of our particle board will be made of recycled wood. Today, particle board represents approximately 53% of the IKEA total wood consumption. During FY21, the share of recycled wood in particle board grew from 24% to 27%.

Share of recycled wood in particle board (%)



A strengthened system of control measures

During FY21, to reflect the dynamic situation and increasing pressure on the world's forests and their resources, we reviewed our existing control mechanisms. Building upon our comprehensive due diligence system, we're now strengthening our control mechanisms and requirements – especially for countries with high forestry risks – to maintain legality and ensure we protect and conserve these resources for generations to come. [Read more.](#)



IKEA forest partnership with WWF now includes Poland

In FY21, the IKEA business expanded the partnership with WWF to now cover Poland, our largest wood sourcing country. Within Poland, the partnership aims to bring together representatives from social, environmental, and economic sectors in a dialogue to further improve forest management in certain regions. The partnership places a strong emphasis on the importance of mapping old growth and high conservation value forests, similar to how the partnership has worked for almost 20 years in other parts of the world. In addition, the partnership will provide a platform for a dialogue with the ambition to enhance discussions on uncertified areas.



→ A new era of the Sow a Seed project restoring rain forests in Borneo

In FY21, we celebrated 20 years of our *Sow a Seed* project which has been working to restore rainforests in Borneo. We're now inviting more scientists around the world to use this unique project for additional research.



→ Developing capabilities to maximise the removal and storage of carbon through forests and trees

In connection with COP25, Inter IKEA Group announced the decision to invest EUR 100 million to remove carbon from the atmosphere through reforestation, restoration of degraded forests and better forest management practices. There is plenty of funding available for tree planting and there are also vast areas of degraded land suitable for tree planting. However, land use development that truly benefits people and nature is complex and requires

a long-term approach. Land is often degraded due to policy failure and insecure tenure as well as use right. This undermines the incentives for long-term sustainable land use. We are determined to secure that the right tree is in the right place and for the right purpose to secure a self-sustaining long-term impact. That's why, during FY21, we created a tailored evaluation model for capturing the best land use development opportunities. Read more about the carbon removal and storage potential of land use development ([page 29](#)).

→ A temporary ban on sanitary felled wood in Russia Far East and Siberia to raise awareness and improve responsible forest management¹

For several years, many stakeholders in the forestry sector have observed the misuse of sanitary felling in certain districts of Russia. Together with our partner WWF Russia, we published a report in 2018 providing in-depth insights on the issue and recommending stricter measures.

Based on insights from our monitoring, we're not confident that today's use of sanitary felling in these areas guarantees responsible forest management. That's why the IKEA business has temporarily banned the use of sanitary felled wood from Russia Far East and Siberia until the practices are secured as responsible. We take this action to raise further awareness on the need to strengthen the application of sanitary felling in these areas.

→ Strengthening forest management practices in Ukraine

This past year we've continued to work with local government officials in Ukraine to ensure sanitary felling doesn't occur within a period reserved for the mating season of local wildlife. Partnering with FSC Ukraine, WWF Ukraine and other environmental groups, we've raised further awareness and knowledge on the issue and participated in dialogues addressing the situation. In parallel, we continued to further scrutinise our own supply chain through physical and third party audits to ensure the integrity of our own wood supply. We also see that it's important to be part of developing more sustainable forest management in challenging areas.



→ A second phase of an agroforestry project launched in Vietnam

During FY21, following the success of an earlier partnership, the IKEA business signed a new agreement with the UN Food and Agriculture Organization's (FAO) Forest and Farm Facility (FFF) partnership.² This second phase focuses on supporting women, youths, and ethnic minorities. The programme in Vietnam is developing and spreading local and expert knowledge on how to extend the rotation of acacia forest plantations. Strengthening the capacity of forest and farm producer organisations stimulates diverse agroforestry systems in forest landscapes, enhancing local livelihoods, climate resilience and sustainable forest management. [Read more](#).

¹ Sanitary felling is a forestry practice where diseased or damaged trees are harvested to help improve the health and productivity of the forest.

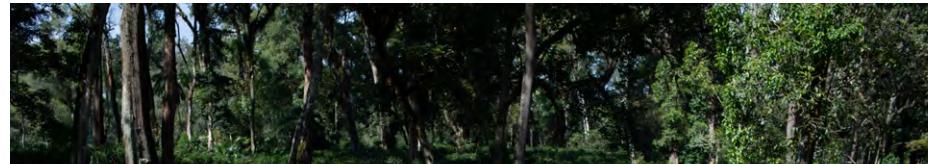
² FFF is a partnership between FAO, IUCN, IIED and AgriCord.

→ Next steps in the industrialisation of biobased textile fibre production

TreeToTextile's (TTT) goal is to deploy a newly developed technology that produces biobased textile fibres with a smaller footprint than conventional fibres and offering it to other brands and suppliers on a global scale for a competitive price. During FY21, the owners of TTT – including Inter IKEA Group, H&M Group, Stora Enso and LSCS Invest – increased their investments in the company to accelerate industrialisation and scale. During spring 2021, the building of a demonstration plant began at Store Enso's Nymölla mill in the south of Sweden.

→ Termination of a long-standing supplier due to falsified wood origin documents

During a routine audit, as part of the IKEA due diligence system, IKEA wood supply and forestry specialists discovered falsified documents related to the origin of the wood at a supplier in China. This misconduct by the supplier constitutes a clear violation of our requirements and goes against the foundation of our business model and values. We launched a full investigation which resulted in the termination of the business relationship with the supplier. We also stopped sales of the affected products. [Read more](#).



Taking action on biodiversity across the IKEA value chain and beyond



The IKEA business has an impact on biodiversity in different ways, primarily through the direct and indirect use of land and sea.

During FY21, we joined the Science Based Targets Network (SBTN) Corporate Engagement programme to contribute to the development of a framework for science-based targets for ocean, freshwater, biodiversity, land use and more. This is an important step to enable the private sector to urgently do their part to contribute to reversing biodiversity loss. Guided by SBTN, the IKEA business will now holistically assess biodiversity impact throughout our value chain.

- In FY21, we included biodiversity requirements in IWAY, the IKEA way of responsibly procuring products, services, materials and components. Through these, we restrict business activities in areas of high conservation value and encourage IKEA suppliers to include biodiversity considerations in their operations. [Read more](#).
- Also, in FY21, the IKEA business engaged with various stakeholders to support the development of a post 2020 Global Biodiversity Framework and the EU Biodiversity Strategy for 2030. We also joined [Business for Nature's Call to Action](#), together with many other businesses, urging governments to adopt policies now to reverse nature loss in this decade. [Read more](#).



→ Renewed IKEA and WWF partnership accelerates action to enhance biodiversity

For nearly 20 years WWF and the IKEA business have partnered to drive positive environmental impact within different industries. In May 2021, a renewed term of partnership until 2025 was announced. The partnership reaffirms the commitment to protect, manage and restore key landscapes, and enable a nature and climate positive value chain while upholding the rights and needs of people. The new phase includes a stronger focus on biodiversity and joint global engagement and advocacy. [Read more](#).

Agriculture

Agricultural raw materials are found throughout the IKEA offer in food ingredients and as fibres in home furnishing products.

Globally, resource-intensive agricultural systems have contributed to deforestation, water scarcity, biodiversity loss, soil depletion, high levels of greenhouse gas (GHG) emissions and negative impacts on farmers and communities. To address these challenges, for many years we've been developing standards and sourcing practices to ensure our agricultural raw materials are from responsibly managed sources.

Cotton

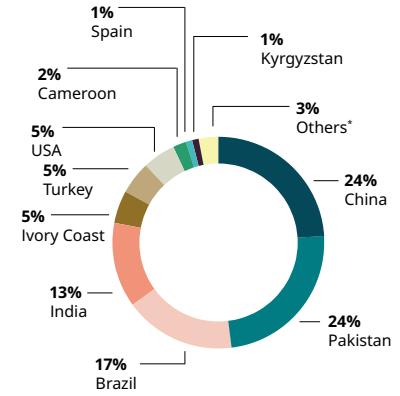


As of 2015, the IKEA business only uses cotton from more sustainable sources (MSS).¹ This is now a yearly requirement.

The total volume of cotton lint in IKEA products in FY21 was 143,000 tonnes (129,000 in FY20). This represents approximately 0.6% of global cotton production. One of our certification schemes comes from the Better Cotton Initiative (BCI), of which the IKEA business is a founding member. Since the IKEA business has phased out all conventional cotton in our supply chain, we can contribute to improving farmers' livelihoods, yields and incomes, and reduce negative environmental impacts. [Read more](#).

¹ Defined as more sustainable or recycled sources.

Country of origin for cotton
Fresh/virgin cotton
(100% cotton from more sustainable sources)



*Others: Burkina Faso, Kazakhstan, Mali, Israel, Australia, Benin and South Africa

Promoting water stewardship throughout the cotton industry

Together with WWF we have ongoing water stewardship projects in Pakistan, India and Turkey where we've enabled the founding of multi-stakeholder platforms that bring public institutions, civil society and the private sector together to address water use in the cotton industry. Currently, this work includes: a water stewardship model for cotton cultivation that can be scaled up and replicated in other cotton growing regions of the world. In India, our farm projects managed to enhance crop water efficiency by 18%, compared to conventional farms used as reference. In addition, we secured an 11% increase in water distribution efficiency, thanks to our work on improving irrigation infrastructure.

Partnering with Good Cotton Practices Association, a strategic partner of the Better Cotton Initiative (BCI) in Turkey

Together with the Good Cotton Practices Association, we have participated in developing a project to raise awareness with policy makers on decent working conditions and employment practices in cotton fields, increasing the capacity of major players and mobilising public and social services.



→ Enhancing the principles of land use management in India and Pakistan

Our projects focus on conservation of wetlands and enhancing ecosystem services by treating catchment with agroforestry systems. This helps ensure sustainable cultivation of crops including cotton through the implementation of global sustainability standards like BCI and reducing further soil erosion to restore soil fertility. Key achievements include planting 375,000 trees in India and one million trees in Pakistan. These interventions will help sequester significant volumes of atmospheric carbon dioxide in the coming years.

→ Promoting carbon smart and resilient agriculture in Pakistan

In FY21, 20,000 farming families were trained on climate-smart crop production practices by enhancing the adaptive capacities of farmers and building resilience. Data analysis for this cropping year indicates an overall decrease of 19% in emission of greenhouse gases (GHGs), 16% increase in yield and 0.2% increase in soil organic matter of project farmers as compared to control farmers. More than 3,000 rural women/farm workers were trained on alternate income generation initiatives such as kitchen gardening and the establishment of family food orchards to enhance their economic buffering capacities against climate change variations.

Food Ingredients



→ FY21 Performance

- **Coffee and cacao:** In FY21, we used 100% UTZ certified coffee and 50% UTZ certified cocoa in our range. 100% of IKEA Branded chocolate tablets are UTZ certified. [Read more about our coffee](#).
- **Tea:** In FY21, we used 84% UTZ/Rainforest Alliance certified and Fairtrade certified tea in our range.
- **Soy:** Most of the soy in our supply chain is used as animal feed. In FY21, 100% of the amount of soy we estimate was consumed by animals in our supply chain was covered by Round Table on Responsible Soy (RTRS)-certified soy credits.
- **Palm oil:** In FY21, 100% of the palm oil used in IKEA products was Roundtable on Sustainable Palm Oil (RSPO)-certified.
- **Seafood:** In FY21, 98.2% of our total seafood volume globally was Aquaculture Stewardship Council (ASC)- or Marine Stewardship Council (MSC)-certified (2020: 91.2%, 2019: 93.7%, 2018: 91%). [Read more about our seafood](#).
- In addition, several of our products are certified in accordance with the EU Organic standards.

Animal welfare

Good animal welfare is a central component of our goal of more sustainable animal agriculture. We're working to improve animal welfare through the environments they're reared in and the way they're handled. Our standards for on-farm practices prioritise good physical health, good mental health and the expression of natural behaviour.

The IKEA Food Better Programmes are our frame for more sustainable animal agriculture. Each species' programme identifies key Better principles based on science and feedback from suppliers and experts. In FY21, we created and launched a variety of competence development material to support the successful implementation of our Better programmes, which focus on improving the sustainability and animal welfare of specific animals in the supply chain. We also updated the roadmap for our Better Chicken and Better Pig programmes.



FY21 Performance

- 21% of the chicken volume sourced for the global range is sourced in accordance with our Better Chicken criteria. The implementation of Better Chicken was slowed down during FY21. We have the ambition to source 100% according to our Better Chicken requirements by end of 2025.
- 100% of the chicken volume sourced for the global range and 100% of the beef volume sourced for the IKEA meatball in the EU is stunned prior to slaughter and transported to slaughter within eight hours.
- 100% of the pork volume sourced for the IKEA meatball in the EU and NA are gestation-crate free, transported to slaughter within eight hours and stunned prior to slaughter.
- 90.5% of our total egg volume globally was either free-range or cage-free. (FY20 numbers are difficult to compare, since we expanded the scope).

[Read more about this and other FY21 progress with animal welfare.](#)



End the Cage Age initiative

In March, the IKEA business joined together with citizens and 170 other food companies across the EU to send a letter to the European Commission and members of the European Parliament calling for a phase-out of the use of cages in animal farming, starting with cages for egg-laying hens. This aligns with our own ambitions related to animals in our supply chain. [Read more](#).

Inorganics

Inorganic raw materials are minerals used in the production of metals, glass, ceramic, chemicals and electronic components.

These materials are used directly in a wide range of products like pots, pans, appliances, lighting, and taps, and indirectly as components and fittings. Inorganic raw materials involve extractive industries and the use will be significantly reduced, replaced and eliminated where possible.

We know that some raw materials don't currently have a renewable substitute. And the technology to recycle some raw materials doesn't exist yet. Until we have solutions for these materials, we'll continue to use responsibly sourced virgin inorganics, replace with new technologies when possible and decrease proportions in IKEA products.



Analysing raw materials to improve our practices

In FY21, the IKEA business, together with the NGO and IKEA partner Pact, analysed 14 raw materials to identify risks and build knowledge about the sustainability impacts of inorganic extraction and mining. The analysis takes into consideration the IKEA business and supply chain, society and the environment, identifying risks, important stakeholders, and potential sustainability plans.

Recycled

Recycled materials are fundamental for a circular society. We've continued our efforts to increase the use of recycled materials (also known as secondary raw materials) in our products. In FY21, 73% of the material sourced for the IKEA range was renewable or recycled. We reached 56% renewable and 17% recycled materials.¹

We're accelerating our efforts to build (or secure) responsible sourcing along our recycled materials value chains. The world generates 2.01 billion tonnes of post-consumer waste every year, of which only 13.5% is currently recycled.²

In FY21, we continued to navigate the complexities of sourcing recycled material. In many countries, the capability to turn post-consumer waste into recycled materials is limited because of a lack of infrastructure and/or technologies, unbalanced supply and demand, insufficient sorting set-ups and other factors. At the same time, the waste sector is partly or wholly unorganised and often managed by informal or semi-informal sectors. A lack of regulation and oversight in these sectors can lead to mismanagement of waste which can have a variety of negative impacts on the environment, people and local economies. This can lead to unfair treatment of workers, which is why we continue

our efforts to source secondary raw materials in a way that's aligned with our fair and equal agenda (page 39).

We also continue to collaborate with the waste sector, local communities, recyclers and other companies to tackle the challenges of scaling recycled material production, innovation and investments.



Launched in FY21, ODÖNVIDE weighted blanket has a core filling and the top/filling made with a minimum of 80% recycled polyester.



↗ Increasing the share of recycled polyester in our supply chain

In 2020, we reached the milestone of 90% recycled content in textile products made of polyester. Now, we've widened our measurement scope to include all polyester and fibre applications, excluding rigid plastic, but including all fibre-based applications such as filling. Even with this wider scope, we've still secured that 88% of the polyester in our supply chain is recycled. The impact of the amount of virgin polyester we replaced with recycled in FY21 reduced the climate footprint of our polyester use by about 45%.³ That saved about 271,000 tonnes of CO₂ eq.

↗ Collaborating for global alignment on plastics pollution

During the year, we participated in international cross-organisational dialogues to support the establishment of a global treaty on plastics pollution. We got a positive response and negotiations for a treaty are scheduled to begin at the United Nations Environment Assembly (UNEA) in February 2022.

Waste management at IKEA Industry⁴

In FY21, IKEA Industry managed to improve its recycling rate by 4.3% for a total result of 85.8%. This is on track to reach the goal of recycling 90% of material by FY25.

IKEA Industry is also on track to reach the goal of zero waste to landfill for their operations (where legally possible). In FY21, 2.1% of total waste ended up in landfills.

The related goal of decreasing waste year on year by 1% is highly dependent on the efficiency of production and has been difficult to meet. Different IKEA Industry units measure this figure differently, resulting in FY21 figures that vary between a reduction of 0.14% to 0.48%.

¹ The scope of these figures has expanded and now includes packaging which makes them difficult to compare with FY20.

² The World Bank, "Trends in Solid Waste Management", 2018

³ Based on industry standards and current research collected in the Quantis World Apparel Lifecycle Database (WALDB).

⁴ Excluding wood.

Becoming water positive

Our ambition is to become water positive by 2030 by being good water stewards and contributing to increasing availability of clean water in our own operations and value chain. We're constantly working to use water as efficiently as possible, eliminate the environmental damage from industrial effluents.

[Read more.](#)



In FY21, we continued to identify and track water use throughout our value chain as part of the work to prepare evidence-based action plans for improvements.¹

Today, we're using these findings to develop goals and key performance indicators (KPIs) that will enable continuous analysis of our performance and support us in taking actions. During autumn 2021, an important step in this process happened when we joined the SBTN Corporate Engagement Programme to support the development of science based targets for nature, that includes targets for both ocean and freshwater. This will help us set science-based targets that are measurable, actionable and time bound.

We also continue to collaborate and partner with others to promote water positive practices and address cultural and regulatory challenges. Read about a new water positive initiative started in FY21 on [page 12](#).

More than 40% of IKEA store visitors live in water scarce regions. 14% of our total water footprint comes from our products being used by customers. That's why we also focus on developing water-efficient products and smart solutions that reduce water use at home. Find out more about how we're enabling customers to live a healthy and sustainable life at home on [page 8](#).

Together with WWF, we have ongoing water stewardship projects in Pakistan, India and Turkey. Read more ([page 33](#)).

Water use across the value chain
(Thousand m³)

FY19		797,023
FY20		665,621
FY21		703,468

- Materials (78% – 545,333)
- Food Ingredients (4% – 25,854)
- Production (3% – 24,993)
- IKEA retail & other operations (1% – 6,192)
- Product use at home (14% – 101,097)



Water positive strategic focus areas

Our strategic focus areas consider where we have the most influence and opportunities for positive impact.

- Improve water quality and water availability throughout our value chain.
- Enable reduced water consumption in the home.
- Show leadership and collaborate for a water positive future.

¹This includes annual audits of water management and effluent water treatment plants in our supply chain.

Chemicals

Our ambition is that all chemicals used in, or for making, IKEA products should be safe for people and the planet.



[Read more about the IKEA view on chemicals.](#)



→ **Continuing our work to reduce and eliminate formaldehyde in our products**

During FY21, we continued our decades-long work to reduce formaldehyde emissions from our products. We're using a stepwise approach to reach formaldehyde emission levels from wood-based materials that are equal to, or lower than, levels emitted by natural wood. In 2022, we'll begin the phase-out of formaldehyde in coatings on paper foils.

→ **Continuing the phase-out of "forever chemicals"**

Per- and polyfluoroalkyl substances (PFAS) are a group of more than 4,700 different chemical compounds traditionally used in various consumer products and industrial applications because of their stain-, oil- and water repellent properties. They're often called "forever chemicals" as they don't dissipate from the environment. We've been working to systematically phase out PFAS in our supply chain since 2010.

During 2021, we've performed an in-depth investigation into our supply chains to identify further potential uses of PFAS, with the aim to add additional restrictions and phase-out plans for non-essential PFAS.

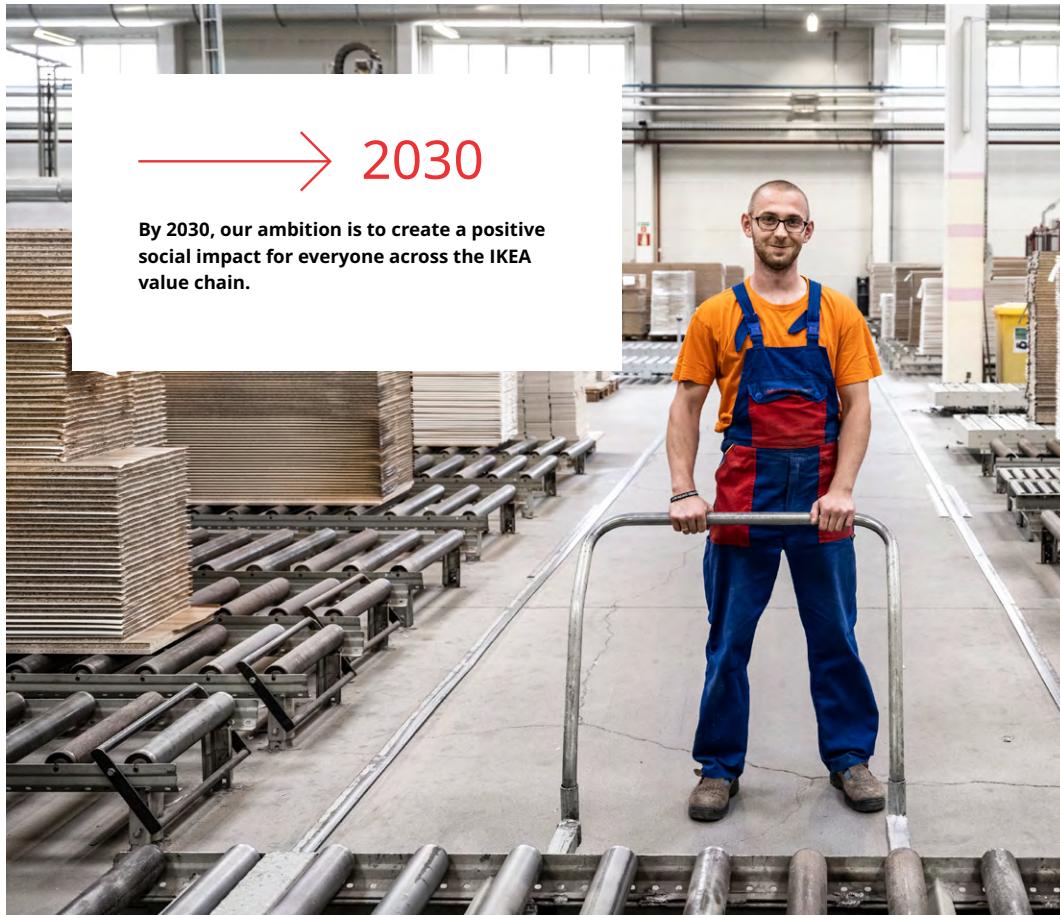
Calling for a strengthened global framework for chemicals and waste

IKEA is a member of the High Ambition Alliance on Chemicals and Waste, a group of committed leading ministers from the whole UN region, intergovernmental organisations, industry and civil society. Its ambition is to enhance awareness, ensure commitments and promote the sound management of chemicals and waste actions at all levels. In July 2021, we, via the alliance, called for the creation of an updated and strengthened global framework for chemicals and waste during the Berlin Forum on Chemicals and Sustainability.

IKEA recognised for chemical safety

The IKEA business' work to ensure chemical safety has been recognised in the [Mind the Store report card](#), which evaluates the 50 biggest retailers in the US and Canada on their work on chemicals. We received an A- rating (in a grading system from F to A+) for continuous improvement by a steadily expanding safer chemicals policy. We also rated high on our work within our supply chain, such as the training of suppliers, third-party testing requirements, and routine testing.

Fair & equal



→ **2030**

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

Our commitments

Providing and supporting decent and meaningful work across the value chain

- Respecting human rights in all areas of the IKEA business and continuing to ensure the implementation of international labour standards.
- Always ensuring that workplaces are safe and contribute to the healthy development of people.
- Ensuring access to competence and skills development, enabling people to grow and reach their full potential.
- Providing and supporting stable, regular and predictable employment.
- Ensuring that we – together with others – define what constitutes a fair income and make it possible for everyone in the IKEA value chain to have a fair income.
- Ensuring that everyone in the IKEA value chain has a voice and is engaged and empowered to play an active role in their workplace.

Being an inclusive business

- Growing the IKEA business, providing opportunities for the many.
- Continuing to build a diverse, inclusive workplace and empowering and supporting people to be themselves at work.
- Making gender equality a reality.
- Ensuring that children's rights are integrated into everything that we do.
- Providing and promoting learning and working opportunities for young people.
- Ensuring that the IKEA value chain is made up of diverse business partnerships that drive innovation, business growth and social impact.
- Engaging in our communities to create a positive impact on livelihoods and contribute to an inclusive local economy.

Promoting equality

- We will stand up for our ambitions, values and beliefs, advocating for change and playing an active role to support it.
- We will engage with others sharing knowledge, challenging each other and being transparent.

FY21 summary of progress



In FY21, we continued our work to contribute to creating a fair and equal society while respecting human rights throughout our value chain and beyond. We focused our efforts on specific areas where we can have the most positive impact: the rights of children, decent work, and inclusive workplaces that support diversity and equality.

We're committed to the health, safety, and wellbeing of our co-workers. Some of the ways in which we supported this commitment in FY21 include empowering co-workers to benefit from technological transformation ([page 41](#)) and expanding and improving the quality of our internal learning offer ([page 42](#)).

The IKEA business is fully committed to respecting and supporting human rights based on the

[UN Guiding Principles on Business and Human Rights \(UNGPR\)](#) and [Children's Rights and Business Principles](#). In FY21, we signed a statement supporting and encouraging EU legislation on mandatory human rights due diligence for all businesses operating in the EU ([page 46](#)). We also made a new child labour action pledge in support of the UN's Year for the Elimination of Child Labour ([page 47](#)).

In FY21, we were able to finish several projects and initiatives that were delayed due to COVID-19. This includes a human rights baseline assessment project ([page 46](#)). This project, and others like it, will guide and strengthen our actions going forwards.

Both the COVID-19 pandemic and impact of climate change caused extreme poverty rates to increase last year for the first time in a generation,^{1,2} and both can only be tackled through coordinated and collaborative efforts.

The work with IKEA franchisees is guided by IConduct, the code of conduct for franchisees. Our work with suppliers and the IKEA value chain is guided by IWAY, the IKEA way of responsibly procuring products, services, materials and components. We've had IWAY in place for more than 20 years, which has enabled us to build a credible and robust system for working with suppliers. We revise and update IWAY regularly to address changes and challenges in the world and stay relevant. In FY21, we launched IWAY 6, a total system upgrade ([page 49](#)).

This past year, we continued our efforts to promote and secure responsible recruitment in our value chain and beyond, making progress in our efforts to protect migrant workers ([page 45](#)). Since 2018, IKEA and the [International Organization for Migration \(IOM\)](#) have worked together to promote fair and ethical recruitment, for example, in relation to Thai berry pickers in Sweden ([page 45](#)). Some joint

initiatives in FY21 included creating resources, such as due diligence checklists and a blockchain-based technology that improves the protection of migrant workers ([page 45](#)).

As a big transport buyer, we're working to make the roads of the world safer. In FY21, we adopted a new road safety agenda that outlines our role in road safety and the strategic actions we can take to enhance road safety ([page 48](#)).

We also strengthened and grew our work with social entrepreneurs, establishing six new social business partnerships (bringing our total up to 11), creating job opportunities for people who need them the most ([page 48](#)).

¹ World Bank, "Updated estimates of the impact of COVID-19 on global poverty: Turning the corner on the pandemic in 2021?", 2021

² Intergovernmental Panel on Climate Change (IPCC), "Climate change widespread, rapid, and intensifying", 2021

FY21 key activities

Co-worker health, safety and wellbeing

We continue to anchor the decisions and actions of our business in safety and security while creating environments where co-workers feel supported and empowered.



As the pandemic continued, many IKEA operations offered increased health and wellness support to co-workers, including new physical and mental health activities related to the pandemic. As a result, co-worker awareness and engagement increased.

➔ Caring for our co-workers during the pandemic

Throughout FY21, and since the COVID-19 pandemic began, we've supported co-workers in facing and navigating the resulting financial, practical and mental health impacts. This includes securing co-worker pay during national lockdowns, expanding access to our Employee Assistance helplines in different countries, and providing digital training courses to build resilience and give co-workers opportunities to reskill and upskill.

➔ Empowering co-workers to benefit from technological transformation

IKEA Industry digitally transformed and automated many of its production processes. This means increased robotisation and the implementation of advanced IT platforms in many facilities, a change that impacts people and ways of working. IKEA Industry supports co-workers in many different ways to enable them to acquire new skills and take on new roles and responsibilities within these changing processes. A positive outcome of these changes has been an improved team-based approach, an increase in communication, as well as teams with higher skills, engagement and ownership.



Measuring results at IKEA Industry¹

Within this part of the IKEA business, the focus of health and safety risks is on machinery, heavy traffic, and the handling of chemicals. In FY21, a common solution for reporting incidents and accidents that's easily accessible for all co-workers was introduced. We saw an increase in reports, which is a positive result, indicating an increase of co-worker involvement with our safety work.

IKEA Industry prioritises developing a strong safety culture where all co-workers are safe every day. The goal is zero accidents. In FY21, the number of accidents was reduced by 30%, compared to FY18, but there's still more work to be done to reach the goal. Though the decrease in accidents is a positive trend, there were some severe accidents, including one fatality. Follow-up on this incident led to a new safety initiative focused on co-worker and team engagement around maintenance activities.

IKEA Industry LTA - Lost time accident* trend

FY19	<div style="width: 143px;"></div>	143
FY20	<div style="width: 124px;"></div>	124
FY21	<div style="width: 123px;"></div>	123

* Accidents requiring a minimum of one day sick leave.

IKEA Industry Reported incidents* (thousands)

FY19	<div style="width: 86.0px;"></div>	86.0
FY20	<div style="width: 52.5px;"></div>	52.5
FY21	<div style="width: 56.3px;"></div>	56.3

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

¹ IKEA Industry is a manufacturer of board material and wood-based furniture.



→ Expanding and improving the IKEA learning offer

In FY21, the IKEA business grew the learning offer while also improving its quality by strengthening the alignment with business ambitions.¹

The learning offer is available to the entire franchisee system. It's a mix of physical and digital experiences. Some notable new trainings made available worldwide in FY21 include an introduction to anti-bribery and corruption, an introduction to circularity, and an updated introduction to sustainability. The sustainability training has become mandatory in many countries and, since it launched in FY18, more than 175,000 IKEA co-workers have completed it (including at least 70,000 in FY21).

¹ The learning offer is available through Inter IKEA Group.

Responsible wage practices

One of the main contributions we can make to decrease inequality and ensure a better life for people connected to our business is to create responsible wage practices that have a holistic approach.

→ Securing gender equal pay in retail operations

The franchisee Ingka Group conducts annual gender equal pay assessments. In FY21, an assessment found that, for all 31 countries involved,² gender was either statistically insignificant in determining pay, or had a statistical significance within the acceptable range of 5% or less.³



→ A new global framework and assessment methodology is ready for rollout

The IKEA Responsible Wage Practices Framework and Assessment Methodology was completed in FY21. This framework and methodology takes a holistic approach to the subject of wages by placing equal focus on equality at work, pay principles, competence, enabling dialogue, and a living wage. It will create a wage system that's fair, inclusive and for the many. Our aim is to enable people and families in the IKEA value chain to live a decent life, wherever they are.

This new assessment methodology was adjusted and finalised after an extensive validation exercise in spring 2021, spanning 65 units in 22 countries and four continents. We've now begun to conduct baseline assessments throughout Inter IKEA Group and

two franchisees. These will, beginning in FY22, provide different IKEA companies with the means to define baselines from which to set goals, initiate pilots, and implement activities.

We also continue to work with our partners to create better working conditions and livelihoods for the workers in the IKEA value chain. A number of selected suppliers are invited to pilot our new Responsible Wage Practices Framework, which will help the IKEA business better understand how to work with this approach within our supply chains.

Given the complexity of the issues and stakeholders influencing wage practices, we'll continue going beyond the IKEA business by working with governments, civil society, businesses and others – so we can accomplish more together.

² Through the largest franchisee, Ingka Group.

³ When a difference in pay of at least 5% is discovered, it's investigated to determine why it exists. Each gap found in an identical group that can't be explained by performance, competence or legal requirements, is addressed through a concrete and time-bound action plan.

Diversity

The IKEA business actively works to welcome, support, and protect all dimensions of diversity in our operations. Our aim is to create inclusive work environments where co-workers feel valued for their uniqueness, recognised for their talents, and can be themselves. A diverse and inclusive workplace is good for our co-workers, for our customers and our business.



IKEA Philippines¹ made special efforts to recruit and train co-workers who are women to operate forklifts, a job dominated by men in that market. Today, about 25% of the forklift operators in that market are women.

→ Improving gender balance

This year, we continued to promote gender equality in our operations through new and existing initiatives on both global and market levels. We're committed to building a gender-balanced business that offers equal opportunities to all co-workers. We have inclusion approaches that help us create work environments that are safe and welcoming for all people.

→ Co-worker gender diversity in FY21

Our aim is to achieve diversity and equality at all levels across all IKEA businesses. The data show there's still some way to go toward gender equality. We also want to be able to represent all aspects of gender and diversity.

Across IKEA retail, 3 out of 12 retailers have at least 50% of their management positions filled by women, an improvement compared to FY19.

IKEA retailers in the Middle East continue to actively work to increase gender diversity across their operations and, in general, positive movements are visible.

Co-worker gender diversity in FY21

IKEA franchisees	% Co-workers		% Managers	
	Women	Men	Women	Men
Ingka Group	55	45	50	50
Al-Futtaim	28	73	46	54
Dairy Farm	48	52	43	57
IKANO Group	47	53	51	49
Miklatorg	61	39	58	42
Al Homaizi	16	84	25	75
House Market	61	39	47	53
Sarton	46	64	48	52
Al-Sulaiman	21	79	22	78
MAPA	43	57	35	65
Northen Birch	53	47	40	60
Falabella	52	48	44	56



IKEA Retail in Malaysia, Singapore, Thailand and Philippines wants to be a role model for diversity and inclusion in their markets,¹ creating fair and meaningful work. They're committed to achieving gender balance by 2025. Currently, 47% of all co-workers in their operations are women and 53% are men. Of all managers, 51% are women. These retail operations are currently doing assessments and taking follow-up actions towards the goal of gender balance.

					% Management team	% Supervisory board
	Women	Men	Women	Men	Women	Men
Inter IKEA Group			33	67	33	67
Franchise ²	50	50	39	61	67	33
Range	49	51	40	60	50	50
Supply	40	60	32	68	36	64

¹ Operated by the franchisee IKANO Group.

² Including IKEA Älmhult and Inter IKEA Group functions.



→ Supporting youth and encouraging future generations

For the second year, Inter IKEA Group partnered with One Young World, one of the biggest global youth leadership forums. In 2021, their annual world summit hosted more than 1,800 young leaders from more than 190 countries. Of those young leaders, 10 were from the IKEA business. Some of the topics the IKEA young leaders engaged in were building systems competence and making movements in issues related to human rights.

→ Working with the WBCSD to tackle inequality through business practices

In FY21, Inter IKEA Group joined a new initiative launched by the World Business Council for Sustainable Development (WBCSD): the Business Commission to Tackle Inequality (BCTI). The initiative aims to elevate business action on inequality and bring together leading businesses and other key stakeholders to create a platform for collaboration and an agenda for business action. [Read more](#).

→ Supporting equality in retail operations

In FY21, Ingka Group, the largest IKEA franchisee, launched a global roadmap for their IKEA retail operations to integrate the topic of ethnicity, race and nationality into business decisions. This roadmap will support a workforce that reflects the multicultural diversity of the communities where Ingka Group operates. It also includes actions to ensure inclusive business practices.

→ Collecting, using and sharing data on equality

This past year, an in-depth survey about attitudes and behaviours around equality was conducted,¹ collecting data from more than 17,000 people and 17 countries. The findings will help steer our work with equality and have been shared with other businesses, policymakers and change agents to help drive global societal progress towards equality.

→ A new programme empowers future IKEA leaders

In FY21, the IKEA Next Generation programme launched. It's a 12-month programme designed to equip future IKEA leaders between the ages of 25 and 34 to lead large assignments within a complex business structure. The programme is in its final stages and a second run is planned to start soon.

→ A new plan to increase equality in leadership positions

This past year, an equality plan was rolled out in 30 IKEA markets.² The plan commits to increase ethnic, racial and national diversity at all levels of leadership by 2024.

The three objectives of the plan are:

1. Reflect at all levels of leadership the multicultural diversity of the communities and countries where Ingka Group operates.
2. Advance underrepresented groups through equitable business practices.
3. Enhance inclusion for co-workers of all ethnicities, races and nationalities.



→ Joining an international effort for racial justice in business

This year, the franchisee Ingka Group partnered with the World Economic Forum and 47 global businesses to advance racial and ethnic justice. [The Partnering for Racial Justice in Business](#) initiative aims to build equitable and just workplaces for professionals with under-represented racial and ethnic identities. Participating companies are committed to ensuring racial and ethnic justice is on their board's agenda, taking at least one firm action, and setting a long-term strategy to become an anti-racist organisation.

¹ The survey was conducted by GlobeScan and the franchisee Ingka Group.

² This equality plan is specific to markets operated by the franchisee Ingka Group.

Responsible recruitment

Many people travel far from their homes for job opportunities that provide a good income and a chance to improve their lives. Unfortunately, these workers are vulnerable to exploitation. The IKEA business is a founding member of the [Leadership Group for Responsible Recruitment](#) (LGRR), and we continue to support the Employer Pays Principle, which states no worker should pay for a job, and the employer should bear the costs of recruitment.



Protecting berry pickers in Sweden

➔ Advising and supporting IRIS

During FY21, the International Organization for Migration (IOM) continued to develop the [International Recruitment Integrity System](#) (IRIS), a voluntary certification process for international recruitment. Inter IKEA Group is a member of the Advisory Committee and supports the overall development and implementation of IRIS.

➔ Strengthening and protecting migrant workers' rights

Working in collaboration with IOM in Thailand, we introduced a variety of resources that enable and promote responsible recruitment.¹ This includes a due diligence checklist, a guidebook on employer obligation and cultural sensitivity, and a blockchain-based technology that improves the protection of migrant workers.²

[Read more about the partnership with IOM.](#)

➔ Raising awareness and enabling action on responsible recruitment in Southeast Asia

In FY21, we continued the collaboration with IOM to provide training programmes for IKEA co-workers and IKEA business partners in Thailand, Vietnam, Malaysia, Philippines, Singapore and Australia.³ The trainings focused on international standards, national laws, how to effectively act on unfair treatment, and the increased risks of labour exploitation due to the COVID-19 pandemic.

In August, together with IOM, IKEA representatives met with the Thailand Overseas Employment Administration of the Ministry of Labour to discuss ways to increase the transparency of the recruitment processes of Thai berry pickers and to promote fair and ethical recruitment. We also delivered communication material created to support seasonal migrant workers travelling to Sweden to work in the berry industry.

The communication material explains working and living conditions in Sweden, and provides information about workers' rights and employment contracts. This is the first time this type of supporting information is available in Isaan, the predominant dialect of Northeast Thailand, where the majority of migrant workers employed in the IKEA berry supply chain are from.

Every year, 3,000 to 5,000 Thai workers travel to Sweden to work as berry pickers.

¹ Through Inter IKEA Group.

² This technology was developed in collaboration with IOM and Diginex. Read more about it on [IOM's website](#).

³ This initiative is through Inter IKEA Group (IIG). In total, IIG provided training to 26 business partner companies.

Human rights



We're committed to respecting all human rights throughout our value chain, with a particular focus on protecting the rights of children and the people in communities where we're present.

Over the past year, growing awareness of forced labour risks has put renewed emphasis on the need to move from voluntary action to mandatory requirements for companies throughout value chains, including raw materials and services. We support well-designed, harmonised legislation on human rights and environmental due diligence to protect people and the planet.

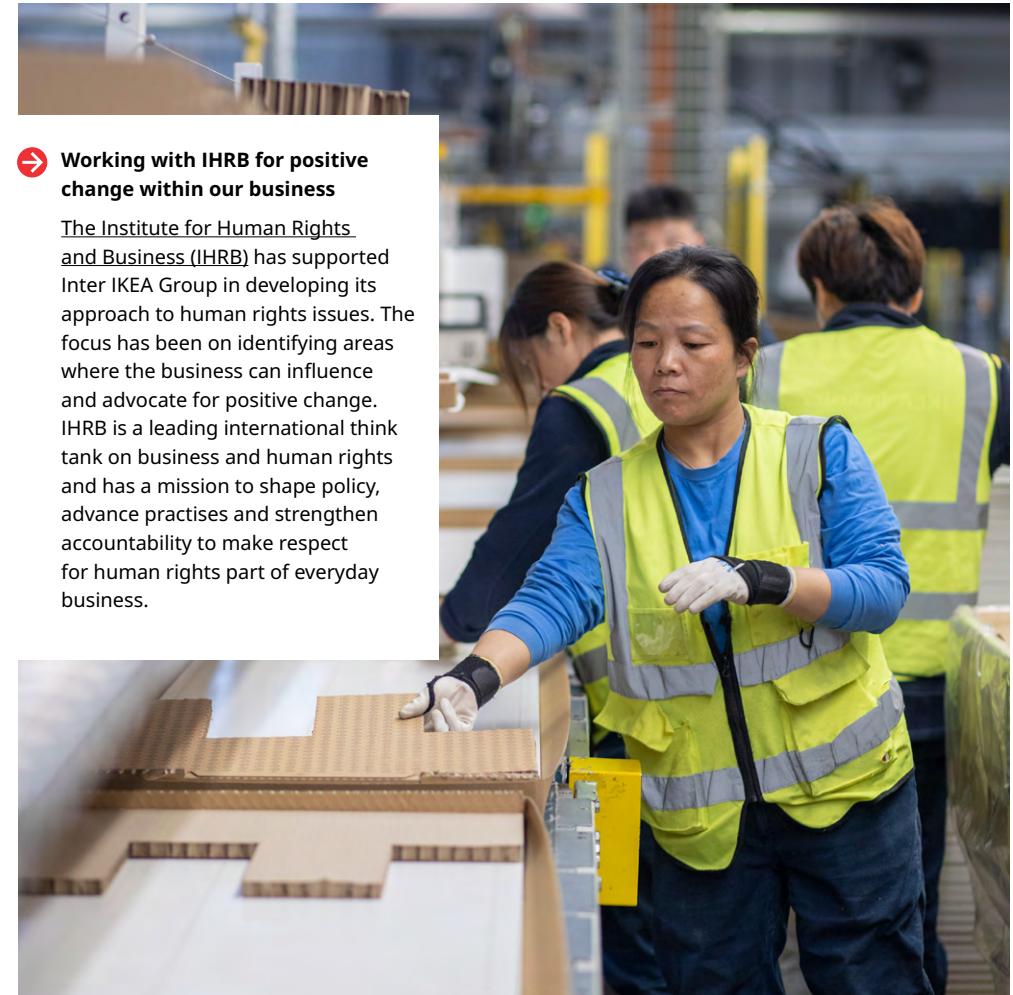
¹ Due diligence, as described in the [United Nations Guiding Principles on Business and Human Rights](#).

Updating the Inter IKEA Group policy on human rights

In FY21, Inter IKEA Group completed a human rights baseline assessment of each core business and group function, which involved consulting more than 100 internal stakeholders. There is now a comprehensive analysis of how due diligence is already integrated into business processes and where the systematic approach can be strengthened.¹ This work led to an updated version of the Inter IKEA Group human rights policy.

Advocating for mandatory human rights due diligence

In FY21, Inter IKEA Group and 11 other companies – all members of the Nordic Business Network for Human Rights (NBNHR) – signed [a statement](#) supporting and encouraging European Union (EU) legislation on mandatory human rights due diligence for all businesses operating in the EU. Due diligence processes are intended to help businesses identify, prevent, mitigate and account for how they address the negative impacts of their business activities. Good regulation can support companies in integrating respect for human rights into their business, improving human rights throughout global value chains.



Working with IHRB for positive change within our business

The Institute for Human Rights and Business (IHRB) has supported Inter IKEA Group in developing its approach to human rights issues. The focus has been on identifying areas where the business can influence and advocate for positive change. IHRB is a leading international think tank on business and human rights and has a mission to shape policy, advance practices and strengthen accountability to make respect for human rights part of everyday business.

Children's rights

We continue to take action to respect and support children's rights with programmes, partnerships, and initiatives connected to the focus areas of our children's rights roadmap.

[Read more about our work with children's rights.](#)



→ Our child labour action pledge

In FY21, the IKEA business submitted an action pledge in support of the UN initiative designating 2021 as the International Year for the Elimination of Child Labour. [Read more.](#)

→ Continuing to prevent child labour in our supply chain

No child labour is accepted in the IKEA value chain. In FY21, there were no suspected or confirmed cases of child labour identified in our supply chain. See [page 49](#) for more on FY21 supply chain compliance performance (IWAY).

In 2021, the International Labour Organization (ILO) and United Nations Children's Fund (UNICEF) released new global estimates on child labour, sadly showing a reverse trend with an increase in child labour to 160 million children worldwide.^{1,2} This is alarming news that calls for urgent action from businesses, organisations and other members of society.

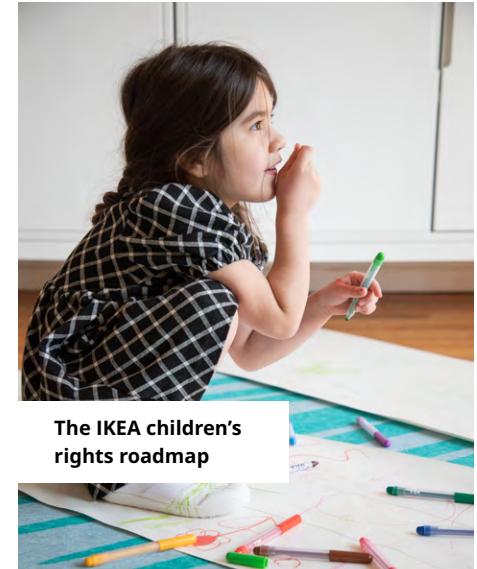
We're continuously reviewing our approach to preventing child labour so we can improve our practices. A key initiative we're currently running focuses on our natural fibre supply chain. Together with the Centre for Child Rights and Business, we're piloting a project that aims to better understand the risks for, and impact on, children in the natural fibre industry. The project has identified risks and issues and we're now identifying and implementing solutions. We'll use our findings from this project to implement new guidelines and practices in our natural fibre supply chain, provide training to relevant stakeholders and engage with partners and others to address child rights issues more broadly. The project will also inform our broader supply chain management.

→ A new guideline for responsible marketing and communication

Building on the groundwork we laid in FY20, we launched a guideline in FY21 for how to portray and address children in a responsible way in all IKEA communication. The guideline aims to support co-workers when creating marketing and communication material and is a key step in moving the agenda of responsible marketing forward. The guideline is available to all IKEA co-workers.

→ Providing more room for play through the Real Play Coalition

In FY21, the [Real Play Coalition](#), together with PlacemakingX, created the Real Play City Challenge to reclaim places in societies for children to play. The IKEA business,³ the LEGO Foundation, National Geographic and Unilever are founding members of the Real Play Coalition, which aims to create a movement that prioritises the importance of play in sparking the fire in a child's development and learning. [Read more.](#)



The IKEA children's rights roadmap



We have seven focus areas that help us set a clear direction for implementing children's rights into our business operations.

1. The right to play
2. Safe products and solutions for children
3. Preventing child labour and supporting young workers
4. Child participation
5. Child safeguarding
6. Marketing and communication that support children's rights
7. A family-friendly workplace

¹ UNICEF and ILO, "Child Labour: Global estimates 2020, trends and the road forward", 2021

² ILO, "Child labour rises to 160 million – first increase in two decades", 2021

³ Through the franchisee Ingka Group.

Improving conditions in our value chain and beyond

We work to contribute to a fair and more equal world. This requires constant evaluation and adjustments to strengthen our ways of working and adapt to new and changing landscapes.



➡ Collaborating for positive change in the recycling industry

In FY21, we started working with Sahaas Zero Waste, a recycling company in India that provides fair employment to workers who are often at risk of being exploited. The collaboration focuses on collecting Ocean Bound Plastic (OBP) that can be used in IKEA products, such as the GURLI throw which is now made of 100% OBP.

The IKEA business is also a member of the NextWave Plastics network, which connects multinational companies to help build OBP supply chains. In FY21, the network developed a social responsibility framework to support responsible sourcing practices for workers. Read more about our work with recycling on [page 36](#).

➡ New social guidelines for responsible trucking

We're collaborating with 11 other big shippers and carriers through [CSR Europe](#) (a European business network for corporate sustainability and responsibility). The collective ambition is to improve the social conditions of truck drivers in the European road transport and logistics sector. In June 2021, we released a set of common guidelines to protect truck drivers' working conditions. As a next step, an industry-wide spot-check tool that collects input from drivers will be launched. The tool will help improve the transport industry's due diligence practices and enable stakeholders to take proactive, collective action to improve working conditions.

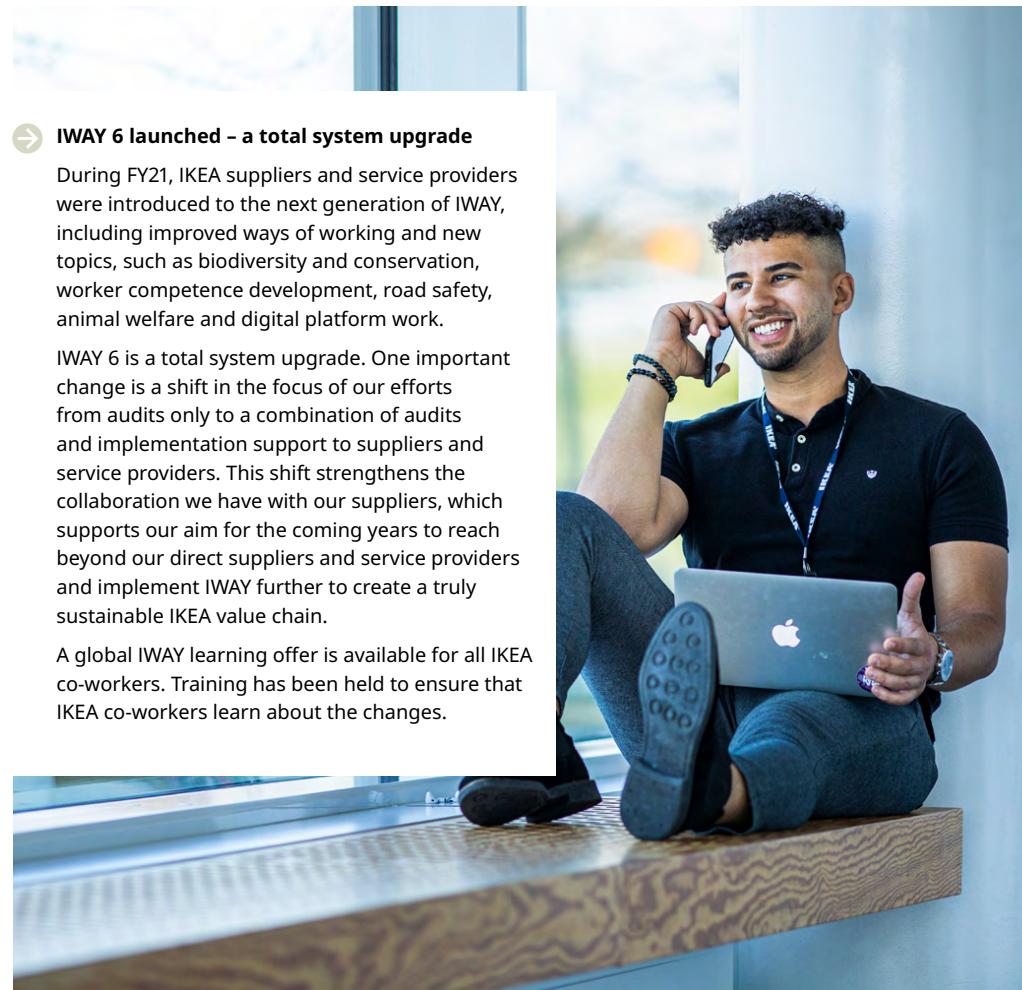
We established six new social business partnerships in FY21, bringing our total up to 11. Together with these partners, we're supporting the communities where they operate while producing global products that create job opportunities for people who need them the most. During FY21, sales of the products produced through our social business partnerships increased by 46%, contributing to including more people from marginalised groups in the IKEA supply chain.

In addition to the social businesses we partner with, IKEA Social Entrepreneurship B.V. runs programmes and makes investments that support social entrepreneurs throughout the world. In FY21, a total of 80 social entrepreneurs and enterprises from 21 countries were supported through these programmes and investments. The main target groups were small-scale farmers, low-income communities, artisans, and small-scale producers. [Read more about IKEA Social Entrepreneurship](#).

IWAY – the IKEA supplier code of conduct

IWAY is the IKEA way for responsibly procuring products, services, materials, and components. It sets requirements and ways of working for all IKEA suppliers and service providers on environmental, social, and working conditions, as well as animal welfare. IWAY creates the base for continual development towards a more sustainable IKEA value chain.

In FY21, we celebrated 20 years since IWAY was introduced to IKEA suppliers. Throughout the last two decades, we have built a credible and robust system that we can rely on to support, challenge, and actively work with together with our suppliers and service providers. IWAY is regularly revised and updated, to address changes and challenges in the world and in the IKEA value chain. This allows IWAY to remain a system that's agile and relevant to meet the defined sustainability impacts. [Read more](#).



→ IWAY 6 launched – a total system upgrade

During FY21, IKEA suppliers and service providers were introduced to the next generation of IWAY, including improved ways of working and new topics, such as biodiversity and conservation, worker competence development, road safety, animal welfare and digital platform work.

IWAY 6 is a total system upgrade. One important change is a shift in the focus of our efforts from audits only to a combination of audits and implementation support to suppliers and service providers. This shift strengthens the collaboration we have with our suppliers, which supports our aim for the coming years to reach beyond our direct suppliers and service providers and implement IWAY further to create a truly sustainable IKEA value chain.

A global IWAY learning offer is available for all IKEA co-workers. Training has been held to ensure that IKEA co-workers learn about the changes.



→ Working hours deviations discovered during audits

During the regular IWAY audits performed at suppliers during FY21, the most common deviations identified were connected to working hours, involving two different types of issues: working hours exceeding the maximum limit defined in IWAY of 60 hours per week or the legal limit, and lack of transparency and manipulation of working hours registered by suppliers. We take these very seriously, like all IWAY deviations, and are following the IWAY process of identifying root causes to the issue, securing that suppliers implement corrective measures, and phasing out suppliers who do not address the issues in a reliable way. During FY21, we have phased out 12 suppliers due to IWAY non-compliance.



→ Verifying no child labour at suppliers

During the audits and verification activities performed in FY21, no suspected or confirmed cases of child labour were identified. At the same time, we are closely monitoring this at all of our suppliers, since the risk of child labour has increased during COVID-19.

→ Audit challenges due to COVID-19

During FY21, the largest challenge remained the travel and safety restrictions connected to COVID-19, which have limited our ability to perform regular audits at our suppliers to the same extent as before. Where physical audits were not possible, we performed remote verification activities. While remote audits are better than no compliance and monitoring activities at all, they present limitations, such as reaching out to workers to hear their voices and inputs in a truly independent way. The IKEA commitment to human rights and decent and meaningful work in the IKEA value chain is more important than ever and we continue a close dialogue with our suppliers to enable these.

Inter IKEA Group suppliers and service providers actively working with IWAY

IKEA supplier type ¹	Number of suppliers FY21	Description	IWAY fulfilment			
			FY18	FY19	FY20	FY21
Home furnishing suppliers	820	Manufacture IKEA home furnishing products	98%	97%	95%	99%
Transport suppliers (often referred to as partners and service providers), land and ocean ²	280	Transport IKEA products from suppliers to stores and distribution centres	98%	97%	94%	97%
Food suppliers ³	355	Provide the food and ingredients for the core range in IKEA bistros, restaurants, and Swedish Food Markets	96%	97%	99%	99%
IKEA Components	230	Provide components and materials used in IKEA home furnishing products to IKEA suppliers and sub-suppliers	99%	98%	95%	98%
IKEA Industry ⁴ suppliers	481	Supply solid wood, board on frame and board-based furniture to IKEA and companies in the IKEA supply chain	60%	77%	72%	90%
IKEA Catalogue sites ⁵	24	Provide pulp, paper, and print services for the printed IKEA Catalogue ⁶	80%	87%	93%	94%
IWAY at critical sub-suppliers	4380	Approval with IWAY Musts at critical home-furnishing suppliers	93%	94%	95%	80% ⁷

In addition to implementing transparent and reliable routines to ensure, verify and report IWAY compliance, we perform announced and unannounced audits through IKEA IWAY auditors and third-party organisations. In case of non-compliance, our business partners are given a time frame to

correct any deviation. If the supplier fails to do so, they are phased out. The time frame to correct non-compliance varies depending on the deviation: we enact an immediate business-stop if a deviation is related to an IWAY Must requirement or, at the latest, 90 days for all IWAY Basic requirements.⁸

¹ The table does not include local suppliers to IKEA franchisees.

² No airplanes are used in our goods supply chain, unless in exceptional circumstances.

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

⁴ Direct material suppliers. Excludes traders, distributors and IKEA Industry's own units. All IKEA Industry's own units are IWAY approved.

⁵ This figure refers to individual sites rather than supplier level as for other organisations.

⁶ This figure doesn't include digital suppliers.

⁷ The FY21 result is lower compared to FY20 due to the impact of COVID-19 on audits at sub-suppliers where many verification activities were reduced or put on hold due to worldwide travel restrictions.

⁸ You can read more about the IWAY Must and IWAY Basic requirements [here](#).

Stakeholder engagement

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

- **Co-workers:** The 225,000 IKEA-co-workers from around the world share a special set of values and a vision to enable people to live a better, more sustainable everyday life. They come together in diverse, inclusive and open IKEA environments, where each can offer something unique. Every co-worker, including their families, plays a role in creating a better business.
- **Communities:** We engage in the communities where we operate to learn and share ideas while working collaboratively to create positive impacts on the environment, livelihoods and local economy.
- **Suppliers:** Working with over 1,600 direct suppliers and service providers in the areas of transport, logistics and distribution services, components and food to minimise the environmental footprint of the total IKEA supply chain and beyond, while improving working conditions. There are millions of workers who, through our suppliers and service providers, source, make and transport our products and components, provide food for our restaurants, and supply essential services to IKEA companies.
- **Customers:** In order to live up to the IKEA vision of creating a better everyday life for the many people, we need to understand the needs of our customers. The IKEA business engages with customers in many ways, such as in stores, online, by visiting them at home and via IKEA FAMILY. Each year, IKEA co-workers conduct hundreds of home visits around the world. So far, we've collected insights from more than 53,000 home visits across the globe. The data and insights collected are used in the development of IKEA products and services. Since 2016, we've also conducted an annual global survey about life at home around the world.¹ The results are published in the [Life at Home Report](#).
- **Partners and collaborators:** IKEA partners and collaborators are important in tackling big, complex challenges that impact the IKEA business, as well as achieving necessary systemic change. Our partners and collaborators include businesses, governments, universities and NGOs.

Below is a select list of partners and collaborators we worked with during FY21. Visit our [stakeholder engagement webpage](#) for more details.

- Business for Nature
- Centre for Child Rights and Business
- Climate and Clean Air Coalition
- Count us In
- European Furniture Industries Confederation (EFIC)
- Ellen McArthur Foundation
- Exponential Roadmap Initiative
- GlobeScan
- ILO Child Labour Platform
- Institute for Human Rights and Business
- International Organization for Migration (IOM)
- ISEAL Alliance
- Leadership Group for Responsible Recruitment (LGRR)
- Nordic Business Network for Human Rights (NBNHR)
- Real Play Coalition²
- RE100
- Sciene-Based Targets initiative (SBTi)
- Science Based Targets Network (SBTN)
- Stockholm Environment Institute
- The Institute for Human rights and Business (IHRB)
- The 10 YFP/One Planet Network
- UNFCCC, including Race to Zero
- UN Global Compact
- UNICEF
- World Business Council for Sustainable Development (WBCSD)
- World Economic Forum (WEF)
- We Mean Business Coalition
- World Resources Institute (WRI)
- WWF
- 50L Home Coalition

¹ Through Ingka Group.

² This is an Ingka Group initiative.

Sustainability governance



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

Strategic Sustainability Council

The total IKEA sustainability direction (ambitions and commitments) is set by the Strategic Sustainability Council, chaired by the CEO of Inter IKEA Group. It comprises representatives from Inter IKEA Group and the franchisees to ensure alignment across the IKEA franchise system while respecting the independence of the companies in the IKEA franchise system. The managing directors of the represented IKEA franchisees and Inter IKEA Group companies (or core businesses) are invited members of the council.

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

Inter IKEA Group Sustainability Management

The Inter IKEA Group Sustainability Management team includes the sustainability managers from the Inter IKEA Group entities. The group is responsible for aligning and developing sustainability ambitions and commitments and reporting on performance.

The group also provides recommendations on strategic business decisions with environmental and social impacts and prepares content and decisions for the Strategic Sustainability Council.

Ethics and integrity

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

- [IConduct: for IKEA franchisees](#)
- [IWAY: for IKEA suppliers and service providers](#)

Inter IKEA Group

- [Read more about the Inter IKEA Group Code of Conduct](#)

The IKEA business promotes a culture of inclusiveness and everyone is encouraged and should feel empowered to come forward and raise any concerns they might have. Inter IKEA Group offers different options to raise concerns via our feedback culture, either by addressing the situation

to the person directly - a manager or a People & Culture colleague or by reaching out to the Raise a Concern line.

To address the upcoming EU Whistle-Blowing Directive, a project was continued in FY21 (that was started in FY20) to ensure compliance with the legislation. Furthermore, a holistic view of the current "raise a concern" environment was taken to determine if there are elements to be updated.

In FY21, 75 concerns were reported within Inter IKEA Group. The majority of these concerns were reported in the supply and industry operations, which have the most co-workers. Most cases reported concerned either HR- or business ethics-related topics (e.g. harassment, discrimination, leadership behaviour, conflict of interest and bribery). 41% of the concerns raised were found to be (partly) substantiated, leading to different disciplinary actions and process improvements.

Read more

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

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

SDG index

The United Nations Sustainable Development Goals (SDGs) provide a framework for collective action to tackle global issues such as poverty, gender equality and climate change. We recognise that we have an important role to play in contributing to achieving the SDGs, using the global influence of the IKEA Brand and value chain. We used the SDGs as one of the key inputs when we developed our People & Planet Positive strategy and 2030 ambitions.

Due to the interconnectivity of the SDGs, most IKEA activities contribute to more than one of them. In this section, you'll find some highlights and links to activities specifically related to each SDG.



End poverty in all its forms everywhere

Responsible wage practices. [Page 42](#)

Improving conditions in our value chain and beyond. [Page 48](#)

Expanding our work with social entrepreneurs. [Page 48](#)



End hunger, achieve food security and improved nutrition and promote sustainable agriculture

More sustainable food. [Page 13](#)

Working towards creating more sustainable food systems. [Page 34](#)



Ensure healthy lives and promote well-being for all at all ages

Developing and launching new solutions, products and services to enable and inspire people to live healthier and more sustainable lives. [Page 9](#)



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Expanding and improving the IKEA learning offer. [Page 42](#)

Through IWAY, we communicate and ensure that our suppliers promote and provide work opportunities for young people. [Page 49](#)



Achieve gender equality and empower all women and girls

Securing gender equal pay in retail operations. [Page 43](#)

Actively working to welcome, support, and protect all dimensions of diversity in our operations, creating inclusive work environments where co-workers feel valued for their uniqueness, recognised for their talents, and can be themselves. [Page 44](#)

Through IWAY, we communicate our expectations on suppliers in terms of building and promoting a diverse, inclusive workplace. [Page 49](#)



Ensure availability and sustainable management of water and sanitation for all

Continuing to develop and improve the efficiency of our water-using products. [Page 12](#)

Becoming water positive. [Page 37](#)



Ensure access to affordable, reliable, sustainable and modern energy for all

Continuing our work to make renewable energy affordable and accessible while enabling people to be more energy efficient at home. [Page 10](#)

Striving towards 100% renewable energy across the IKEA value chain. [Page 24](#)



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

A global framework and assessment method for responsible wage practices. [Page 42](#)

Strengthening and protecting migrant workers' rights. [Page 45](#)

Through IWAY, we communicate and ensure minimum requirements for suppliers to provide and support decent and meaningful work for workers in the IKEA value chain. [Page 49](#)



Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Working with new materials and innovations for a smaller footprint. [Page 24](#)



Reduce inequality within and among countries

Ensuring that we – together with others – define what constitutes a fair income and make it possible for everyone in the IKEA value chain to have a fair income. [Page 42](#)

Working with responsible recruitment, and continuing to support the Employer Pays Principle which states no worker should pay for a job, and the employer should bear the costs of recruitment. [Page 45](#)



Make cities and human settlements inclusive, safe, resilient and sustainable

Focusing on products and solutions related to cleaner air. [Page 11](#)

Joining the 50L Home Coalition, which focuses on changing the way we use water in cities. [Page 12](#)



Ensure sustainable consumption and production patterns

Inspiring and enabling people to live healthier, more sustainable lives. [Page 8](#)

Promoting circular and sustainable consumption. [Page 8](#)

Creating a movement in society around better everyday living. [Page 8](#)

Transforming into a circular business. [Page 15](#)

Aiming to only use renewable or recycled materials. [Page 36](#)

All chemicals used in or for making IKEA products should be safe for people and the planet. [Page 38](#)



Take urgent action to combat climate change and its impacts

Drastically reducing greenhouse gas emissions from the IKEA value chain while still growing the IKEA business. [Page 23](#)

Storing carbon in land, plants and products. [Page 25](#)

Going beyond IKEA. [Page 26](#)

Improving environmental standards in the IKEA value chain through IWAY. [Page 49](#)



Conserve and sustainably use the oceans, seas and marine resources for sustainable development

Leading regenerative projects to clean polluted waters and protect biodiversity, including leading projects to prevent plastic pollutants from entering waterways and oceans. [Page 37](#)

All seafood should be certified by the Aquaculture Stewardship Council (ASC) and the Marine Stewardship Council (MSC). [Page 34](#)

Working with Saahas Zero Waste for positive change in the recycling industry, specifically for the collection of ocean bound plastics. [Page 48](#)



Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and biodiversity loss

Joining the Science Based Targets for Nature (SBTN) Corporate Engagement programme to be part of shaping a framework for science-based targets for ocean, freshwater, biodiversity, land use, resource use and more. [Page 32](#)

Becoming forest positive. [Page 30](#)

Continuing to source wood, cotton, food, and other raw materials from more sustainable sources. [Page 28](#)

Improving environmental standards in the IKEA value chain through IWAY. [Page 49](#)



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Business ethics and working together to secure a responsible business in the full IKEA value chain. [Page 52](#)



Strengthen the means of implementation and revitalise the global partnership for sustainable development

Driving and supporting change together with others to reach the IKEA sustainability goals. [Page 51](#)