

A photograph of a woman with dark, curly hair looking out of a window. She is wearing a white short-sleeved shirt. The window looks out onto a cityscape with buildings and trees. To the left of the window, a large potted plant with broad green leaves is visible. The lighting suggests it's morning or late afternoon.

IKEA Sustainability Report FY22

In this report



Introduction

Introduction letter	Page 3
The IKEA business in FY22	Page 4
FY22 sustainability highlights	Page 5

Becoming People & Planet Positive

FY22 global trends and challenges	Page 6
-----------------------------------	------------------------

Healthy & sustainable living

FY22 summary of progress	Page 8
FY22 key activities	Page 9

Transforming into a circular business

FY22 summary of progress	Page 14
FY22 key activities	Page 15

Becoming climate positive

FY22 summary of progress	Page 19
FY22 key activities	Page 22

Regenerating resources, protecting ecosystems, and improving biodiversity

FY22 summary of progress	Page 26
FY22 key activities	Page 27

Fair & equal

FY22 summary of progress	Page 40
FY22 key activities	Page 41

IWAY – the IKEA supplier code of conduct

Stakeholder engagement	Page 48
Sustainability governance	Page 51
SDG index	Page 52
	Page 53

About this report

This report summarises our performance compared to the [IKEA sustainability strategy, People & Planet Positive](#), during FY22. 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 2022 (FY22), which runs from 1 September 2021 to 31 August 2022. Percentages in this report may not total 100% due to rounding differences.

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

Navigating challenges on our journey towards 2030 commitments

FY22 was a year of challenges affecting people all over the world as well as the IKEA business – the still ongoing COVID-19 pandemic, the devastating war in Ukraine, high inflation impacting cost of living, climate change, escalating nature loss and rising inequalities. In times like these, it's more important than ever to stay committed to our sustainability strategy – it's critical for our business and an important part of fulfilling our vision.

In this challenging year, we first and foremost want to thank all our colleagues, customers and suppliers for their continued support and hard work. Together, we keep the IKEA spirit alive!

The war in Ukraine is a human tragedy that continues to affect people and communities. Our priority has been to provide support and security to co-workers and the people in our value chain. In the beginning of March 2022, Inter IKEA Group and Ingka Group announced the pausing of IKEA operations in Russia and Belarus. In June, the decision was taken to stop IKEA operations in those countries and we've since been scaling down, step by step.

Despite the complex situation, total IKEA sales reached EUR 44.6 billion in FY22, up 6.5% compared to FY21. The pandemic limited growth in FY21, and IKEA retail sales benefited as the world re-opened. On the other hand, higher costs for raw materials and transport led to higher prices, which means sales grew in monetary terms, but not in quantities.

With a carbon budget of six years left in the world,¹ the need to act decisively to limit global warming to 1.5°C is more important than ever. We're committed to doing our part, taking a full value chain approach. The total IKEA climate footprint in FY22 is estimated to be 25.8 million tonnes of CO₂ eq – a decrease of 5% compared to FY21 and 12% compared to our FY16 baseline. The reduced climate footprint is mainly due to a strong development in renewable electricity and improved efficiency of products used at home, and partly due to slightly lower production volumes between FY21-22.²

One of the main contributors to the decreased climate footprint is our more energy-efficient range, such as the new and more affordable SOLHETTA LED range. We also saw a continued increase in the share of sales for our plant-based food options, such as the plant ball and the veggie hotdog.

During FY22, we also managed to increase the share of renewable electricity in both IKEA retail

and production. Twenty-four IKEA retail markets are using 100% renewable electricity. In production, it increased from 52% in FY21 to 64%. One of our key strengths is the IKEA integrated supply chain. We have long-term relationships with our suppliers – 11 years on average – and are supporting their journeys to transition to renewable energy.

Our focus ahead remains on the longer-term agenda, such as product transport and materials – our largest climate footprint. For materials, we have concrete plans to reduce our impact. A challenge for materials is to secure the accuracy and completeness of the data. See the [IKEA Climate Report FY22](#) for more details.

Establishing a systemic shift to a circular economy, not only within the IKEA business but throughout the world, is key to creating a sustainable future, since the high use of resources in the world is increasing the pressure on people and the planet. Now, several years into our efforts to transform into a circular business, we have a clearer and practical understanding of the complexities. After some years of testing in various markets, we formally created the global IKEA Core Circular Customer Offer which will make it possible for customers to pass on, refurbish, care for, maintain and upgrade products in convenient ways.

We strive to take a holistic approach to our sustainability work, as climate change, nature loss and inequality are interdependent. The transition to a circular economy with limited environmental impact creates additional challenges for livelihoods and human rights. Therefore, we put a lot of effort during the year into revising the Fair & equal section of the IKEA sustainability strategy. The update includes strengthened commitments to contribute to more resilient societies, with a continued focus on children as a particularly vulnerable group. It also includes new commitments, such as ensuring a just transition³ with a focus on enabling decent work, which involves, for example, upskilling and reskilling to meet future demands. This update was supported by a social impact materiality assessment.

Our work toward becoming people and planet positive continues, and we stay optimistic. Our long-term commitment is to make sure sustainable living is affordable and accessible to the many, and together we will make it happen.



Jon Abrahamsson Ring
Chief Executive Officer,
Inter IKEA Group



Pär Stenmark
Chief Sustainability Officer,
Inter IKEA Group

¹ Mercator Research Institute on Global Commons and Climate Change, "Remaining carbon budget", 1.5°C scenario selected, 2022

² The volume of products manufactured in FY22 was 10% higher than in the baseline year FY16, but 1% lower than FY21.

³ A just transition addresses the social consequences of actions taken to reduce climate impact and transition to a circular economy.

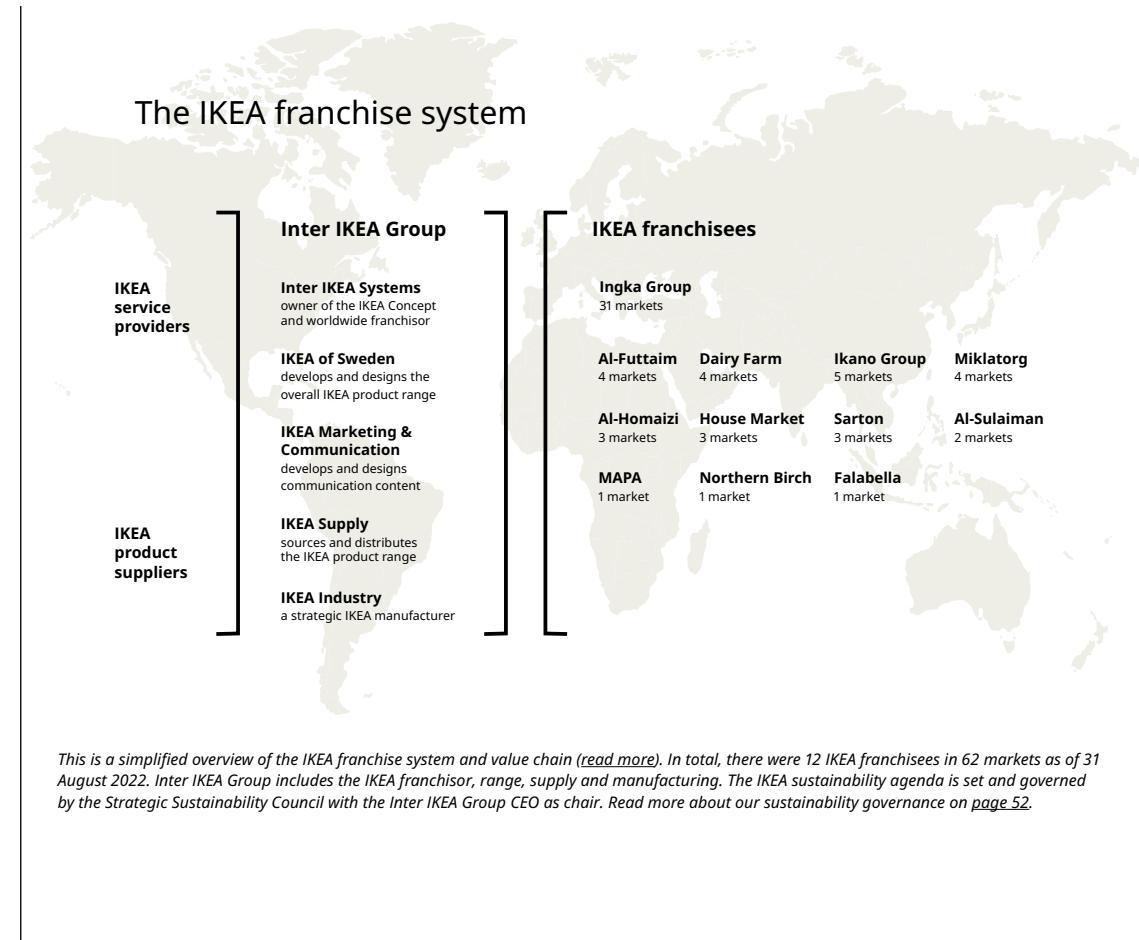
The IKEA business in FY22

 231,000 IKEA co-workers	6,000 more co-workers compared to FY21
 1,600+ IKEA suppliers and partners ¹	With nearly 900 home furnishing suppliers in more than 50 markets and over 150 global food suppliers
 9,500 products in the IKEA range	2,000 new products launched in FY22
 4.3 billion visits to IKEA websites	A decrease of 14% compared to FY21 when the impact of the COVID pandemic resulted in a significant increase in website traffic
 822 million visits to IKEA stores	456 stores in 62 markets 17 new IKEA stores 21 new customer meeting points (6 were closed)
 44.6 billion IKEA retail sales (in EUR) ²	Compared to EUR 41.9 billion in FY21 Produced volumes of IKEA products decreased by 1% compared to FY21 ³

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

² Excluding sales taxes, including sales of IKEA products, food and services by IKEA franchisees.

³ We measure produced volumes in cubic metres (m³).



FY22 sustainability highlights



Healthy & sustainable living



Transforming into a circular business



Becoming climate positive



Regenerating resources, protecting ecosystems, and improving biodiversity



Fair & equal

Expanding the energy-efficient SOLHETTA LED bulbs series to make it easier to use in more areas of the home (page 10).

Introduced a new low-price indoor air purifier UPPÄTVIND, **enabling even more customers to afford a solution that cleans indoor air** (page 11).

Enabling customers to save up to 95% of water used in taps at home with the new ABÄCKEN water nozzle (page 12).

Increased the share of sales of plant-based meals in comparison to meat-based options in IKEA restaurants (page 13).¹

Following years of testing, we're creating a global offer of **circular services that will make it easier for customers to prolong the lifespan of IKEA products** (page 17).

Prolonging the life of sofas through repair and refurbishment – testing of the service continues at IKEA Poland (page 18).²

Improving the circular capabilities of a best-selling IKEA product – BILLY bookcase (page 16).

Increasing the use of recycled polyols in foam to drive industry change and **move toward mattresses with recycled or renewable foam** (page 17).

On average, we **achieved the goal of reducing food waste** from preparing meals for IKEA restaurants by 50% by end of 2022 compared to FY17 baseline (page 17).³

Decreased our climate footprint, in absolute terms compared to our FY16 baseline, by 3.4 million tonnes of CO₂ eq, a reduction of 12%. This corresponds to a 20% relative reduction in terms of the climate footprint per produced volume (page 21).

Established one of the **first-ever corporate outdoor air pollution disclosures** across a value chain, enabling goal-setting as the next step (page 23).

Significantly increasing the share of renewable electricity for retail, from 71% to 76%, and for production, from 52% to 64% compared to FY21 (page 23).

Committing to zero emission heavy-duty road transports by 2040 through EV100+, meaning all product transports and home deliveries will be zero-emission by 2040 at the latest (page 23).⁴

Advocating for, and assessing our impact on, biodiversity, guided by SBTN, participating at COP15, and supporting #MakeItMandatory (page 30).

Reached 15% share of recycled wood, moving closer to our goal to have at least one-third recycled wood in IKEA products by 2030 (page 28).

Introducing a digital map that's **increasing transparency** on how and where IKEA suppliers source wood. The map launched in January 2023 (page 29).

Celebrated our 20-year continuing partnership with WWF on projects in forestry, cotton, freshwater and climate (page 29).

Revised the Fair & equal focus area, **strengthening our commitments** to tackle inequality; make respect for human rights a foundation for business operations; and contribute to more resilient societies, including ensuring a just transition (page 41).

Supporting decent work by introducing new IWAY requirements⁵ for digital platform workers in the IKEA value chain (page 49).

Providing emergency aid as well as long-term **humanitarian support to people affected by the war in Ukraine** (page 42).

Launched VÅRDANDE, our first global collection made in partnership with social business suppliers, **creating more opportunities for vulnerable and marginalised people and communities** (page 45).

Developed an IKEA training for child safeguarding that will roll out in FY23 (page 43).

¹ Based on data from our largest franchisee, Ingka Group.

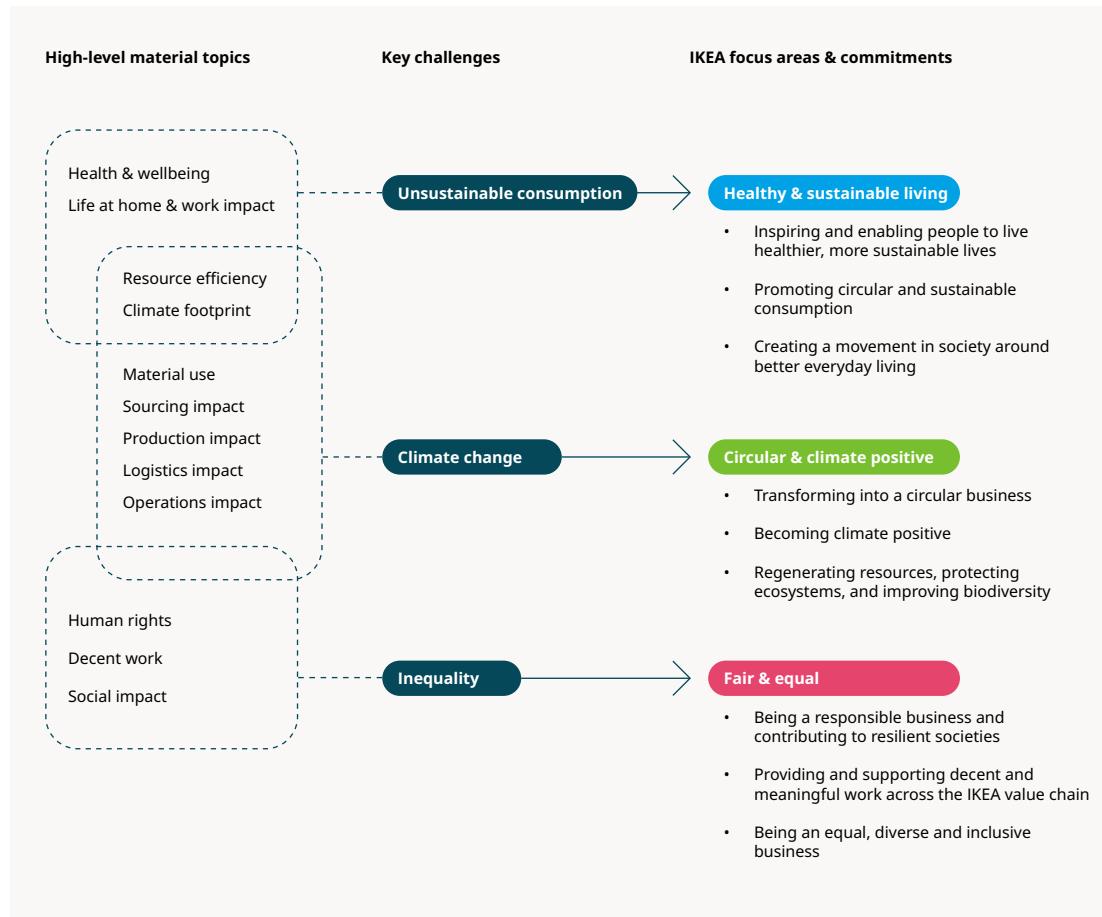
² IKEA Poland is operated by the largest IKEA franchisee, Ingka Group.

³ Calculated for all IKEA restaurants which used the food waste digital solution by end of 2022. 91% of all IKEA stores had food waste solutions in place by end of 2022.

⁴ Scope of home deliveries include Inter IKEA Group and IKEA retail business of franchisee Ingka Group.

⁵ IWAY is the IKEA way of responsibly procuring products, services, materials and components. It sets requirements on environmental, social and working conditions, as well as animal welfare for all IKEA suppliers and service providers ([read more](#)).

Becoming People & Planet Positive



The purpose of our sustainability strategy, [People & Planet Positive](#), is to inspire, activate and lead us in our decision-making and goal-setting, in order to achieve the big positive changes we want to see in the world, and for the entire IKEA ecosystem.

The strategy is structured based on material topics (see diagram, left). These are considered the most important sustainability issues on which the IKEA business can have an impact. When we developed the strategy, we looked at what stakeholders expect from us and where they could see us making the biggest positive changes. As an outcome, we clustered the identified material topics into three major challenges: unsustainable consumption, climate change, and inequality.

In FY22, we carried out a materiality assessment in connection with the revision of the Fair & equal focus area of the strategy, which led to the creation of new and strengthened commitments ([page 41](#)).

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 \(SDGs\)](#).

We don't have all the answers and can't achieve our goals alone. We want to have a positive impact on people, society and the planet. We're working – in line with stakeholder expectations and regulations – to secure both economic growth and positive social impact with environmental protection and regeneration.



FY22 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, and inequality.

To stay up-to-date on the ever-changing realities of our world, we receive ongoing input from stakeholders, key scientific reports, advisory boards, sustainability council meetings, partnerships, and IKEA teams. This lets us identify and address trends within our major challenges, revise our plans, and raise ambition levels wherever possible.

! Inequality is rising and vulnerable groups are increasingly impacted

The continuing effects of the COVID-19 pandemic, the war in Ukraine, conflicts in many parts of the world, and the accelerating effects of climate change are all adding to global instability, insecurity and economic inflation. These effects impact people from vulnerable groups the hardest and lead to increasing levels of inequality.

In FY22, the IKEA business strengthened its commitments to respecting human rights, including children's rights, throughout our

value chain. We continue to take action to support vulnerable groups, tackle inequality, and develop our human rights due diligence approach to address our potential negative impacts, as well as strive to achieve a positive social impact ([page 42](#)).

! Urgent action is needed to limit global warming to 1.5°C

As reiterated at the 2022 United Nations Climate Change Conference (COP27) in Egypt, the international community is failing to meet the goals of the Paris Agreement.¹ The world is set to inevitably reach a global temperature increase of at least 1.5°C during the 2030s.²

The importance of drastic emission reductions – halving emissions in absolute terms by 2030 – to limit global warming to 1.5°C is our best opportunity to mitigate the effects of climate change. The IKEA business remains committed to the Paris Agreement and to contribute by leading with facts and science-based goals ([page 20](#)). A global study conducted in 2022³ also found the proportion of consumers reporting that climate change has "greatly" personally impacted them is growing. As a global brand, the IKEA business is part of both the problem and the solution.

! Increased economic challenges

People around the world are facing rising prices due to inflation. The IKEA business also struggles with inflation and, unlike in FY21, has no longer been able to absorb the continuous increase in costs. This has led to necessary price increases for our customers. With the global rise of raw material and commodity prices, as well as other costs for sourcing and supplying products, securing low prices remains a big challenge, but we continue to do our utmost to deliver on our affordability ambitions.

! Increasing regulatory developments

Around the world, sustainability-related regulations are gaining momentum. Companies, including the IKEA business, are now facing an increasing number of regulations and the complexity of future requirements. We recognise the importance of having consistent, comparable and transparent non-financial information and welcome these regulatory developments. We've started to prepare for the reporting requirements of the [Corporate Sustainability Reporting Directive \(CSRD\)](#) and will continue the work in FY23.

! Urgent action is needed to stop biodiversity loss

Global biodiversity is declining faster than at any other time in human history,⁴ and this is caused by human activity, including land use, pollution, and climate change.

We welcome the global agreement for biodiversity that was decided at COP15 in Montréal, Canada, as it's a critical component of driving more action to reverse biodiversity loss in this decade. The Kunming-Montreal Global Biodiversity Framework has the potential to enable and mobilise all actors of society to contribute, similar to what the Paris Agreement has meant for limiting climate change.

By signing the [#MakeltMandatory](#) initiative, we supported a push for accelerated action and a levelled playing field for global businesses, a push that made it into the final agreement.

¹ UN Environment Programme (UNEP), "[Emissions Gap Report 2022](#)", 2022

² Intergovernmental Panel on Climate Change (IPCC), "[AR6 Synthesis Report](#)", 2023

³ GlobeScan and IKEA, "[Healthy & Sustainable Living Global Consumer Insights](#)", 2022

⁴ Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), "[Global Assessment Report on Biodiversity and Ecosystem Services](#)", 2019

Healthy & sustainable living



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

Commitments and goals

Inspiring and enabling people to live healthier, more sustainable lives

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

Promoting circular and sustainable consumption

We will offer products and solutions designed from the beginning to have circular capabilities, 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.



FY22 summary of progress

During the year, there were more than 5.1 billion visits to IKEA retail through our stores and websites. We know we have a big opportunity and responsibility to make a positive difference through our home furnishing offer, and by sharing our home furnishing knowledge.

Our work to inspire and enable healthy and sustainable living is focused on five areas where the IKEA offer has a direct impact on people's health and ability to reduce their environmental footprint at home: energy, air, water, food, and waste. In FY22, in almost all of the five focus areas, we broadened our offer of products and services.

In FY22, IKEA stores in many markets opened the Sustainable Living Shop, a space that highlights products, solutions, services and tips for ways customers can reduce their climate footprint in everyday life at home.

The circular services we offer are also important contributors to a more sustainable life at home. Read more about our FY22 progress with circular customer services on [page 17](#).

As a large provider of food, the IKEA business also has a responsibility to inspire and enable healthier and more sustainable food choices. During the year, we continued the work of expanding and improving our plant-based food offer by introducing new products and strengthening our communication approach ([page 13](#)). As a result, we saw an increase in the share of sales of plant-based foods in IKEA restaurants and Swedish Food Markets in FY22. And we also reached our food waste reduction goal in FY22 ([page 17](#)).

FY22 key activities

Energy

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



→ Growing our energy-efficient bulbs offer

We expanded the functions and styles available in our SOLHETTA LED bulb series. Launched in FY22, SOLHETTA LED bulbs are more energy efficient and – on average – more affordable than previous IKEA LED bulbs.¹ Expanding the series with more sizes, shapes and functions, enables customers to use SOLHETTA LED bulbs for more purposes and in more areas of the home, which reduces home energy use.

In FY22, we sold 61.8 million LED bulbs, with SOLHETTA making up the biggest share of sales (in terms of sold quantity). Because SOLHETTA is more energy efficient than previous IKEA LED bulbs, it helped to improve the average efficiency of our lighting range by 19% (lumen per Watt) which contributes to a reduction of the electricity consumption in homes. Going forward, we'll continue to explore ways to make our LED range more energy efficient.



→ Expanding the solar panel service

In FY22, the IKEA business² partnered with a leading solar technology and energy services provider to extend the solar panel offer to customers in California, USA. This was launched to customers in September 2022. The plan is to extend to other locations in the USA over time. The home solar service includes solar panels and, when suitable, a battery storage system. By turning their rooftops into mini power plants, customers can produce their own electricity and, if circumstances allow, sell it back to the grid.



→ Introducing a heat pump offer for consumers

In FY22, a heat pump service launched in Sweden.² This service enables customers to buy quality heat pumps at more affordable prices. It can also help customers use less energy and save costs, based on which heating or cooling solution the customer had before.



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

² Through the franchisee Ingka Group.

Air

Developing affordable and high performing solutions to enable people to purify the air in their homes is an example of how the IKEA business can make a positive difference and contribute to cleaner indoor air.

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



STARKVIND table with air purifier launched in FY22.



¹ PM_{2.5} are small inhalable particles that measure 2.5 micrometres or smaller.

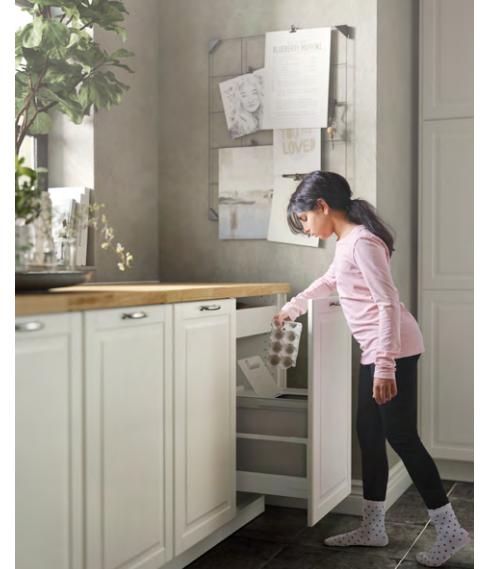
Offering an even more affordable air purifier for the home

In FY22, we made air purifiers for the home more accessible by introducing the low-price solution UPPÅTVIND. Like all IKEA air purifiers, UPPÅTVIND is optimised to filter out approximately 99.5% of smaller airborne particles, including PM_{2.5}, dust, and pollen.¹ It's available globally.

Waste

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

For more about how we're working to enable and inspire people to take part in a circular economy, see [page 17](#).



Water

By continuing to develop and improve the efficiency of our water-using products, we're enabling customers to decrease their consumption. The water that runs through the taps and showers we sell makes up 15% of the IKEA total water footprint.

[Read more about saving water at home.](#)
For information about water in our supply chain, see [page 38](#).

→ **Founding member of 50L Home Coalition**

The IKEA business is a founding member of the 50L Home Coalition – a global action-oriented initiative focusing on developing and scaling innovations in water and energy use in the home. The ambition is to make 50 litres of daily water use per person a new reality.

[Read more.](#)



→ **A new, even more efficient, water saving solution**

In FY22, we launched the ÅBACKEN water nozzle in all IKEA markets. When used in mist mode, ÅBACKEN can save up to 95% of water used, and in spray mode, up to 66%.¹ This also results in energy savings from water heating.

ÅBACKEN water nozzle fits all IKEA taps and most other taps on the market. This solution builds on the water saving abilities of the existing IKEA tap and shower range which has built-in water efficiency features that already enable water use reduction of up to 40%.²

[Read more.](#)



→ **Investing in a water recycling shower solution**

In August 2022, Inter IKEA Group made a minority equity investment in Flow Loop, a Danish company that's been developing a water recycling shower solution in partnership with the IKEA business since 2020. The investment will help accelerate the joint product development. 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.](#)

¹ Compared to standard washbasin mixer taps with a water flow of 5.7 L/min.

² Compared to taps and showers without the built-in feature.

More sustainable food

Last year, around 520 million guests experienced the IKEA food offer in our stores. Throughout FY22, we continued our work to improve and expand our plant-based food offer. We also continued the work to make our whole food range healthier.

The climate footprint of plant-based food is often lower compared to animal-based options. A plant-based diet with high nutritional value can also be a healthier choice.

For information about food in our supply chain, see [page 33](#).

→ Evaluating and revising food goals

In FY22, we initiated a re-evaluation of the food goals that were launched in FY21. The main reason for the revision was the need for full transparency of the food offer in all markets including the locally-sourced food range, which is a substantial part of the overall food range. Updates to our digital reporting landscape will give us a more complete overview of the range offer and support us in a more holistic way to set and measure our sustainability goals. We continue to work toward the goal that 50% of main meals offered in our restaurants will be plant-based by 2025.



LÄTTLAGAT is a convenient, nutritious and tasty frozen meal featuring different IKEA balls, including the plant ball, meatball, and now, veggie ball.

→ Increasing plant-based food sales and expanding our offer

The positive trend of customers choosing plant-based food continues. The share of sales of the plant ball and veggie ball in IKEA restaurants increased from 14% in FY21 to 17% within the HUVUDROLL range and from 24% in FY21 to 26% in the Swedish Food Market.

We introduced new plant-based products in FY22, including a veggie ball version of LÄTTLAGAT ready meals. We also launched a plant-based soft ice with chocolate flavour. We continue to explore where and how we can remove or replace dairy in our range (without compromising on taste) to further reduce the climate impact of our food ingredients.

→ Testing a new communication approach for plant-based foods

In FY22, we tested a new communication approach for plant-based foods in three stores operated by IKEA Germany.¹ The approach was based on scientific insights from the World Resources Institute (WRI) for how to make plant-based foods more appealing. Even though we didn't see an immediate increase in sales quantity of plant-based foods during the test period, we received a positive response in surveys conducted on the communication initiative and can see a measurable improvement in customer awareness of our plant-based range offer. The communication approach will therefore be rolled out in more markets.

A positive sign is that the sales quantity of our veggie hot dog almost doubled in FY22 compared to FY19 (before COVID-19). This can largely be attributed to a substantial price decrease in our German market. However, store closures in the previous fiscal year make it difficult to compare and draw any definite conclusions.

→ Using nutritional profiling to work towards a healthier food offer

In FY22, we continued the work to re-evaluate the entire IKEA food offer according to the IKEA Food Nutrition Profiling System (IFNPS). IFNPS classifies foods or beverages as healthier if they have a better nutritional composition compared to equivalent foods from a similar product category.² By evaluating all our foods this way, we can better work towards, and measure, making our food healthier.

During FY22, we've been working with partners to develop the communication approach for shifting our range to healthier eating and to inspire more customers to choose healthier options.

→ Accelerating food innovation

In FY22, we launched an IKEA Food innovation accelerator programme with the aim of finding and developing healthier and more sustainable raw ingredients that can be used in our range. After evaluating 116 companies, we're currently working with two from the programme, incorporating their innovations into our product design process.

¹ IKEA Germany is operated by the franchisee Ingka Group.

² 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".

Transforming into a circular business



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.

Commitments and 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.

FY22 summary of progress

During the year, we continued to use our circular product development roadmaps to secure all our products will have circular capabilities by 2030.

In FY22, we improved the circular capabilities of several products, including our soft toy range ([page 37](#)), RÖNNINGE extendable tables ([page 16](#)) and our best-selling BILLY bookcase ([page 16](#)). To improve the accuracy of measuring the circular capabilities of our products, we're updating the Key Performance Indicator (KPI), which tracks the corresponding commitment. Because of this ongoing work, we don't have comparative figures for the circular fulfilment rate of our products to report against last year's performance.

After years of testing and running different circular customer offers in various IKEA markets (such as buy-back programmes, selling second-hand products, and providing spare parts), we have defined key development areas for the IKEA Core Circular Customer Offer. These include furniture spare parts, circular services,

digital/physical second-hand touchpoints, etc. We're working on the details to ensure the offer meets customer needs.

Our commitment to enabling customers to acquire, care for and pass on products in circular ways will also support us in complying with new circular economy legislation. The testing of sofa repair and refurbishment in Poland continued in FY22 as one of our ongoing customer offer tests. In FY22, the in-store repair initiative showed the importance of making furniture spare parts more available to customers. It also proved that the circular offer can be both convenient for customers and profitable for the business at the same time.

In FY22, we also continued working towards our aim of only using recycled and renewable materials ([page 36](#)). Our initiative to produce mattresses from recycled foam ([page 17](#)) is one of several innovative programmes in progress. In FY21, we reported that 56% of the materials we sourced were renewable, and 17% were recycled. We're currently working to implement a data collection tool that

will increase the efficiency and accuracy of our reporting and are therefore not able to update these figures for FY22. We plan to report figures for FY23.

Finally, we continued to engage with policymakers and other partners to advocate for a circular economy, including the [Ellen MacArthur Foundation \(EMF\)](#), the European Commission ([page 18](#)), and the European Furniture Industry Confederation (EFIC) ([page 18](#)).



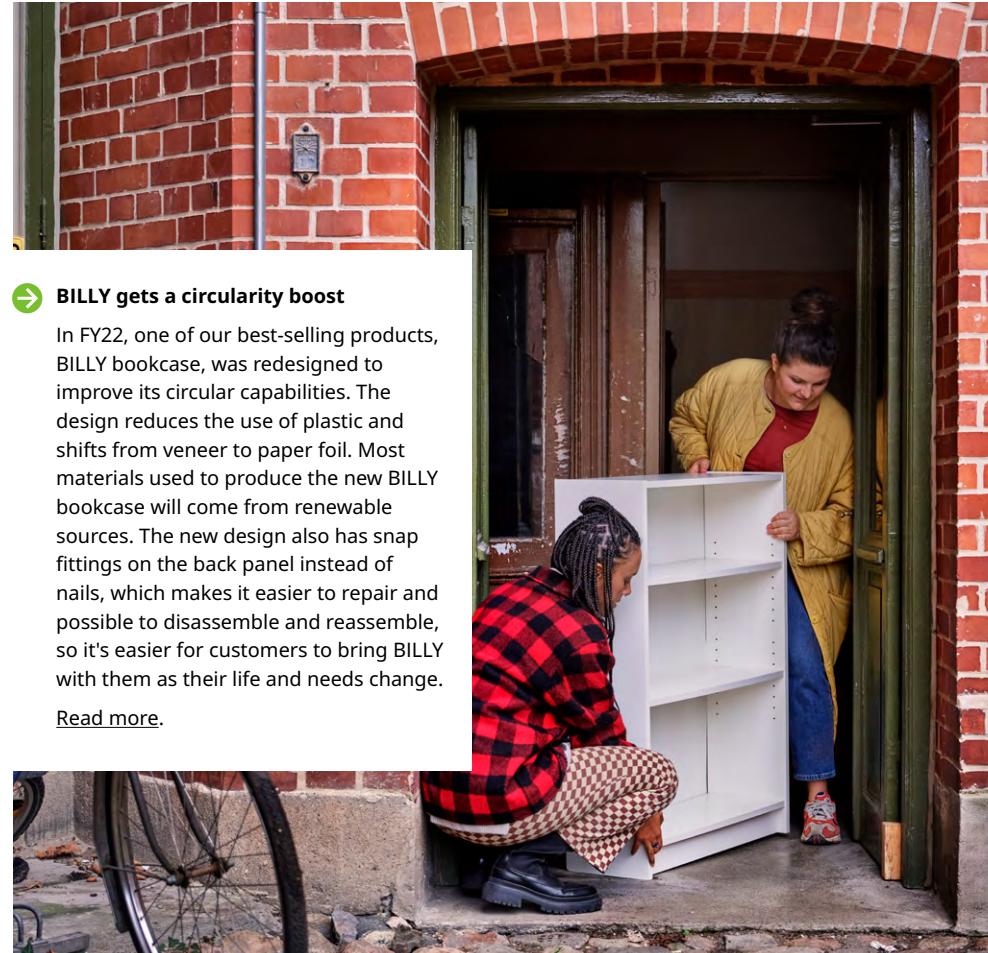
FY22 key activities

Designing circular products

For us, products are material banks for the future – once they can no longer be used, they should 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.



Since it was launched in 1978, more than 120 million BILLY bookcases have been sold. Today, BILLY is still one of the best-selling IKEA products.



→ BILLY gets a circularity boost

In FY22, one of our best-selling products, BILLY bookcase, was redesigned to improve its circular capabilities. The design reduces the use of plastic and shifts from veneer to paper foil. Most materials used to produce the new BILLY bookcase will come from renewable sources. The new design also has snap fittings on the back panel instead of nails, which makes it easier to repair and possible to disassemble and reassemble, so it's easier for customers to bring BILLY with them as their life and needs change.

[Read more.](#)



→ Continuing towards circular capabilities for all IKEA products by 2030

Throughout the year, we continued to develop and improve our products to have circular capabilities. An example of improvement is RÖNNINGE extendable table. Without compromising on the original function, durability, style or quality, we reduced material use by introducing hollow wooden legs. This is also part of our ambition to use wood in smarter ways (page 28). We also developed GRÖNSTA chair, improving the circular capabilities this type of chair usually has. Typically, this type of chair would contain glass fibre for added stability. However, since glass fibre isn't recyclable, we developed GRÖNSTA without glass fibre – its stability comes from the seat's form instead. And, in addition to being designed for recyclability, the seat shell is made of post-industrial waste. GRÖNSTA launches in FY23.

→ Moving towards mattresses with recycled or renewable foam

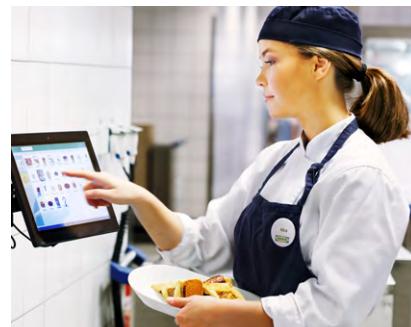
Foam mattresses normally end up in landfills. In FY22, we led an initiative that makes new mattresses from discarded ones by recycling polyols found in the foam. This initiative decreases waste to landfills while also contributing to driving the industry agenda to develop foam solutions centred around recycled materials. This initiative is ongoing and builds on previous work to develop and implement renewable foam in the IKEA range. Our aim is to have a minimum of 20% recycled and/or renewable content in the polyols used in foam production for IKEA mattresses by 2025. [Read more.](#)



The new VALEVÄG mattress contains 50% less foam than its predecessor, HÖVÄG, while maintaining the same level of comfort. It contains 13% renewable foam, steel springs with 25% recycled material, and both its cover and wadding are made from recycled polyester.

→ Achieving our food waste reduction goal

On average, we achieved the goal of reducing food waste from preparing meals for IKEA restaurants¹ by 50% by end of 2022 compared to FY17 baseline. This was calculated for all IKEA restaurants which used the food waste digital solutions by end of 2022. By the end of 2022, 91% of all IKEA stores had food waste solutions in place (2021: 89%).



¹ Specifically, food preparation in the IKEA restaurant, bistro, Swedish café and co-worker restaurant.

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.

→ Establishing and developing the IKEA Core Circular Customer Offer

To progress towards our circular transformation, it's essential to engage with our customers in new ways and enable them to make circularity a part of their daily lives. Over the years, we've conducted and reported on numerous circular customer service offers in various markets. In FY22, using insights and learnings from these experiences, we took the step of formally creating the IKEA Core Circular Customer Offer. We're developing ways to make it possible for customers to pass on, refurbish, care for, maintain and upgrade products in ways that are convenient for them, available when they need them, and close to their homes. This will help customers extend the lifespans of their products and maintain the value of the materials in their products for longer.



We've defined the key development areas of the offer and are currently creating and testing initiatives within them.

Key development areas:

- Circular services (repair, removal, buy-back)
- Second-hand digital touchpoints
- Second-hand physical touchpoints
- Care & Repair range
- After-sales parts

→ Prolonging the lifespans of sofas through repair and refurbishment in Poland

Sofas experience a lot of everyday use, making them susceptible to wear and tear over time. In FY22, we continued to test sofa repair and refurbishment services in IKEA Poland.¹ We gained experience and an understanding of the challenges and costs connected to reverse logistics, refurbishing competence, and resale of refurbished sofas. The test also confirmed sufficient customer demand to prolong the lifespan of IKEA sofas through sales of repaired/refurbished sofas, repair services, and a do-it-yourself furniture spare parts offer.

The test proved this business model can be profitable, but there are still challenges to overcome, such as securing the knowledge of which furniture spare parts are most needed, the amount of skilled labour and level of expertise required for refurbishment, and the cost of logistics.

We're now making more furniture spare parts for sofas available to customers and are further testing repair at the IKEA store and third-party locations.

¹ IKEA Poland is operated by the franchisee Ingka Group.

² The number reported in FY21 was for both assembly parts and furniture spare parts. We've now separated these two types of parts to be more accurate and transparent in our reporting. Though furniture spare parts have been a small percentage of the reported figure in the past (around 1%) we're working to increase the amount of furniture spare parts delivered to customers.

³ IKEA Singapore is operated by the franchisee Ikan Group.

→ Growing our spare parts offer

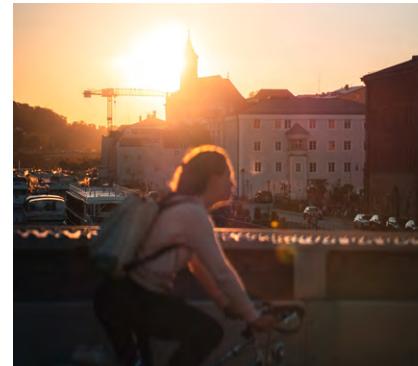
Customers can order assembly parts (such as nuts, bolts and screws that are shown in assembly instructions) through an online tool. In FY22, we provided more than 21.5 million assembly parts to enable customers to prolong the lifespan of IKEA products (FY21: 18 million).²

We're developing solutions to provide furniture spare parts, such as back and seat cushions. This includes solutions that are globally scalable, offering a convenient way to order while keeping furniture spare parts affordable for customers.



In FY22, IKEA Singapore³ partnered with Carousell, an online marketplace for second-hand selling, to inspire and empower consumers to take part in the circular economy. Local celebrities got involved to help create conversations around circularity and customers who bought or sold IKEA furniture on the platform received rewards.

Taking the lead and joining forces with others



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

→ Supporting the ongoing work of the EU Green Deal

As the European Green Deal (EU Green Deal) sets out various legislative and non-legislative proposals, we continue to actively share our experience with policymakers on how we're transforming into a circular and climate positive business. During FY22, we remained active in providing fact- and experience-based insights and contributions to the ongoing work of the EU Green Deal, which includes the Circular Economy Action Plan. Key topics we contributed to included the development of the digital product passport, eco-design for sustainable product regulation, and the right to repair. [Read more](#).

→ Continuing to promote circularity in the furniture sector

Together with the EFIC and EuroCommerce, we supported enabling measures for sustainable business growth within the furniture industry as well as the harmonisation of rules, and alignment of definitions.

We also contributed to the 2022 Circular Economy Stakeholder Conference and EFIC's "The Furniture Day 2022" by sharing our insights about developing circular capabilities within the furniture industry.

Becoming climate positive



By FY30, 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 will be achieved without relying on carbon offsetting. This is how we contribute to limiting the global temperature increase to 1.5°C by the end of the century.

Commitments and goals

Becoming climate positive means reducing the greenhouse gas emissions from the IKEA value chain in absolute terms in line with the 1.5°C target,¹ while contributing to additional reductions in society.

To achieve becoming climate positive, we have set the following strategic goals, in order of priority:



Read more about our work on climate change, including a detailed breakdown of our climate footprint.

[Read the IKEA Climate Report FY22](#)

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

The overall goal is, by FY30, to reduce the absolute GHG emissions from the IKEA value chain by at least 15% compared to FY16, while still growing the IKEA business. 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 climate impact. In contrast to carbon offsets, this takes place within our supply chain and is part of how we responsibly source materials for the IKEA range. A strategic goal will be set once the [Land Sector and Removals Guidance by GHG Protocol](#) is finalised, which is expected to be in the spring of 2023. This accounting guidance is the final piece since the [Forestry, Agriculture and Land \(FLAG\) target setting standard by Science Based Targets initiative \(SBTi\)](#) was launched in September 2022. Even though a goal has not yet been set, we're taking actions that we know will have a positive contribution.

3 Going beyond IKEA

To reduce more GHG emissions 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 and not just the part which we can account for as part of the IKEA climate footprint. A strategic goal will be set once the guidance is ready for “removing and storing carbon” and when the framework for going beyond has been developed by SBTi. We are taking actions that we know will have a positive contribution, even though a goal has yet to be set.

We'll achieve our climate positive ambition 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.

We're currently assessing the business impact of the Net-Zero Standard by SBTi, which will mainly impact the strategic goal for “drastically reducing greenhouse gas emissions”, as reduction of emissions is the most important movement to limit global warming to 1.5°C.

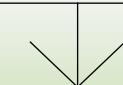
Reducing the IKEA climate footprint in line with 1.5°C²

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

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

Contributing to additional reductions in society³

3 *Going beyond IKEA*



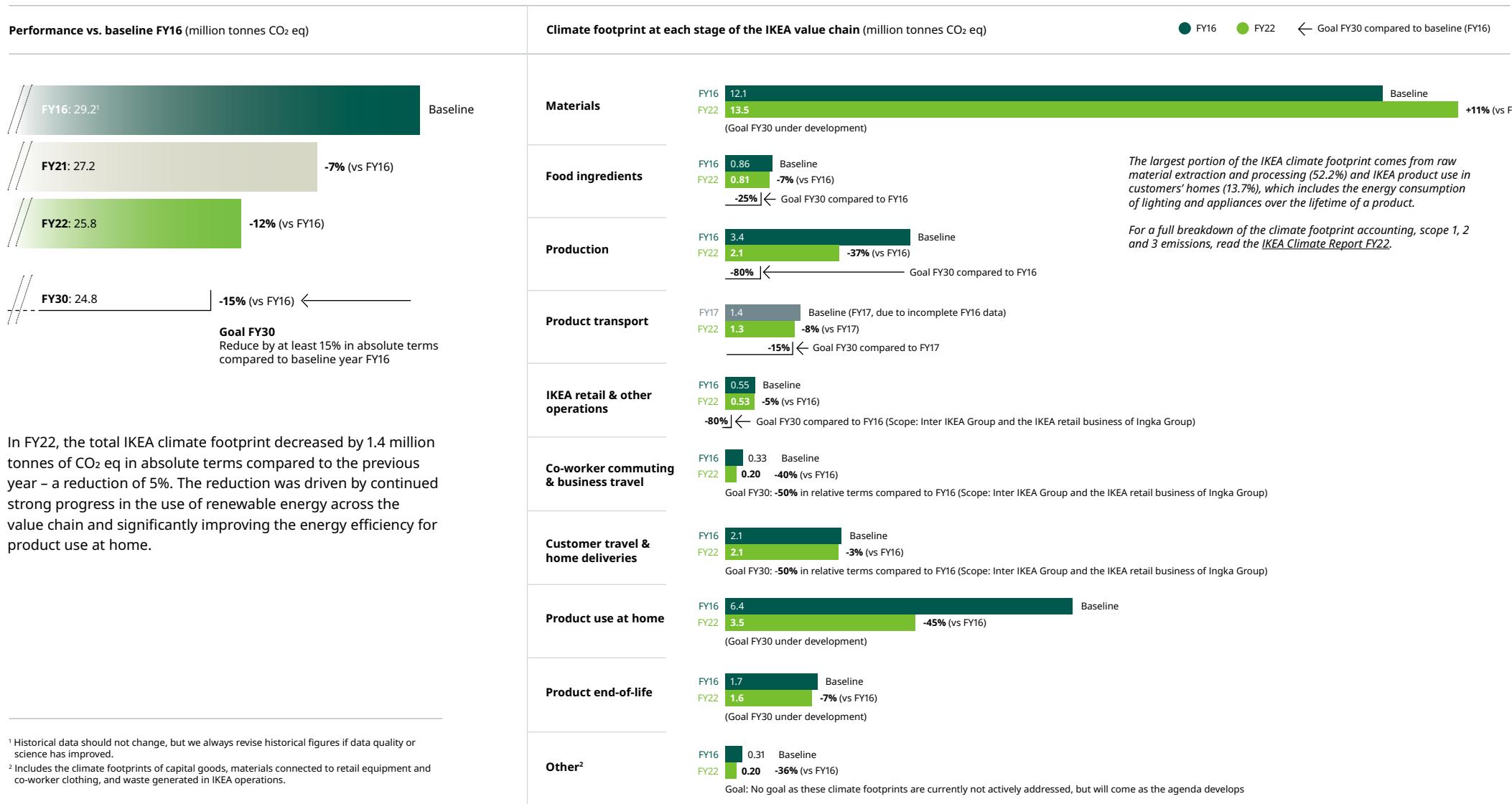
Reducing more emissions than the IKEA value chain emits

¹ As defined by the Intergovernmental Panel on Climate Change (IPCC) special report "Global Warming of 1.5 °C".

² Assessing the business impact of the Net-Zero Standard by SBTi is currently ongoing.

³ Effect in addition to what's required to reduce the IKEA value chain emissions to be aligned with the 1.5°C and will never act as any discount or offset to reach the GHG emission reduction goal.

IKEA climate footprint



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.

FY22 summary of progress

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

In FY22, the IKEA climate footprint is estimated to be 25.8 million tonnes CO₂ eq, a decrease of 5% compared to FY21 and 12% compared to baseline year FY16. When looking at how the relative climate footprint in terms of volume produced has developed compared to FY21, it has decreased by 4% tonnes CO₂ eq per produced volume (m³) of IKEA products. Compared to baseline FY16, the relative reduction has been 20%.

Comparing the performance of the IKEA climate footprint versus the business growth is difficult in FY22 due to high inflation and supply chain disruptions. It's therefore important that we analyse the underlying performance. The decrease in the climate footprint in FY22 can be attributed to multiple factors, including a higher share of renewable energy across the value chain and improved energy efficiency of product use at home. The decrease is also a result of lower volumes produced.

The share of renewable energy for IKEA retail and other operations increased from 57% in FY21 to 64% in FY22, with renewable electricity reaching a share of 76%. In production, the renewable energy share increased from 46% in FY21 to 50% in FY22, while renewable electricity increased to 64%. A total of 111 additional factories or suppliers achieved 100% renewable electricity. For product transport, the share of alternative fuels, such as biofuels

and hydrogen, remained flat at 6%, while the GHG efficiency (in terms of kg CO₂ eq per tonnes and kilometres transported) improved by 11% compared to FY21.

Product use at home is the second largest part of the climate footprint, and in FY22 we saw a reduction of 20% compared to FY21. Since the baseline year FY16, the product use at home footprint has decreased by 45%. Additionally, we saw a slight increase in the share of sales in IKEA restaurants for plant-based options, increasing from 14% in FY21 to 17% in FY22, within the HUVUDROLL range.

For the materials used in IKEA products – the largest climate footprint – material innovation and development plans are set and are expected to lead to new and more efficient use of materials. It's still difficult to draw any conclusions about the full performance since the amount of materials used in the IKEA range is based on estimations for most types of materials, including the share of recycled or renewable materials.

In FY23, our digital development will reach important milestones, allowing us to better analyse performance through more accurate measurements of the climate footprints of materials. This is expected to be in place for the IKEA Sustainability Report FY23 and IKEA Climate Report FY23.

Decreasing the climate footprint in both absolute and relative terms¹



● Produced volume of IKEA products (million produced volume m³)

● Climate footprint (million tonnes CO₂ eq)

● The climate footprint per produced volume of IKEA products (tonnes CO₂ eq per produced volume m³)

- - - The trend when disregarding the significant COVID-19 disruptions in FY20

¹ Due to high inflation and supply chain disruptions in FY22, the climate footprint is compared against the produced volume of IKEA products, as opposed to retail sales in the FY21 report. Produced volume was determined to be a more relevant and consistent basis for comparison since it is the main driver of the largest portion of the climate footprint - materials.

FY22 key activities across the IKEA value chain to drastically reduce GHG emissions – Read more in the [IKEA Climate Report FY22](#)

→ Increasing the share of plant-based food sold

The positive trend of customers choosing plant-based food continues. The share of sales of the plant ball and veggie ball in IKEA restaurants increased from 14% in FY21 to 17% within the HUVUDROLL range and from 24% in FY21 to 26% in the Swedish Food Market.

→ The impact of SOLHETTA LED bulb on the IKEA climate footprint

The launch of the new LED range SOLHETTA in October 2021 was a success, contributing to improving the overall efficiency (in terms of lumen per Watt) of our lighting range by 19% and a key contributor to reducing the footprint of product use at home by 20% compared to FY21.

→ Increasing share of renewable electricity for production in Poland and China

The renewable electricity share for production in China increased from 32% in FY21 to 64%, while in Poland it increased from 76% in FY21 to 84%. This resulted in the climate footprint of electricity consumption in China and Poland decreasing by 0.22 million tonnes CO₂ eq. The development in China was supported by the programme to enable the purchase of renewable electricity for suppliers, launched in FY21.

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

An additional 12 suppliers have phased out the use of coal on-site. Overall, a reduction of one percentage point was achieved. Since FY16, we have reduced the use of coal- and fossil oil-based fuels in production from 12% to 5%, with the aim to reach zero by FY25.

→ Committing to zero emissions in heavy-duty road transports by calendar year 2040 through EV100+

The IKEA business has committed to reach zero-emissions solutions for all product transports and home deliveries¹ by calendar year 2040 at the latest, through initiatives EV100, EV100+ and Cargo Owners for Zero Emission Vessels (coZEV). Not only will this reduce our greenhouse gas emissions, but also air pollution.

→ Significantly improving the efficiency of product transportation²

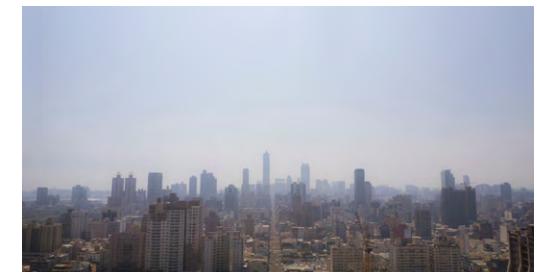
The efficiency of product transports improved by 11% compared to FY21. This improvement was driven by an increased share of ocean transportation and the high share (46%) of land intermodal³ transportation.

→ Significant progress towards 100% renewable electricity for IKEA stores by FY25

The renewable electricity share for IKEA retail and other operations increased to 76% compared to 71% in FY21. We achieved 100% renewable electricity in Austria and Spain (mainland), and made significant progress in some markets, especially China (from 8% in FY21 to 98% in FY22).

→ Reaching our food waste reduction goal

The IKEA business reached the goal of reducing food waste from preparing meals in IKEA restaurants⁴ globally by 50% by the end of 2022 (54%), compared to FY17. By the end of 2022, 91% of all IKEA stores had food waste solutions in place (2021: 89%).



→ Setting one of the first ever corporate outdoor air pollution baselines

Air pollutants and GHG emissions often come from the same source and there is a strong synergy between the actions needed to reduce emissions. What has been missing for companies is a scientifically robust method that provides the appropriate approaches to quantify air pollutant emissions across their value chain. To address this, Inter IKEA Group, together with Stockholm Environment Institute (SEI) and the Climate & Clean Air Coalition (CCAC), developed the first-ever guide for businesses on measuring outdoor air pollution across value chains.

The guide, ["A Practical Guide for Business: Air Pollutant Emission Assessment"](#) was launched for all companies at COP27 in Sharm El Sheikh, Egypt, after a year's pilot trial. This year, in the IKEA Climate Report FY22, we are publishing one of the first-ever air pollutant emissions inventories of a business across a value chain. Having a baseline will enable us to manage our impact on air pollution and set goals for reductions in the future.

¹ Scope of home deliveries include Inter IKEA Group and IKEA retail business of franchisee Ingka Group

² Transport efficiency is measured in relative terms as kilogram CO₂ eq emitted per transported tonne and kilometre.

³ Land intermodal transport refers to multiple modes of transport, such as rail, barge or short sea used in combination with trucks.

⁴ Specifically, food preparation in the IKEA restaurant, bistro, Swedish café and co-worker restaurant.

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

During FY22, we continued to contribute to the work of the GHG Protocol in developing their Land Sector and Removals Guidance. This will extend the GHG Protocol with guidance on how to account for and report GHG emissions and carbon removals and storage connected to land use. The IKEA business has been part of the Advisory Committee and Technical Working Groups and has been conducting pilots during the public consultation in the fall of 2022.

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

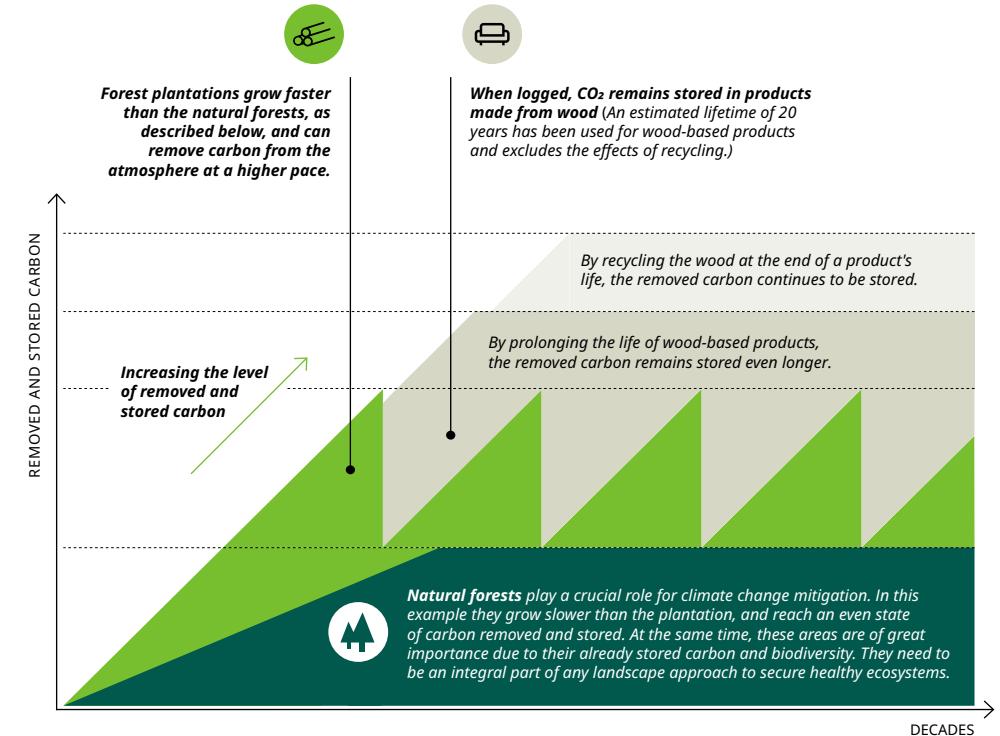
The completion of the guidance is expected during the spring of 2023. Once it's ready, we'll set a strategic goal for removing and storing carbon through forestry, agriculture and products as part of our climate positive commitment. Although the effect of removing and storing carbon will potentially be significant, it's important to recognise that carbon removals and storage can never replace the drastic emission reductions needed to limit global warming to 1.5°C. Removals and storage can only neutralise any remaining emissions after they have been reduced as far as possible.

As pilots are currently ongoing and the standard will soon be finalised, we have decided not to disclose any performance this year.



➔ Piloting the coming Land Sector and Removals Guidance by GHG Protocol

We're actively engaging in the development of the Land Sector and Removals Guidance by GHG Protocol. The current focus is on pilots where the draft guidance is tested in practice in order to discover how it incentivises effective climate action within a company's land-based value chains. The pilots also ensure that we listen to and discuss with other stakeholders to create relevant input to the secretariat for the development of the guidance. Our ambition is that the guidance should be transparent, truthful and able to be implemented.



A simplified model of removing and storing carbon through the establishment of fast growing tree plantations plus restoration of natural forests on degraded land, including the effect of prolonging the carbon storage effect through wood based products and recycling. Trees from responsibly managed forest plantations absorb substantial amounts 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. A 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.

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

In FY21, our methodology to measure going beyond IKEA was finalised. However, it remained a challenge to measure and follow up across the IKEA business in a consistent way. A formal strategic goal will not be set until one is in place for removing and storing carbon.

The larger the contribution from removing and storing carbon, the smaller the contribution needed from going beyond IKEA in order to reach the IKEA commitment to become climate positive. However, it's important to note that, while no strategic goal has been set, we're already actively working with actions that are part of the going beyond IKEA agenda.

To secure that the actions are connected to the IKEA business transformation, 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. Any effect of going beyond IKEA will never act as an offset towards reaching our emission reduction goal.

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

Resource use at home: Solutions that enable the generation of renewable energy like, for example, the SOLSTRÅLE home solar offer.¹ It also includes

solutions to improve the efficiency of energy- and water-consuming products, when used as intended. One example is the newly launched ÅBÄCKEN water nozzle, which can enable customers to save up to 95% of water used in taps at home.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.

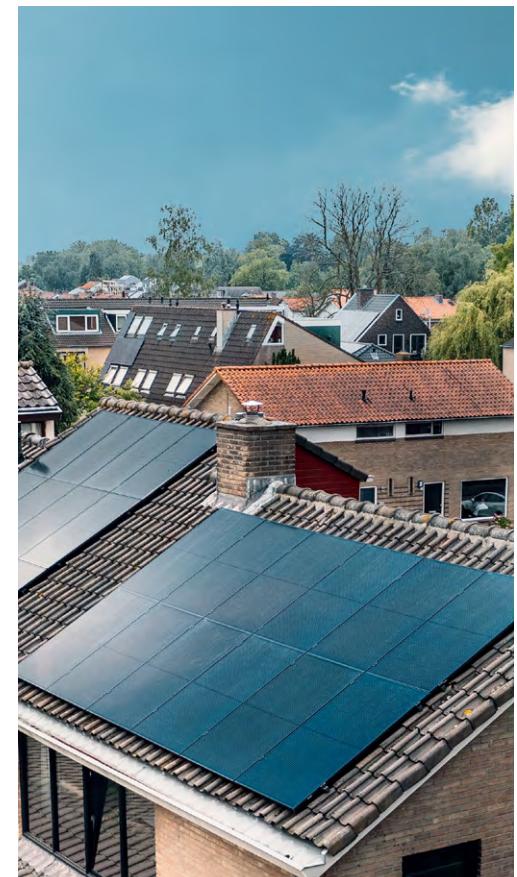
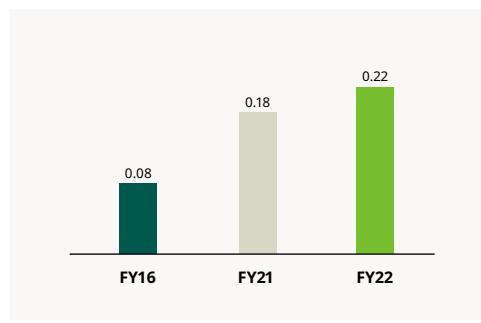
Improving forestry and agriculture in IKEA sourcing areas: Actions by the IKEA business to improve forests or agricultural practices for the total surroundings/landscape where we source raw materials. The possibility to follow up on this impact will be enabled through the Land Sector and Removals Guidance by GHG Protocol.

To avoid overestimating the contribution, we're only accounting for the contribution occurring each year, instead of adding up the total 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. Due to the ongoing digitalisation of the climate footprint reporting, it wasn't possible to secure quality and consistency in the reported

figures for the non-IKEA part of production. The going beyond IKEA contribution from suppliers will be followed up on in the next annual climate report.

In FY22, the SOLSTRÅLE home solar offer was available in 11 IKEA markets.³ The total avoided emissions through the renewable electricity it generated was approximately 0.22 million tonnes CO₂ eq (+26% compared to FY21). 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.



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 is accounted for in the IKEA climate footprint (drastically reducing GHG emissions), instead of going beyond IKEA.

³ In FY22, the SOLSTRÅLE home solar offer was available in the following markets: Australia, Belgium, France, Germany, Italy, The Netherlands, Poland, Portugal, Spain, Sweden and Switzerland.

Regenerating resources, protecting ecosystems, and improving biodiversity



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 and have a positive impact by regenerating resources, protecting ecosystems and improving biodiversity. This also means working to identify, prevent, mitigate, and address any potential negative impact on people linked to our business activities. We are dependent on materials and ingredients for our home furnishing offer and food products, and we will always work to find new ways to do more with less.

Commitments and goals

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

FY22 summary of progress

We're working across supply chains to secure best practices for the responsible sourcing of materials used in our products. We always strive to take a holistic perspective, looking at impacts on both people and nature.

In FY22, we prioritised critical materials within our four raw material blocks (wood, agriculture, secondary raw materials, and inorganics) based on the social, environmental and business risks of sourcing those raw materials.

Within these material blocks we continued to make progress during FY22:

- **Wood:** delivered on our requirement of using only FSC-certified or recycled wood (we call this wood from more sustainable sources).² Approximately 15% of the wood used in IKEA products came from recycled sources (FY21: 14%), moving towards our goal of at least one-third of recycled wood by 2030 ([page 28](#)).

- **Agriculture:** took steps towards strengthening requirements for all our agricultural raw materials ([page 31](#)).
- **Inorganics:** further explored how to create transparency in the complex inorganics supply chains ([page 35](#)).
- **Secondary raw materials:** initiated projects in several markets to accelerate the capacity build-up for responsibly sourced recycled materials, to develop feedstock supply chains as well as scaling up the use of recycling technology ([page 36](#)).

Our work to responsibly source raw materials is continuous and long term. Working with our suppliers, policymakers, industry partners, NGOs, experts and other brands helps to strengthen our capabilities to improve or change our supply chains.



People and the IKEA supply chain

IKEA supply chains are diverse with a wide range of different working conditions, from large-scale productions for the harvesting of agricultural products to many small-scale operations, such as smallholder farms within both forestry and agriculture. We're committed to finding ways to improve working conditions for everyone in our value chain, often in partnerships with NGOs, institutions and other stakeholders facing similar challenges ([page 48](#)). In FY22, we strengthened our commitments to integrate human rights practices and due diligence into our business processes, decision-making and relationships ([page 41](#)).

¹ Forest positive means securing that the wood sourced by our suppliers for IKEA products comes from more sustainable sources, which we define as FSC-certified or recycled wood. Forest positive also includes going beyond our own material needs, using our size and strict requirements to improve the forest industry and make responsible forest management the norm.

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 a 100% fulfilment at every given point in time.

FY22 key activities

Wood

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

IKEA wood consumption²
(million m³ Round Wood Equivalent (RWE))



Approximately 15% of the wood used in IKEA products is recycled.

In FY22, the amount of wood used in the IKEA business decreased to 20 million m³ RWE (FY21: 21 million m³ RWE), mainly due to lower sales quantities. 15% of the wood used in IKEA products is recycled (FY21: 14%). As part of our commitment to drive innovation to use wood in even smarter ways, we've set a goal to have at least a third of the wood in the IKEA range be recycled wood by 2030. As demand for recycled wood remains high, we've increased actions to close the remaining gap. We've initiated five projects spanning several countries to accelerate the capacity build-up for recycled wood and are working with our partners and patenting new recycling technologies to increase recycled wood use (page 36).

We reached our goal to only use wood from more sustainable sources in FY20, and the challenge now is to secure this level every year going forward. In FY22, 99.9% of total wood used was either FSC-certified or recycled.

During FY22, to meet the ambitions set in the IKEA Forest Positive Agenda 2030, as well as expectations from IKEA customers and external stakeholders, and requirements from changing legislation and global development trends, we completed our sixth revision of the IWAY Forest Materials Section.³ We've extended its scope to include more forest materials than just wood, for example cork, paper, and packaging material. It's now applicable for forest materials used across all operations and home furnishing products (page 49).

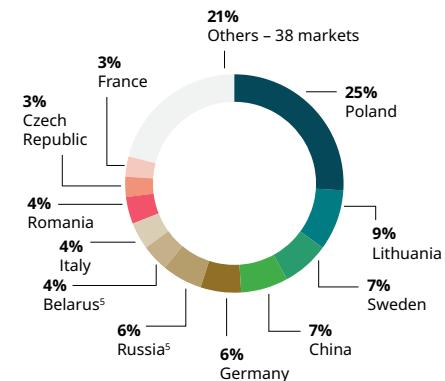
Due to the war in Ukraine, we have stopped global purchasing of wood from Russia and Belarus following Inter IKEA Group's decision to scale down business in the market.

Europe remained the main wood-sourcing region for materials used in IKEA home furnishing products, with over 80% of all wood use in IKEA products coming from this continent. However, because of the turbulent times and rising energy costs, there's increased competition for wood. We remain committed to sourcing wood from responsibly managed forests, and we see opportunities for the development of FSC-certified sources in markets where forests lack responsible management.

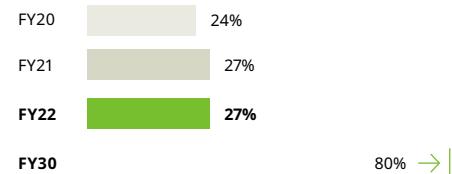
As the world transitions away from virgin fossil materials, demand for forest products is also increasing, adding more pressure on forest resources. In addition, hundreds of millions of people rely on forests for their livelihoods worldwide.⁴ Responsibly managed forests can support the livelihoods of people who depend on forests, safeguard biodiversity and provide a sustainable wood supply, as well as help to mitigate climate change by removing and storing carbon. Read more in the [IKEA Climate Report FY22](#).

Wood sources FY22

(% of total virgin, recycled wood, paper materials and industrialised bamboo used in home furnishing products)



Share of recycled wood in particle board (%)



By 2030, at least 80% of our particle board will be made of recycled wood.



The mark of
responsible forestry

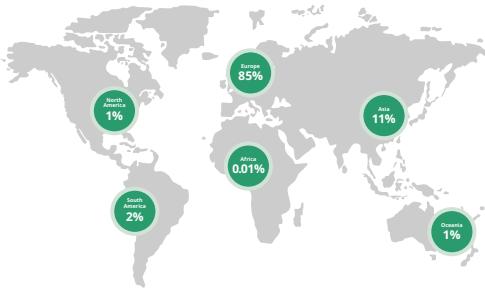
¹ Based on purchasing value.

² To strengthen the way we present our virgin wood use versus our recycled wood consumption, we are in a process to further develop how we measure and present these figures. We plan to use a new calculation method from FY23 onwards.

³ The IWAY Forest Materials Section is part of IWAY, the IKEA supplier code of conduct ([page 48](#)).

⁴ United Nations Environment Programme (UNEP), "About forests", 2022

⁵ At the beginning of March 2022, Inter IKEA Group and Ingka Group announced the pausing of IKEA operations in Russia and Belarus. In June, the decision was made to stop IKEA operations in these countries, and we have been scaling down, step by step, since that date.



→ Increasing transparency about origin of wood in IKEA products

The IKEA business is moving toward greater transparency with an industry-first global wood supply map, sharing where all the wood material (excluding paper) in IKEA products came from during FY22, and more information about why it plays such an essential role in the range. The map also includes new information about wood species, regions where it comes from, volumes and how the IKEA business works to improve forest management across different markets. By showing where the wood in our products comes from, we want to lead by example and increase transparency around our wood use.

[Read more.](#)

→ Supporting small forest owners to achieve FSC certification

In FY22, together with representatives from FSC, the IKEA business hosted a meeting in Estonia for small forest owners from the Baltic countries and the Czech Republic. For many years, we've supported small independent forest owners in Europe to become more sustainable and achieve FSC certification. Because these forestry markets are scattered and fragmented, this has been a challenge. The support we offer is not only financial, but also organisational, bringing many forest owners together around reducing costs and FSC certification.

Group certification is one of the easiest and the most cost-efficient ways for these private forest owners to achieve FSC certification. This is especially important for small forest owners. Another benefit of group FSC certification is knowledge-sharing among forest owners.

→ Call for urgent climate action at COP27

The IKEA business participated at the United Nations Climate Change Conference (COP27) in November 2022 in Egypt. We contributed by engaging in topics such as what businesses can do to limit climate change to 1.5°C and protect and enhance biodiversity, as well as the role responsible forest management plays in both mitigating and adapting to climate change, including the importance of stopping deforestation.

→ Rattan growth study for commercial species in Indonesia and Vietnam

During FY22, the IKEA business used about 6,000 tonnes of dried rattan. During the year, the IKEA business worked together with the Center for International Forestry Research (CIFOR) in Indonesia and WWF in Vietnam to study annual rattan growth and stock of selected rattan species in Central and Southeast Sulawesi, Indonesia, and in natural forests in Central Vietnam. The objective of the study is to estimate sustainable harvest volume, including harvest intensity and rotation for selected commercial rattan species, which could be used as a basis to define yearly sustainable harvest volume for rattan species used in IKEA products. Furthermore, this knowledge is important to understand what needs to be developed to increase the preservation, utilisation and conservation of genetic resources.



Since 2002, WWF and the IKEA business have worked together to protect and manage natural resources and shape industry practices. The 20-year partnership began with projects in forestry before expanding into cotton, freshwater stewardship and climate action. Today, the partnership runs projects in 15 countries and is working to protect landscapes, enhance biodiversity, and empower local communities.

Over the course of the partnership, WWF and the IKEA business have, for example, directly supported: FSC certification of more than 36 million hectares of forests; 400,000 tree plantations to control soil erosion and retain soil moisture and carbon through a project in Pakistan; and the creation of a pathway to improve river health and biodiversity in Türkiye and India.

[Read more.](#)

Biodiversity



The IKEA business has an impact and dependency on biodiversity, primarily through the direct and indirect use of land, sea, freshwater and raw materials.

During FY22, we continued the work of understanding our impact and dependency on biodiversity across our value chain, from the forests where we source our wood all the way to our stores. We're currently on our way to start the second step in the [Science Based Targets Network \(SBTN\)](#) methodology, which means we have a high-level impact assessment based on generic data (i.e., not specific to the IKEA business, but average global industry data). This enables us to

prioritise the collection of data needed to be able to start setting targets in step three. We're also, together with external experts, assessing our dependency on biodiversity as a way to strengthen the understanding of biodiversity's relevance to our business.

We've been piloting tools and providing input connected to the SBTN methodology as part of our engagement in the SBTN Corporate Engagement programme.

Continued advocacy work

The IKEA business advocated in support of the Post-2020 Global Biodiversity Framework (GBF) by the Convention on Biological Diversity (CBD)

to accelerate action to address biodiversity loss. This included joining over 300 other companies in calling for mandatory assessment and disclosure requirements for businesses on how we impact nature as part of the Business for Nature, [#MakeltMandatory](#) campaign. We participated in the [15th UN Biodiversity Conference \(COP15\)](#) held in Montreal in December 2022. We welcome the positive momentum to this end and agreement by governments on the Kunming-Montreal Global Biodiversity Framework. As was the case for the Paris Agreement on climate change, we believe that presenting an ambitious international agreement will ensure that the nature agenda is raised at the highest political level.

We also attended the CBD Open-Ended Working Group meeting (OEW) in Geneva in March 2022, demonstrating overall support for the need for a clear global biodiversity framework that allows businesses to contribute to its implementation in a globally harmonised way, in full alignment with related legislative initiatives. By attending, the IKEA business also supported the key recommendations brought forward by Business for Nature.

And in June 2022, the IKEA business, together with WWF and H&M Group, hosted a Business and Biodiversity Action Roundtable for representatives from 30 companies to explore challenges and identify solutions for scaling up actions across value chains, in the context of the Stockholm+50 summit. The main findings were published as an [op-ed in Business Green](#) and on the WWF website.

Mapping biodiversity impact at IKEA Industry locations

As an example of understanding our impact on biodiversity, all 19 IKEA Industry locations have been mapped in terms of their biological importance. In six selected locations identified as significant in terms of biodiversity, higher impact biodiversity activities will be undertaken in FY24. The aim is to broaden impact by improving biodiversity collaboratively with experts and other stakeholders in the communities where IKEA Industry operates.

IKEA Industry is also developing an approach to engaging co-workers in actions that could help support biodiversity. The approach is focused on educating co-workers on the importance of biodiversity and its protection.



IKEA Industry Kazlu Ruda, Lithuania, tested planting meadows in the spring of 2022, providing food for pollinators.

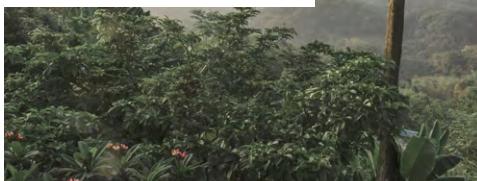
Agriculture

Agricultural raw materials are used throughout the IKEA offer in food ingredients and as fibres in home furnishing products. Cotton is the main agricultural material for the IKEA business.

We're developing a set of holistic and coherent requirements for all our agricultural raw materials. We're taking the learnings from this work when developing the next steps for other raw materials.



We aim to ensure soy, palm oil, beef, leather, coffee, cocoa, rubber and sugarcane in our supply chain are deforestation-free by 2025.



In FY22, the risks associated with conventional agriculture in the IKEA supply chain were mapped. The next step is to set requirements that address the environmental, social, and animal welfare risks associated with agriculture and lift and support the vast number of opportunities to transform our supply chains towards more regenerative set-ups.

For many years, the IKEA business has worked to develop responsible sourcing practices for some deforestation-risk commodities, including wood. At the same time, we recognise that much of today's deforestation risks are connected to the agriculture industry. By the end of 2025, we aim to ensure the deforestation-risk raw materials soy, palm oil, beef, leather, coffee, cocoa, rubber and sugarcane in the IKEA value chain are deforestation-free. By 2030, we aim to identify and ensure that other raw materials sourced through our supply chain don't contribute to deforestation. We know it's a big challenge, but by working with suppliers and international standards and certifications, we aim to advance the agenda where we have the most influence.

Cotton

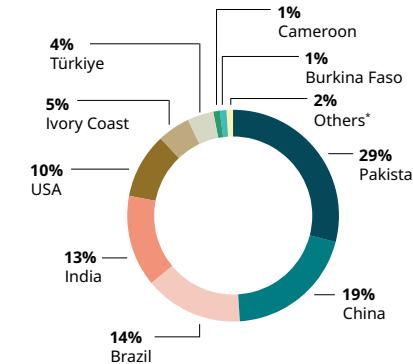


Since FY15, the IKEA business only uses virgin cotton from more sustainable sources (MSS).¹

In FY22, the total volume of cotton in IKEA products, including non-virgin cotton, was 144,100 tonnes. Around 80% of our MSS virgin cotton came from smallholder farmers and around 20% from large land-holding farmers. With a focus on reducing the environmental and social impacts of our cotton MSS supply chains, we continue to emphasise physical segregation and end-to-end traceability, diversification, risk mitigation and promoting circular cotton supply chains. [Read more](#).

The long-term global partnership between [the IKEA business](#) and [WWF](#) includes cotton.

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



*Others: Australia, Greece, Israel, Kazakhstan, Kyrgyzstan, South Africa, Spain



¹ Defined as more sustainable or recycled sources.



➔ Returning to a seat on the Better Cotton Council

During FY22, the IKEA business returned to a seat on the Better Cotton Council. Founded by the IKEA business and other industry stakeholders, Better Cotton was officially launched in 2009 with the purpose of making more sustainable cotton the industry norm. In the council, together with like-minded partners, the IKEA business will play an active role in helping lead the future direction of Better Cotton by focusing on global physical traceability implementation, social and environmental sustainability and community empowerment.



Towards Better Cotton project in Shandong, China

Together with local partner Binzhou Nongxi Cotton Cooperative, the IKEA business has been conducting a sustainable cotton farming project in Shandong, China, since April 2020. As of FY22, the project works with 8,780 small landholding farmers across 19,000 hectares of land. The focus is to optimise the applications of fertilisers and pesticides in cotton farming, improve soil and water management practices, and build awareness about fibre quality. The aim is to help establish a more sustainable cotton farming practice outside of global certification programmes and create social impact by working closely with farming communities and support additional sources of incomes by encouraging diversification of crops with local commercial value.



Planting trees to combat soil erosion, support wildlife integration and increase diversified incomes for farmers in India's cotton-growing regions

Within the ongoing initiative to restore degraded land, the IKEA business and WWF launched an initiative to diversify land use in cotton-growing landscapes in the southern part of India. Planting fruit trees like citrus, mango, etc., in degraded areas provides an alternate source of income for cotton farmers, as well as enhances biodiversity and combats soil erosion. Approximately 16,000 saplings in 10 hectares have been planted in the past two years with community support.



Improving employment practices in the Turkish cotton sector

Together with local and industry partners in Türkiye, the IKEA business has participated in developing a project to raise awareness with policymakers on decent working conditions and employment practices in cotton fields. The project also addressed increasing the capacity of major players in the cotton industry and mobilising public and social services. The project has continued in FY22 with outreach to many more beneficiaries on the ground, including farmers, farm workers and various other external stakeholders, as well as government agencies and policymakers.



Enhancing socio-economic and environmental resilience of farming communities in cotton landscapes of Pakistan

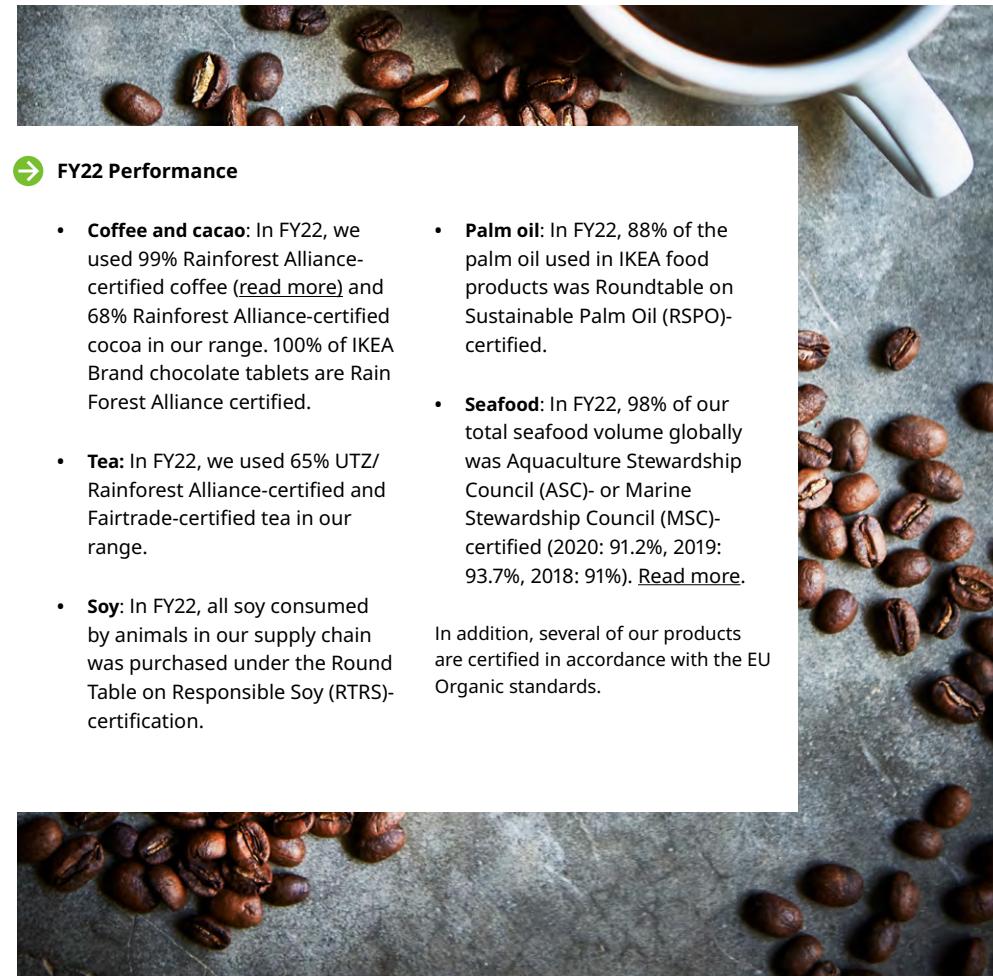
In another initiative during the year, together with WWF, more than 40,000 farming families were trained on climate-smart crop production practices in Pakistan. Climate-smart practices have enabled farming families to achieve a 23% reduction in greenhouse gas (GHG) emissions in agricultural operations, a 12% improvement in crop yield, 25% conservation of farm water, and a 6% increase in organic matter (from baseline values) through the adoption of soil health conservation practices in Pakistan.

The partnership also works with gender empowerment in India, and has also supported farming communities in planting trees on degraded lands – more than 400,000 trees were planted on 363 hectares.

[Read more about our partnership with WWF.](#)

Food ingredients

The IKEA business is working towards creating more sustainable food systems, which aligns with our work in responsible sourcing of raw materials and our goals for inspiring and enabling people to live a healthier and more sustainable life ([page 13](#)). Our goal is that all food ingredients are responsibly sourced. One way we secure this is through external sustainability standards systems.



→ FY22 Performance

- Coffee and cacao:** In FY22, we used 99% Rainforest Alliance-certified coffee ([read more](#)) and 68% Rainforest Alliance-certified cocoa in our range. 100% of IKEA Brand chocolate tablets are Rain Forest Alliance certified.
- Tea:** In FY22, we used 65% UTZ/Rainforest Alliance-certified and Fairtrade-certified tea in our range.
- Soy:** In FY22, all soy consumed by animals in our supply chain was purchased under the Round Table on Responsible Soy (RTRS) certification.
- Palm oil:** In FY22, 88% of the palm oil used in IKEA food products was Roundtable on Sustainable Palm Oil (RSPO)-certified.
- Seafood:** In FY22, 98% 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](#).

In addition, several of our products are certified in accordance with the EU Organic standards.



The social enterprises Gora Coffee by Moyee Coffee Ethiopia and Aneka Coklat in Indonesia are creating livelihoods for small-scale farmers and factory workers by keeping their entire production within their country of origin, sourcing directly for the IKEA Food value chain. [Read more](#).



IKEA Indonesia¹ is the first retail industry in Indonesia to achieve Chain of Custody (CoC) certification from MSC for salmon products, as well as the ASC certificate for processed tilapia fish products.

¹ IKEA Indonesia is operated by the franchisee Dairy Farm.

Animal welfare

Good animal welfare is central to 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 frameworks for more sustainable animal agriculture

in the food supply chain ([read more](#)). Each animal species' programme identifies key responsible sourcing requirements based on science and feedback from suppliers and experts. Our ambition is that a majority of the IKEA Food Better Programme requirements will be implemented in the sourcing of eggs, chicken, pork, beef and dairy by the end of 2025.



To ensure that animal agriculture contributes to well-functioning ecosystems with improved biodiversity we're exploring how to move from conventional to regenerative agriculture practices.

→ FY22 Performance

- 55% of the chicken volume is sourced according to IKEA-approved third-party certifications that cover the majority of the IKEA Better Chicken requirements. In FY22, we continued with our Better Chicken programme and have now implemented the majority of the requirements for chicken meatballs in China, Europe and North America.
- 35% of the pork volume is sourced according to IKEA-approved third-party certifications that cover the majority of the IKEA Better Pig requirements. Additionally, we've implemented 100% free farrowing in North America, i.e. not confining sows during farrowing and lactation.
- 93% of our total egg volume globally was either free-range or cage-free (the scope expanded in FY21, adding eggs as ingredients alongside the earlier scope of whole eggs, fresh eggs and liquid eggs).
- In FY22, we continued to explore how to deploy regenerative agriculture at farm level and completed a cattle pre-study and a supplier pilot in North America. Using regenerative agricultural principles, the pilot followed the production of the meatball from grass-fed cattle to utilising the full carcass to avoid waste, to a tasting session of the pilot product.



Securing and upholding good animal welfare standards

We're committed to securing and upholding animal welfare standards in the IKEA supply chain, not only when it comes to food products but also for all other animal-based materials used in our range. Wool is one example where the IKEA business has seen opportunities for improvement and has for several years worked to establish full traceability of the raw material with the aim to achieve 100% responsibly sourced wool by the end of 2025. We've reached this goal in New Zealand, which accounts for approximately 20-25% of the total IKEA wool consumption. We continue to work with our suppliers and external partners to develop new responsible supply chains in other parts of the world. One such programme is currently ongoing in Europe, which we hope will contribute to another 20-30% of our total needs.

Inorganics



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

While the IKEA business is a relatively small consumer of inorganic materials on the global market, these materials are, in many cases, used for critical applications in the IKEA range. For example, inorganic raw materials are used in key home furnishing products such as appliances, lighting, tableware, and pots and pans. Furthermore, they're also key components in products designed for healthy and sustainable living, like air purifiers, smart home products from IKEA and rechargeable batteries.

We know that some raw materials don't currently have a renewable substitute and the technology to recycle other raw materials doesn't yet exist. We also know that the volume of inorganic materials to recycle is not enough to satisfy the increasing demand in many cases. That's why we continue to be committed to working towards securing responsibly sourced virgin inorganics, while also replacing them whenever possible.

→ Transparency in the inorganics supply chain

During FY22, we continued to explore how to create transparency in the complex inorganics supply chains. Together with suppliers and sub-suppliers, and other actors in the sector, the IKEA business is looking into how traceability of these raw materials, up to the source of origin, could be possible to achieve in a realistic and trustworthy way. These collaborations have also looked at how to identify and mitigate risks along the supply chain.

For example, we've been running a project with the NGO Pact to map the full supply chain of cobalt for IKEA rechargeable batteries.

→ Joining the Aluminium Stewardship Initiative

In FY22, the IKEA business joined the [Aluminium Stewardship Initiative \(ASI\)](#), a global non-profit standards-setting and certification organisation, as downstream supporters to demonstrate the need for responsibly sourced raw materials. As the IKEA business is a small buyer of aluminium, we need to work together with organisations such as ASI to make a significant impact and support the industry-wide change that's needed.

→ Improving the livelihoods of small-scale miners in Rwanda

Together with the NGO Pact, we've investigated how to improve the working conditions and livelihoods of small-scale miners. The research shows there are many opportunities for sustainable development by improving their source of lighting. Even this small change has demonstrated the potential for improved health and safety, reduced environmental impact, waste reduction, energy self-sufficiency, increased productivity and income levels.

Many of the rural small-scale mines that produce tin, tungsten, and tantalum found in electronics don't have access to electricity grids and appropriate head torches for mining activities aren't currently affordable nor available to these small-scale miners. Together with Pact, we're looking into solutions for this that can be scaled and adopted by local communities and the wider sector.

Recycled



In FY22, we continued our efforts to increase the use of recycled materials (also known as secondary raw materials) in our products. In FY21, we reported 56% of the materials we sourced were renewable and 17% were recycled.

We're currently working to implement an automated data collection tool that will increase the efficiency and accuracy of our reporting and are therefore not able to update these figures for FY22. We plan to report figures for FY23.

The world generates 2.01 billion tonnes of post-consumer waste every year, of which only 13.5% is currently recycled.¹ These numbers indicate

enormous opportunities to strengthen the circularity agenda and minimise the waste that, today, isn't managed responsibly. That's why we're accelerating our efforts to secure responsible sourcing along our recycled materials value chains.

In FY22, we continued to navigate the complexities of sourcing secondary raw materials. To accelerate our capability to turn pre- and post-consumer waste into recycled materials for use in IKEA products, we've explored, mapped, and engaged with waste-sector players in more than 25 markets.

We know that the waste sectors in several markets are partly or wholly unorganised and often managed in an informal or semi-informal way. A lack of regulation and oversight in these sectors can lead to mismanagement, which can have a variety of negative impacts on the environment, people and local economies.

Together with our development partners, we've continued to explore, identify and develop recycling technologies. This is to ensure we can, for example, separate different material components in textiles and plastics, as well as reuse recycled material for the same purpose, for example in textile-to-textile recycling.

For many years, the IKEA business has been working towards the ambition of using only renewable or recycled materials by FY30. Along the way, we've identified and created roadmaps for all materials used in IKEA products. We've identified several challenges, such as the need for new technologies to process waste into new materials. We've identified a range of inorganic materials that can't yet be replaced with renewable or recycled materials. And we've found that sometimes using recycled or renewable materials does not only have a positive impact.

In FY22, we mapped our latest available recycled and renewable share figures to the key challenges we face in meeting our 2030 ambition. Through this exercise, it's become clear that meeting our ambition will not be feasible for certain materials. Nevertheless, we've decided to keep our ambition for all materials in order to drive our progress as far as possible.

To meet these challenges, we're working with our partners to explore new technologies and support developments within the recycling industry. We are also working to secure the chemical safety of our products ([page 39](#)).

→ **Accelerating the capacity build-up for recycled materials**

We've initiated 19 projects in 11 markets to accelerate the capacity build-up for recycled materials with the ambition to develop feedstock supply chains as well as scale up the use of recycling technology. We're combining these projects with developing a responsible sourcing setup aligned with our Fair & equal agenda that incorporates the respect for human rights and the social and working conditions connected to the collection and sorting of recovered waste material. Read more about our responsible business practices on [page 41](#).

→ **Collaborating for global alignment on plastics pollution**

At the beginning of 2022, the IKEA business joined more than 70 leading businesses and institutions in a call for a legally binding [global treaty on plastic pollution](#). During the United Nations Environment Assembly (UNEA) meeting in February, a decision was made to start the work of establishing a global treaty to achieve harmonised and global legislation along the plastics value chain.

¹ The World Bank, "Trends in Solid Waste Management", 2018



→ **Continuing to increase 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. In FY21, we widened our measurement scope to include all polyester and fibre applications, excluding rigid plastic, but including all fibre-based applications such as filling in cushions, duvets, sofas, mattresses and other similar products.

In FY22, 88% of the polyester in our supply chain was recycled. [Read more](#).



In October 2022, the children's collection BLÅVINGAD was launched. From soft toys and cushion fillings to rugs and storage, several of the products in the collection contain recycled polyester made from ocean-bound plastic (OBP). BLÅVINGAD is part of a larger movement to include more recycled polyester in our soft toys range of products.



The new VALEVÄG mattress contains less foam than its predecessor, HÖVÄG. It also contains 13% renewable foam, steel springs with 25% recycled material and both its cover and wadding are made from recycled polyester.



Collecting and using ocean-bound plastic

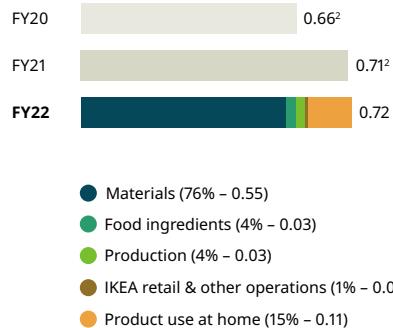
During FY22, we continued to develop our sourcing from areas where waste is at a high risk of becoming pollution. Through our membership in the Next Wave Plastics network, we collaborate with other multinational companies to build ocean-bound plastic supply chains. Here, we're working closely to improve the work of certification bodies to ensure both material content traceability, as well as improving social and environmental conditions. The material used in IKEA products is certified by the OBP Recycling Certification Subprogram by Zero Plastic Ocean (ZPO).

IKEA Social Entrepreneurship B.V. has partnered with Saahas Zero Waste in India to support microentrepreneurs in the waste sector, to improve livelihoods and explore opportunities for a transparent supply of recycled plastics for use in the IKEA supply chain. [Read more](#).

Water stewardship

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

Water use across the value chain
(billion m³)



¹ Annual audits of water management and effluent water treatment plants in our supply chain are conducted. Read more about [IWAY](#), the IKEA supplier code of conduct.

² The total water use for FY20 and FY21 has been updated due to improved quality of data from food suppliers and green plant suppliers.

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

During FY22, we continued our work with SBTN to understand and develop a methodology for the target-setting of freshwater. We also initiated the first stages of the materiality assessment and prioritisation.

While we're building an understanding of the procedures and resources needed for implementing the SBTN methodology, as an interim approach we've adopted the Contextual Target Setting (CTS) methodology. With guidance from WWF, CTS has enabled us to set targets for the production part of the value chain. After analysing dependency and assessing risk in production, we've identified the most important river basins linked to our supply chains, based on current water scarcity.

One main focus of the IKEA water agenda is the textiles industry where water management is a key priority, particularly in water-stressed and water-scarce regions. We aim to reduce water withdrawals and close the loop by implementing zero liquid discharge techniques and processes. We're working to create awareness in IKEA business teams and suppliers and have joined a multistakeholder engagement effort in Bangladesh led by Business Sweden.



Promoting Water Stewardship within textiles value chains in Türkiye and India

During FY22, WWF and the IKEA business worked with public, private and civil society partners in the Büyük Menderes basin, Türkiye. The work included addressing water risks and implementing a model of sustainable water use by improving water efficiency in the agriculture sector and implementing cleaner production practices in the textiles sector. In addition, the partnership is supporting the implementation of a pilot of regenerative cotton production of Better Cotton farms, resulting in improved soil conditions and cotton root development.

In India, the partnership aims to secure healthy freshwater ecosystems for Noyyal and Bhavani



One of the main sustainability challenges for textiles is related to the impacts of dyeing. With BLOMÅSA, we're using, for the first time, synthesised dye from non-edible agricultural or herbal industry waste such as leaves or nutshells. This dyeing process requires fewer chemicals and less energy and water.

rivers. In the initial phase, water challenges and risks were identified in various zones of both basins. Based on the findings, science-based pilot projects are being tested to inform policymakers and demonstrate better river basin management. As part of the programme, WWF-India joined Tirupur Municipal Corporation to develop an integrated groundwater management plan with the goal to design and implement policies related to river rejuvenation and groundwater conservation. In 2022, the programme facilitated development of improvement plans for water and energy efficiency for seven textile factories in the river basins, with identified savings of 0.13 million m³ of water per year.



The TOFTBO bath mat uses no water in the finishing process. By changing our technique from water treatment to mechanical treatment, we're saving 30 litres of water per m² of product.

Chemicals

Our ambition is that all chemicals used in or for making IKEA products should be safe throughout their whole lifecycle.

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



→ Working to eliminate formaldehyde in our products

During FY22, we continued our decades-long work to reduce formaldehyde emissions from our products.

Formaldehyde is a substance common in the natural environment. All products that are made from wood-based materials and textiles can contain formaldehyde. High levels of formaldehyde can lead to negative health effects. We're continuously working to lower formaldehyde emissions and are using a stepwise approach to reach formaldehyde emission levels from wood-based materials that are equal to, or lower than, levels emitted by natural wood.

The phase-out of formaldehyde in coatings on paper foils has begun and will finalise by the end of 2023.

→ Ensuring non-toxic material cycles

In parallel with the work to increase the amount of recycled material in IKEA products (page 36), it's crucial to secure chemical safety. During FY22, we continued risk assessing new recycled materials before introduction and developed requirements and processes for control to avoid the presence of substances of concern.

→ The next steps in our phase-out of "forever chemicals"

Per- and polyfluoroalkyl substances (PFAS) is a group containing thousands of 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. Certain PFASs are known to be harmful to humans and to the environment and many lack enough data to show they are safe. We've been working on systematically phasing out PFAS in our supply chain since 2010. During FY22, we've continued the work to identify further potential uses of PFAS, to add additional restrictions and phase-out plans.



Fair & equal



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

This ambition is included in the updated social chapter of the IKEA sustainability strategy, which was launched at the beginning of FY23.

Commitments and goals

Being a responsible business and contributing to resilient societies

- Respecting human rights and children's rights by operationalising the UN Guiding Principles on Business and Human Rights and the Children's Rights and Business Principles, ensuring we address our most critical human rights risks and impacts across our value chain. We also commit to promote human rights and children's rights in society.
- Ensuring ethical business practices, including combating corruption, securing ethical data handling and digital technology, complying with both the letter and the spirit of the law when it comes to corporate tax policies, and being transparent about taxes paid.
- Securing a strong approach in relation to climate, health, political and social justice crises to secure the safety, livelihoods and resilience of our co-workers and partners across our value chain.
- Engaging with communities building on our role as a home furnishing business and leader in life at home to create a positive social impact.

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

- Providing living wages and income in IKEA operations and supporting the same among our business partners and in the wider sectors of which we are a part.
- Providing and supporting safe and healthy work, labour rights, and social protection and striving towards securing stable and predictable work for everyone in the IKEA value chain. Securing a just transition to a net-zero and circular economy with

focus on enabling decent work through, for example, upskilling and reskilling to meet future demands.

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

Being an equal, diverse and inclusive business

- Embracing all dimensions of human diversity and strive to reflect the demographics of the societies in which we operate. Actively working to prevent discrimination and ensuring equality in opportunity and treatment.
- Promoting accessible and inclusive workplaces both in structure and culture, where people can be themselves and their voices are heard.
- Being a child-friendly business, securing child safeguarding, family-friendly practices, and inclusion and empowerment of children and youth.,

In FY22, we revised and strengthened our ambition and commitments, as reflected in our updated strategy. The updated social commitments were launched on the first day of FY23: 1 September 2022. Our updated strategy is shown here and is reflected in the structure of this chapter. However, the content of this report is based on progress made during FY22, when the previous ambition, commitments and structure were still in place.

FY22 summary of progress

In FY22, we revised the Fair & equal focus area of our sustainability strategy, strengthening our commitments to tackle inequality and placing the respect for human rights at the foundation of business operations.

The update includes strengthened commitments to contribute to more resilient societies with a continued focus on children as a particularly vulnerable group, and new commitments in areas like ensuring a just transition to a net-zero/low-carbon and circular economy.

We're placing an increased focus on providing and promoting living wages and incomes across the value chain and have also included a commitment to promote a human-centric approach to our digital touchpoints and data-driven processes. The revision process has included a broad range of stakeholders representing a variety of civil society organisations, NGOs, youth activists, and UN agencies working to enhance human rights and social responsibility. We're now in the process of setting strategic goals to make our social commitments more operational.

During the year, we began the work of setting a Responsible Wage Practices (RWP) baseline within IKEA operations and throughout the value chain ([page 44](#)). We also continued to operationalise the UN Guiding Principles on Business and Human Rights, including developing a business and human rights training for co-workers and establishing a stronger governance structure ([page 42](#)). In line with the new commitments,

we established a cross-organisational project team to investigate ways to develop an inclusive and socially impactful offer that can support us in tackling inequality through our range and services. We developed a new training on child safeguarding and strengthened efforts to tackle child rights risks in deeper supply chains through a pilot project in the natural fibres supply chain. During the year, the gender balance improved in many IKEA organisations ([page 46](#)).

The war in Ukraine has, in many ways, overshadowed the year. Our priority has been to secure the health and safety of our co-workers and the people in our value chain. We also took immediate action to support people in Ukraine, engaging with human rights organisations to provide humanitarian aid to children and their families, focusing on emergency aid and longer-term humanitarian support ([page 42](#)).

The work to play our full part in contributing to a fair and equal society is ongoing, and we'll continue to find ways to strengthen our efforts.



FY22 key activities

Responsible business practices and resilient societies

We're committed to respecting human rights throughout our value chain. We continue to take actions to support vulnerable groups, such as children and migrant workers. With our reiterated commitment to tackle inequality, we continue to develop our human rights due diligence approach to address our potential negative impacts as well as strive to achieve positive social impact. We recognise our responsibility to contribute to strengthening the resilience of people in society.



➔ Continuing the work to strengthen human rights due diligence

In FY22, steps were taken to establish a more systematic approach to human rights due diligence, based on the recommendations identified in the FY21 Inter IKEA Group human rights baseline assessment.

These steps included:

- A policy house revision, which:
 - Further defines how Inter IKEA Group's policies will be pursued, embedded and monitored.
 - Ensures existing policies are aligned with human rights standards, e.g. aligning the Inter IKEA Group policy on workplace wellbeing with the latest International Labour Organisation (ILO) convention on violence and harassment in the world of work (C190).
- Establishing a stronger governance structure, with clear managerial sponsorship of the Inter IKEA Group policy on human rights across the business as well as investing in human rights leadership assignments.

- Developing an Inter IKEA Group-wide introductory training for business and human rights for co-workers.
- Assessing Inter IKEA Group's capability to receive and work proactively and systematically with integrating relevant upcoming human rights due diligence legislation. This included selecting and working with several new legislations on human rights and environmental due diligence to understand the expectations of these laws on companies and, more specifically, the road to compliance for all IKEA entities in scope.
- Clarifying the governance around IConduct, the IKEA franchise business requirements, and integrating a human rights lens into the supporting materials developed to guide franchisees in meeting IKEA business requirements.

[Read more about the Inter IKEA Group human rights due diligence process.](#)

WAR IN UKRAINE

Humanitarian support and response to the war in Ukraine

Our deepest empathy and concerns are with the millions of people impacted by the tragic war in Ukraine that began in February 2022. We engaged with human rights organisations to support us in our response. We took immediate decisions and actions to prioritise the safety and security of our co-workers and the people in our value chain.

The continued conflict demands extreme agility as the reality on the ground is constantly changing. We're continuously assessing the situation and responding with support and relief in various ways, including monetary and in-kind donations.

Since February 2022, the IKEA business has provided monetary and in-kind donations to organisations we've worked with for a long time. Inter IKEA Group and the Ingka Group jointly donated money and in-kind products with a value of EUR 2 million to UNICEF's emergency relief efforts, including the Blue Dots safe spaces (set up together with UNHCR), which provide critical support and protection services for forcibly displaced children and their families. Blue Dots were established in various countries, including Poland, Romania, and Slovakia. Inter IKEA Group donated EUR 2 million to Save the Children to support building infrastructure for humanitarian aid and to help protect and support millions of children across Ukraine and neighbouring countries.

We'll take learnings and insights from this experience forward into future reviews of our crisis management procedures.

Read more about the IKEA business' [response to the war in Ukraine](#).

→ **Strengthening our commitment to children and young people and developing our child rights agenda**

During FY22, as part of the update of our Fair & equal focus area in the IKEA sustainability strategy, we strengthened our commitment to children and young people, placing increased emphasis on securing child safeguarding, inclusion and empowerment of youth, and family-friendly practices. During FY23, we'll set new strategic goals to ensure we reach our strengthened commitments.

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



→ **Continuing our efforts to prevent and address child rights risks in deeper supply chains**

During FY22, we stayed focused on our efforts to prevent and address child rights risks in deeper supply chains. We're continuously reviewing our approach and improving our practices.

We continued our pilot project focusing on child rights in the natural fibres supply chain, working together with The Centre for Child Rights and Business, an affiliate of Save the Children, which works with companies to address child rights issues in supply chains. The pilot project aims to better understand the risks for and impact

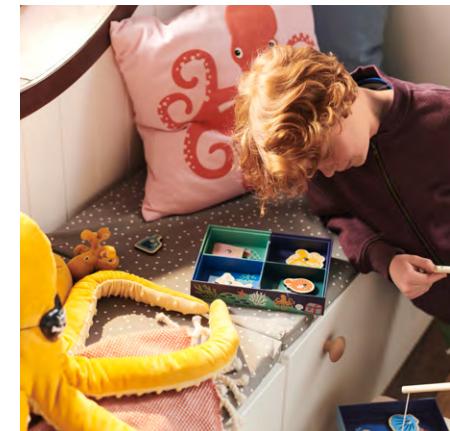
on children in the natural fibres supply chain. As previously reported, in FY21, we identified negative impacts on children working in the lower tiers of the supply chain. We've worked together with The Centre for Child Rights and Business to understand the situation and, with a community-level approach, tackle the root causes of the issues. We've also engaged other relevant stakeholders to address child rights issues more broadly and make them aware of our ambitions, as well as learnings and good practices from our project. The project will continue to inform our broader supply chain management.

→ **Building competence around child safeguarding**

Keeping children safe and protected wherever and however they interact with the IKEA business remains a foundational element of our child rights agenda. Child safeguarding is about having the right measures in place (policies, training, guidelines, routines, etc.) to ensure children who interact with our business are safe and protected, mitigating and addressing all risks of harm. During FY22, we took another step forward in strengthening our child safeguarding approach by developing an IKEA training for child safeguarding. The training is an introduction to the topic and practical guide for IKEA co-workers who interact with children in their daily tasks or hold a position that needs to consider child safeguarding. The training will be rolled out in FY23.

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

The IKEA business has committed to tackling child labour and promoting decent jobs and learning opportunities for young people. Following the submission of the Child Labour Action Pledge, to support the UN initiative that marked 2021 as the International Year for the Elimination of Child Labour, we've initiated a programme to further strengthen the inclusion of young workers in the IKEA supply chain. The first step was to identify where risks to youth unemployment and lack of educational opportunities are the highest in connection to our supply chain. This mapping was conducted in FY22, and a plan for accelerating the programme globally was developed. Further implementation is planned for FY23.



→ **Engaging children as stakeholders in product development**

In FY22, the IKEA business created a children's collection inspired by the creatures of the ocean and developed with input from the IKEA Kids Advisory Panel. [Read more.](#)

Decent and meaningful work

We're committed to providing and supporting decent and meaningful work across the value chain. This includes efforts to secure responsible recruitment practices, a just transition to a net-zero and circular economy, stable and predictable work, and creating and promoting safe, secure and empowering workplaces. It also includes taking a holistic approach to responsible wage practices, putting equal focus on equality at work, pay principles, competence, dialogue and a living wage.

→ Working to understand the RWP baseline across the value chain

In FY22 – using the global framework and assessment methodology finalised in FY21 – we continued to work with our holistic approach to Responsible Wage Practices (RWP). We conducted the first RWP baseline assessments throughout organisations working under the IKEA Brand, and we continued the work to understand the baseline across our value chain. In FY23, we'll further our work by focusing on conducting gap analyses and establishing pilot programmes.

Given the complexity of securing responsible wage practices, we'll continue to actively work with governments, NGOs, other brands, labour organisations and specialists to accomplish more together.

IKEA INDUSTRY



IKEA Industry
LTA – Lost time accident* trend

FY20	124
FY21	123
FY22	134

* Accidents requiring a minimum of one day sick leave.

IKEA Industry
Reported incidents* (thousands)

FY20	52.5
FY21	56.3
FY22	13.0

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

IKEA Industry is a manufacturer of board material and wood-based furniture. In FY22, IKEA Industry continued to work with health and safety as a top priority, with a specific focus on machine safety, traffic safety, handling of chemicals and ergonomics.

The involvement of co-workers is a key part of building a strong safety culture. We aim for all IKEA Industry co-workers to have easy access to incident reporting. In FY22, 13,000 incidents were reported (FY21: 56,300). One reason for the significant year-on-year decrease is the learning curve involved with the new digital reporting system put in place. We're taking learnings from FY22 and will put a high focus on reporting in coming years. Another contributing factor to the decreased figure is that Russian units, some of which had high co-worker engagement in reporting, are being phased out of our supply chain and therefore are no longer included in the scope of our reporting.

Our goal is for all co-workers to be safe at work and return home safely every day. In FY22, 134 co-workers were injured and not able to return to work the following day (FY21: 123). This increase is due to multiple factors, including the impact of the COVID-19 pandemic, which caused an increase in total working hours.

In FY23, we'll continue our efforts with a focus on making workplaces safe and building a strong safety culture to make IKEA Industry safe, every day.

→ Drivers' Voice survey

In 2022, we launched Drivers' Voice – a global survey for drivers in the IKEA value chain. During the launch year, we captured almost 1,000 unique inside perspectives on the trucking industry worldwide. The results of the survey enable us to take concrete actions with stakeholders within and outside the IKEA business, making sure the unique needs and challenges faced by drivers can be met.

→ Using blockchain to promote fair and ethical recruitment and employment in Thailand

Between August 2020 to August 2021, the International Organization for Migration (IOM) and Diginex, an impact technology company, used blockchain-based technology to better protect migrant workers at Tat Win Company Limited (Tat Win), a Thailand-based IKEA supplier of latex concentrate. During the project, over 100 migrant workers from Myanmar employed by Tat Win shared their recruitment experiences and employment conditions through Diginex's mobile app, eMin. This allowed the company to better understand the key risk areas and the recruitment and labour practices in their value chain. [Read more about the project and lessons learned in a PDF from IOM](#).

[Read more about our work to protect migrant workers](#)

→ Joining the UN Global Compact's Think Lab on Living Wage

During FY22, we¹ joined the new initiative by the UN Global Compact that encourages companies to promote and provide a living wage as an essential aspect of decent work. The Think Lab on Living Wage identifies the steps needed to scale up the number of companies making commitments to ensure a living wage for all workers. Progress around living wages requires collective work to influence systemic change across industries and nations.

→ Piloting the first ever global Road Safety Index

We've participated in a pilot together with a few other organisations to test the first ever Road Safety Index, initiated by Fédération Internationale de l'Automobile (FIA). The FIA Road Safety Index is a methodology to assess road safety performance and calculate the road safety footprint. An aligned way of measuring enables benchmarking, learning and the sharing of best practices. We aim to implement the FIA Road Safety Index in a stepwise approach.

SOCIAL ENTREPRENEURS



Continuing to grow and develop our work with social entrepreneurs



In FY22, we established six new social business partnerships for creating IKEA products, bringing the total up to 11 (one new partner is Du Anyam in Indonesia, pictured above). Our social business product portfolio continues to grow as our social business partners build their production capacity and range of materials and techniques. We launched our first global social business collection, VÅRDANDE, with 20 products from five social business partners across Asia. Our partners create a customer offer with positive social impact while also increasing the positive effect of our value chain on people from vulnerable and marginalised groups. Between home furnishing and food products from social business partners, over 5,200 jobs were created in FY22.

Despite the continued global COVID-19 pandemic, in FY22, the volume of social business products sold increased by 4% (compared to FY21) to more than 770,000 pieces.

[IKEA Social Entrepreneurship B.V.](#) continued to run programmes and make impact investments² in FY22, supporting 101 social enterprises – working within circularity, sustainable agriculture and inclusive employment – across 26 countries. These programmes and investments positively impact small-scale farmers and producers and people distanced from the labour market due to displacement or disadvantage.

[Read more examples of social business partnerships: chocolate in Indonesia and coffee in Ethiopia](#).

¹ Through the participation of Inter IKEA Group.

² Impact investments are investments made in companies, organisations, and funds with the intention to generate a measurable beneficial social or environmental impact alongside a financial return.

Equality, diversity and inclusion (EDI)

The IKEA business actively works to welcome, support and protect all dimensions of diversity in our operations. Our ambition is to recruit, develop and retain talents to reflect the demographics of the communities we operate in. Our aim is to create inclusive work environments.

→ A new strategy for a more inclusive IKEA

In FY22, a new IKEA People Strategy was introduced, creating a common direction for all IKEA organisations and IKEA co-workers. One of the three focus areas in the new strategy is "An inclusive IKEA", which puts focus on EDI throughout business practices.

→ Next steps in gender diversity

In FY22, the gender balance improved in many IKEA organisations. During the fiscal year, 6 out of 12 franchisees took steps to increase the number of co-workers who are women, and 6 out of 12 increased the number of managers who are women. Four out of 12 IKEA franchisees have reached at least 50% of their management positions filled by women. The ambition is

to achieve gender balance at all levels and in all functions across all IKEA businesses, including management teams and boards.

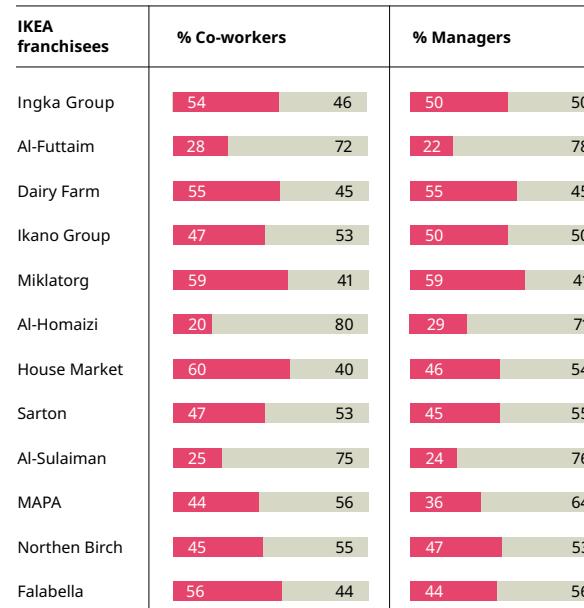
In Ingka Group, 50% of managers and 45% of CEOs were women in FY22.¹ Women also represent approximately half of the members in the 30 country management teams.

Many IKEA franchisees are taking specific actions to improve gender diversity in their organisations. For example, in FY22, IKEA Morocco² launched the Fulfilment Ladies Class programme in partnership with Logistics School and Office de la Formation Professionnelle et de la Promotion du Travail (OFPPT). The programme has successfully trained and hired women for operational jobs at Logistics IKEA Morocco, an area of the organisation that's traditionally consisted predominantly of men. Similarly, in FY22, we increased the number of leaders who are women in IKEA Kuwait² to reach co-worker gender equality (50% women and 50% men).

The data shows some progress has been made towards an equal, diverse and inclusive IKEA business, but we still have work to do.

We're working to expand our view on how to measure dimensions of diversity, including gender. Read more about an initiative to collect diversity data on [page 47](#).

Co-worker gender diversity in FY22 ■ Women ■ Men



Inter IKEA Group	% Co-workers	% Managers	% Management team	% Supervisory board
IIG management team			40 ■ 60 ■	33 ■ 67 ■
Franchise ³	51 ■ 49 ■	39 ■ 61 ■	69 ■ 31 ■	
Range	53 ■ 47 ■	47 ■ 53 ■	50 ■ 50 ■	
Supply	45 ■ 55 ■	35 ■ 65 ■	54 ■ 46 ■	

¹ These figures are for the largest IKEA franchisee, Ingka Group.

² Operated by the franchisee Al-Homaizi Group.

→ Taking action to support our Gender Equal Pay commitment⁴

In addition to conducting the annual pay gap assessment, in FY22, Ingka Group took several concrete actions to close gender pay gaps. These include reviewing the job offer process, requiring global and country-level management teams to annually report on the status of gender equal pay in their respective organisations during their board meetings, and, where local laws allow, developing gender-neutral salary principles to support setting and reviewing salaries.

³ Including IKEA Älmhult and Inter IKEA Group functions.

⁴ The Gender Equal Pay commitment and subsequent actions to support it are undertaken by the IKEA franchisee Ingka Group.



→ **Supporting employment for persons with disabilities and disadvantaged youth in Vietnam**

In FY22, IKEA launched the first products from a partnership with Saitex, a social business in Vietnam. Saitex actively recruits and trains youth from disadvantaged backgrounds and persons with disabilities. It also adapts the industrial production set-up to suit people with different needs and educates employees about the variety of needs on-site.

[Read more.](#)

→ **Partnering with Business Disability Forum**

In FY22, as part of ongoing global efforts around disability inclusion, IKEA became partners with the NGO Business Disability Forum (BDF). With support from BDF, we completed the first global and country assessments to identify opportunities for improvement in the areas of diverse representation, inclusion, and workplace adjustments for people with disabilities. We're using the findings to develop meaningful solutions and have launched a global working group to drive actions.

→ **Using data to help build a more equal workplace**

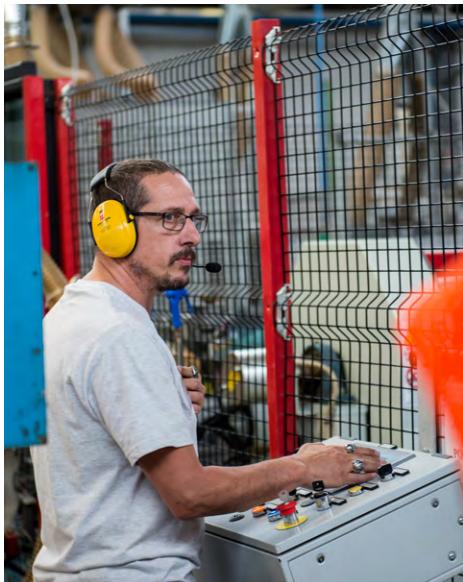
In FY22, Ingka Group conducted a survey focused on diversity and inclusion. About 38,000 co-workers from 30 countries participated. The findings show diversity across the workforce. However there are opportunities to strengthen the inclusion of under-represented identity aspects, such as certain ethnicities, disabilities, and sexual orientations.

→ **DECIDE Unconscious Bias training**

In partnership with the NeuroLeadership Institute, Ingka Group launched the DECIDE Unconscious Bias training programme. The objective of the training is to equip leaders with the skills to mitigate the influence of unconscious bias in everyday situations, thereby creating an environment where co-workers are comfortable to talk about biases. Over 2,000 leaders and recruiters took up the programme in FY22.



IWAY – the IKEA supplier code of conduct



IWAY is the IKEA way of responsibly procuring products, services, materials and components and is a complete sustainability system for working together with all suppliers throughout our value chain.¹ It's the IKEA supplier code of conduct and a development programme for supplier sustainability practices.

The objectives of IWAY are to ensure decent and meaningful work, promote a positive impact on the environment, secure children's rights, and improve the welfare of animals in the IKEA value chain. IWAY is based on open dialogue and long-term relationships with our suppliers.

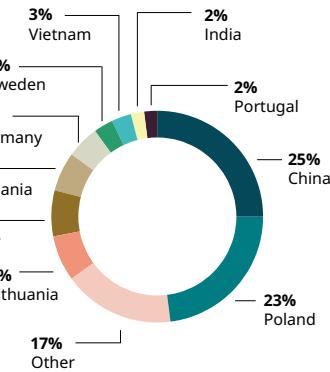
During FY22, we placed more emphasis on strengthening the dialogue with our suppliers on topics such as biodiversity, working hours, fundamental labour rights and responsible recruitment of migrant workers. Migrant workers are a vulnerable group of workers in the value chain, and during FY22, we've seen new complex corridors of migration arising, where the risks of exploitation are increased. To secure compliance with IWAY requirements on responsible recruitment of migrant workers, we'll continue to focus on this topic during FY23.

During the year, we continued the work of integrating the revised and updated version of IWAY – IWAY 6, introduced in September 2020 – across the value chain. [Read more](#).

While IWAY 6 puts a bigger focus on supporting our suppliers with their continuous development journey, compliance with mandatory IWAY requirements is, and remains, the foundation of our partnership with suppliers. For example, in FY22, more than 1,100 verification activities were performed in the Inter IKEA Group supply chain. They include gap assessments for new suppliers and full or focused audits for existing suppliers.

With a stronger focus on supporting suppliers with the implementation of IWAY, in FY22, we offered more than 1,000 implementation support activities in parts of the IKEA value chain. These activities included capacity-building and training on topics including internal audit skills, health and safety trainings, responsible recruitment and more. We continue to improve and strengthen our ways of working in the IWAY System with competence development of our suppliers.

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



The biggest home furnishing purchasing region in terms of volumes is Europe. We believe in building long-term relationships with our suppliers and place a strong emphasis on supplier development. The average length of collaboration with our home furnishing suppliers is 11 years. We try to understand the specific local contexts and take a consistent and risk-based approach to securing good social, environmental and working conditions.

¹The total number of suppliers working with IWAY (for Inter IKEA Group, Ingka Group and Falabella) is around 10,300.



→ Securing decent and meaningful work for digital platform workers

During FY22, we started to introduce requirements from the new IWAY Digital Platform Work Section to suppliers. The IWAY Digital Platform Work Section defines the minimum social and working conditions for all digital platform workers who perform services for, or on behalf of, the IKEA business.

The development of new technology has created conditions for digital platform work to expand exponentially in the past few years. Digital platform workers carry out, either online or on location, short-term tasks or services available for selection through a platform. Some of these tasks include customer delivery and installation services. Digital platform workers operate independently and don't have an employment relationship with suppliers,

service providers or platforms. Our ambition is to support decent and meaningful work for all digital platform workers in the IKEA value chain.

Legislation around labour conditions and social protection for digital platform workers remains lacking in most countries, and the situation is rapidly changing. In the European Union, a proposal for a [directive on improving working conditions in platform work](#) is under discussion. With the IWAY Digital Platform Work Section, our aim is to have a dialogue around the social and working conditions of platform workers, take learnings from implementing the section requirements in our value chain, and move this topic step by step together with the relevant stakeholders and partners for the benefit of all digital platform workers in the IKEA value chain.



Developing requirements for the sourcing of forest materials

The IKEA business uses forest materials in a wide range of products, from wooden furniture and accessories to natural fibre- and wood-based textile products. We also use forest materials in packaging, communication material, and other products that support the running of IKEA-owned operations.

Forestry requirements have been in place in IWAY since the first edition launched in 2000. During FY22, these requirements were revised in line with the IKEA Forest Positive Agenda for 2030 and new legislation. [Read more](#).

The IWAY Forest Materials Section is now applicable for all IKEA suppliers using forest materials for the IKEA business, for example, home furnishing products, packaging, communication materials and others. Requirements in the IWAY Forest Materials Section include assessing and mitigating risks related to illegal harvesting and trade of forest materials, sourcing forest materials from more sustainable sources, contributing to the IKEA climate agenda and the efficient use of natural resources. We'll start introducing the IWAY Forest Materials Section to suppliers in FY23.



→ Reaching sub-contractors in forest materials supply chains with IWAY

In FY22, we started to implement IWAY requirements for responsible sourcing in parts of our forest material supply chains by involving all sub-contractors handling forest materials from the forest roadside to IKEA supplier sites, such as wood processing companies, warehouses, traders, transport companies, etc. For implementation, we're following a stepwise approach. As a first step, together with our suppliers, we aim to secure compliance and close gaps to the minimum IWAY Must¹ requirements and address challenges such as complex and long supply chains and lack of openness, transparency and competence further in supply chains. This work has started with solid wood supply chains and board materials, and we'll take these learnings to supply chains of other raw materials.

¹ Read more about the IWAY Must and IWAY Basic requirements [here](#).

→ Supporting suppliers in East Asia in taking more ownership of IWAY implementation

One of the success factors for suppliers to secure compliance with the IWAY requirements is their own internal auditing process. To support our suppliers in East Asia, the local IKEA teams have been focusing on competence development, organising trainings on auditing skills and developing a toolbox for suppliers' internal audits. They also established a reporting channel to help suppliers identify, discuss and address emerging challenges together with the IKEA teams.

With these approaches, suppliers can proactively identify emerging issues, find solutions to issues at an early stage together with the IKEA business when needed, build a stronger collaboration, and have a more open and constructive dialogue. As a result, over the last year, the number of identified critical deviations of IWAY requirements during independent audits decreased by more than half.

→ Verifying no child labour at suppliers

During the IWAY audits and verification activities performed in FY22, no suspected or confirmed cases of child labour were identified. We are closely monitoring this at all our suppliers. We are also continuing to work to prevent and address child rights risks in deeper supply chains ([page 43](#)).

→ Working hours registration and accident insurance deviations discovered during audits

During the regular IWAY audits performed at suppliers during FY22, the most common deviations identified were connected to the following issues:

- Insufficient systems for working hours registration, including overtime, were found at 13 suppliers.
- Non-compliance to the accident insurance requirement was identified at seven suppliers. The accident insurance requirement was strengthened in IWAY 6 and now includes occupational illnesses. Including illnesses is new in some regions, which has led to non-conformities, despite implementation support to suppliers.

Like all IWAY deviations, we take these very seriously and are following the IWAY process of identifying root causes to the issues, securing that suppliers implement corrective actions, and phasing out suppliers who don't address the issues in a reliable and consistent way. During FY22, we've phased out nine suppliers due to IWAY non-compliance.

Inter IKEA Group suppliers and service providers actively working with IWAY¹

IKEA supplier type ²	Number of production and service units ³ FY22	Description	IWAY Basic requirements fulfilled (% of all suppliers)			
			FY19	FY20	FY21	FY22
Home furnishing suppliers and indirect procurement	1,270	Manufacture IKEA home furnishing products and provide indirect services to IKEA units	97	95	99	99
Transport and distribution suppliers (often referred to as partners and service providers) ⁴	415	Transport IKEA products from suppliers to and between stores and distribution centres	97	94	97	99
Food suppliers	447	Provide the food and ingredients for the IKEA bistros, restaurants, and Swedish Food Markets	97	99	99	99
IKEA Components	935	Provide components and materials used in IKEA home furnishing products to IKEA suppliers and sub-contractors	98	95	98	99
IKEA global media productions	29	Provide pulp, paper, and print services for global media productions ⁵	87	93	94	95
Critical sub-contractors	5,500	Compliant with IWAY Must requirements at critical home furnishing sub-contractors	94	95	80 ⁶	89

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

² The table does not include local suppliers to IKEA franchisees.

³ Some suppliers and service providers have multiple production and service units. IWAY applies on unit level.

⁴ No air freight is used for our product transport.

⁵ This figure doesn't include digital suppliers.

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

Stakeholder engagement

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

- **Co-workers:** The 231,000 IKEA co-workers from around the world share a special set of values and a vision to enable people to live a better, more sustainable everyday life. They come together in diverse, inclusive and open IKEA environments, where each can offer something unique. Every co-worker plays a role in creating a better business.
- **Communities:** We engage in the communities where we operate to learn and share ideas while working collaboratively to create positive impacts on the environment, livelihoods and local economy.
- **Suppliers and partners:** Working with over 1,600 direct suppliers and service providers in the areas of transport, logistics and distribution services, components, and food to minimise the environmental footprint of the total IKEA supply chain and beyond, while improving working conditions. There are millions of workers who, through our suppliers and service providers, source, make and transport our products and

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

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

Below is a select list of partners and collaborators we worked with during FY22. Visit our [stakeholder engagement webpage](#) for more details.

- Business for Nature
- Centre for Child Rights and Business
- Climate and Clean Air Coalition (CCAC)
- Ellen MacArthur Foundation (EMF)
- EuroCommerce
- European Furniture Industries Confederation (EFIC)
- Exponential Roadmap Initiative (ERI)
- Flow Loop
- GlobeScan
- ILO Child Labour Platform
- Institute for Human Rights and Business (IHRB)
- International Chamber of Commerce (ICC)
- International Organization for Migration (IOM)
- ISEAL Alliance
- Leadership Group for Responsible Recruitment (LGRR)
- Nordic Business Network for Human Rights (NBNHR)
- Our Normal
- Real Play Coalition²
- Science Based Targets initiative (SBTi)
- Science Based Targets Network (SBTN)
- Stockholm Environment Institute (SEI)
- The Climate Group and its initiatives EV100, EV100+ and RE100
- The 10 YFP/One Planet Network
- UNFCCC, including Race to Zero
- UN Global Compact
- UNICEF
- World Business Council for Sustainable Development (WBCSD)
- World Economic Forum
- We Mean Business Coalition
- World Resources Institute (WRI)
- WWF
- 50L Home Coalition

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. Managing directors of the Inter IKEA Group are members and the managing directors of selected franchisees are invitees, together with sustainability managers from both Inter IKEA Group and franchisees.

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

Inter IKEA Group sustainability management

Inter IKEA Group sustainability management is responsible for aligning and developing sustainability ambitions and commitments and reporting on performance. The group also provides recommendations on strategic business decisions with environmental and social impacts and prepares content and decisions for the Strategic Sustainability Council.

Ethics and integrity

The IKEA way of doing business is strongly rooted in the IKEA values and culture – 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:

- [Code of conduct: for Inter IKEA Group co-workers](#)
- [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 Inter IKEA Group Code of Conduct, introduced in 2016, is undergoing a revision, which is expected to be launched in FY23. It will be accompanied with wider communication on ethics. The objective is to foster an ethical workplace and to stimulate dialogues on ethical dilemmas.

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

In FY22, the existing "Introduction to Inter IKEA Group Code of Conduct" workshops were redesigned to a blended form to reach the many new co-workers. A brand new "Refresher to the Inter IKEA Group Code of Conduct" online learning was introduced for co-workers with more than two years in Inter IKEA Group

companies. Both learning solutions are mandatory. More than 1,500 participants completed the trainings since their introduction in June 2022.

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 platform.

In FY22, 91 concerns related to Inter IKEA Group were reported, an increase of 21% compared to FY21, when 75 concerns were reported. The increase can partly be attributed to the opening of the Raise a Concern platform externally. The majority of the concerns were reported in the supply operations, which have the most co-workers. Most cases reported concerned either HR or business ethics related topics (e.g., harassment, discrimination, leadership behaviour, conflict of interest and bribery). 47% of the concerns raised were found to be (partly) substantiated, leading to different disciplinary actions and process improvements.

In FY22, a new Raise a Concern platform was designed and procedures were updated. In FY23, this new platform will be launched and there will be enhanced communication activities to raise awareness on how and where to raise concerns within Inter IKEA Group. Additionally, a tailored training plan for persons involved in handling concerns is being developed and will also be implemented in FY23.

Inter IKEA Group is committed to operating a sustainable business with respect for human rights

and ensuring fair and safe working conditions in our value chain. Our supplier code of conduct, IWAY, explains our expectations towards our business partners thereon. One of the requirements in IWAY is that our business partners should have a grievance mechanism in place for their workers. In FY22,

Inter IKEA Group started exploring the possibilities to set up a grievance mechanism for their supply chain so that workers can also reach out to IKEA to raise concerns, as a last resort. We aim to fulfil our commitments to engage stakeholders and provide means by which people can bring serious non-compliance issues with IWAY to our attention. In FY23, in selected markets, Inter IKEA Group will pilot a grievance mechanism for workers in the supply chain.

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

Read more

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

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

SDG index

The United Nations Sustainable Development Goals (SDGs) provide a framework for collective action to tackle global issues, such as poverty, gender equality and climate change. We recognise that we have an important role to play in contributing to achieving the SDGs, using the global influence of the IKEA Brand and value chain. The SDGs have been used as one of the key inputs when the People & Planet Positive strategy and the ambitions for 2030 were developed. Most activities contribute to multiple SDG goals, as these are so interconnected. Through a materiality process, we are reviewing, in more detail, how we contribute to the SDGs. In this section, some of the highlights and links to activities specifically related to each SDG are presented.



End poverty in all its forms everywhere

Responsible recruitment for migrant workers. [Page 45](#)
Working to understand the Responsible Wage Practice baseline across the value chain. [Page 44](#)
Joining the UN Global Compact's Think Lab on Living Wage. [Page 45](#)
Continuing to grow and develop our work with social entrepreneurs. [Page 45](#)



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

Increasing plant-based food sales and expanding our offer. [Page 13](#)
Using IFNPS to work towards a healthier food offer. [Page 13](#)
Accelerating food innovation. [Page 13](#)
Working towards creating more sustainable food systems [Page 33](#)



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. [Pages 9, 11 and 13](#)
Taking action to address outdoor air pollution. [IKEA Climate Report FY22](#)



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

Developing a business and human rights training for co-workers. [Page 42](#)
Building competence around child safeguarding. [Page 43](#)
Inclusion of young workers in the IKEA supply chain. [Page 43](#)
Continuing to improve and strengthen our ways of working in the IWAY System with competence development of our suppliers. [Page 48](#)



Achieve gender equality and empower all women and girls

Introducing a new strategy for a more inclusive IKEA. [Page 46](#)
Improving gender balance in many IKEA organisations. [Page 46](#)
Through IWAY, communicating our expectations on suppliers in terms of building and promoting a diverse, inclusive workplace. [Page 48](#)
DECIDE Unconscious Bias training. [Page 47](#)



Ensure availability and sustainable management of water and sanitation for all

Continuing to improve the efficiency of our water-using products. [Page 12](#)
Water stewardship. [Page 38](#)



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 22](#)



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

Working to understand the Responsible Wage Practice baseline across the value chain. [Page 44](#)
Responsible recruitment for migrant workers. [Pages 45 and 48](#)
Joining the UN Global Compact's Think Lab on Living Wage. [Page 45](#)



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

Striving towards electrification, 100% renewable energy and continually improving efficiency. [Page 22](#)
Innovating and developing new and more sustainable materials. [Page 22](#)



Reduce inequality within and among countries

Improving gender balance in many IKEA organisations. [Page 46](#)
Introducing a new strategy for a more inclusive IKEA. [Page 46](#)
Working to understand the Responsible Wage Practice baseline across the value chain. [Page 44](#)
Securing decent and meaningful work for digital platform workers. [Page 49](#)



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

Focusing on products and solutions related to cleaner air. [Page 11](#)
Taking action to address outdoor air pollution. [IKEA Climate Report FY22](#)



Ensure sustainable consumption and production patterns

Inspiring and enabling people to live healthier, more sustainable lives. [Page 8](#)
Creating a movement in society around better everyday living. [Page 9](#)
Transforming into a circular business based on responsibly sourced materials. [Page 14](#)
All chemicals used in or for making IKEA products should be safe for people and the planet. [Page 39](#)



Take urgent action to combat climate change and its impacts

Drastically reducing GHG emissions across the IKEA value chain. [Page 22](#)
Removing and storing carbon through forestry, agriculture and products. [Page 24](#)
Going beyond IKEA. [Page 25](#)



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

Collecting and using ocean-bound plastic. [Page 37](#)
Achieving Aquaculture Stewardship Council (ASC)- or Marine Stewardship Council (MSC) certification for 98% of our total seafood volume globally. [Page 33](#)



Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt 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 30](#)

Becoming forest positive. [Page 28](#)

Continuing to source wood, cotton, food, and other raw materials from more sustainable sources. [Page 27](#)

Improving environmental standards in the IKEA value chain through IWAY. [Page 48](#)



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](#)