People are at the heart of everything we do. We want to take a leading role in creating a fairer and more equal society and improve the lives of the millions of people that interact with, or are impacted by, our company.

Our progress FY22





OUR TARGETS	PROGRESS IN FY22	PERFORMANCE SUMMARY
Culture and values		
Maintain at least an 80% engagement score in our co-worker survey.		Our engagement score was 81.0% (FY21: 79.8%; FY20: 80.1%), an increase on last year.
At least 80% of co-workers believe we live our values, based on our co-worker survey.		Our survey shows that 80.2% of co-workers believe we live our values (FY21: 79.8%).
Fair, equal, inclusive Achieve gender balance across our business in 2022.		At the end of FY22, we had achieved a 50/50 gender balance in our management positions (all leaders). 38.0% of our Group Management and 45.8% of country CEOs were women. We reached gender balance in our country management teams.
Equal pay for women and men performing work of equal value in all countries.		Our latest annual equal pay assessment shows that 4.84% of co-workers belong to groups where pay gaps cannot be explained by performance, competence or a country's legal requirements (5.04% in FY21).
Score 80% on our Inclusion Index, based on our co-worker survey.	(ACHIEVED]	Our score in FY22 was 81.2% (FY21: 80.4%; FY20: 81.5%).
Increase ethnic, racial and national diversity at all levels so our workforce reflects the diversity of the communities in which we operate by 2024		We have started to put in place processes and programmes to drive and measure our progress against this target. For example, our Equal UP! programme aims to identify and address barriers to equal opportunities for people from underrepresented ethnic and cultural backgrounds. Our voluntary and anonymous Diversity & Inclusion survey indicates that our workforce reflects society, but more work is needed to achieve diversity at leadership and management levels.

OUR TARGETS	PROGRESS IN FY22	PERFORMANCE SUMMARY
Lifelong learning		
At least 80% of co-workers are empowered to develop their competencies.		81.5% of co-workers in our survey reported feeling empowered to utilise their competences (FY21: 80.7%).
Upskilling and reskilling training provided to co- workers in our transformation initiatives starting with customer service, facilities and stores.		We have delivered a range of targeted upskilling programmes for co-workers in these three transformation initiatives resulting in 2,790 co-workers being upskilled and reskilled.
Neighbourhoods and communities		
Support at least 2,500 refugees by the end of 2022 through job training and language skills initiatives in Ingka Group units across 30 countries.	(NOT ACHIEVED]	We reached 1,765 refugees through skills for employment programmes by our target date, including 918 refugees in 22 countries in FY22. Unforeseen global events including the Covid-19 pandemic and war in Ukraine resulted in store closures which impacted our operations and ability to roll out and scale up the programme in some countries. Although we did not meet our target of 2,500 by the end of 2022 we expect to do so during FY23.
All lngka Group retail countries will develop products or services from local social businesses by 2025.		We partnered with 30 social entrepreneurs in 13 countries. The number of partnerships was lower than in FY21. This was due to resourcing challenges following the pandemic and associated supply chain disruption and the discontinuation of some services.



1. Respecting human rights

We are committed to promoting and supporting a world where human rights are a reality for all. Ingka Group puts respect for human rights at the heart of our business, integrating it into our strategies, policies and processes based on the UN Guiding Principles on Business and Human Rights.

Our respect for human rights encompasses our co-workers, customers, workers in our supply chain and our neighbours – in fact, everyone our business touches.

Our sustainability strategy, People and Planet Positive, includes strategic commitments to respect human rights and embed this into all aspects of our operations.

Our approach

The Ingka Group Policy on Human Rights and Equality is the basis of our approach and we are also guided by the IKEA Employment Standards, our Code of Conduct and IWAY – the IKEA supplier code of conduct.

Our Human Rights and Equality Policy is approved by our Management Board and our

Sustainability Committee, chaired by our Chief Financial Officer and deputy CEO. This committee also governs and monitors our approach to human rights. In FY22, we created a Human Rights and Social Impact team to drive our efforts in this area.

Potential human rights risks: We aim to focus on the most salient human rights impacts - those at risk of the most severe negative impacts. We have identified a range of potential human rights risks for our industry, including modern slavery and forced labour, low wages, undocumented cash wages, excessive hours, unsafe working conditions, and threats to freedom of association rights. Assessing the human rights impacts of our business activities is an ongoing process and we are continually learning and developing our approach. We know there is always more we can do to ensure respect for human rights across our business and throughout our value chain.

Due diligence: The IWAY System is designed to ensure that sustainability impacts, including human rights risks, are identified before supply agreements are entered into and then continuously identified, monitored, and managed over time. As part of the selection process, potential suppliers undergo a risk assessment which covers human rights aspects such as workplace health and safety, wages and working hours. <u>See page 110</u> for a description of the IWAY process. Other human rights risks are picked up via the Ingka Group risk management process. This captures strategic and operational human rights risks through an annual risk assessment at a global and local level. For more on risk management <u>see page 101</u>. In FY23, we will review how our human rights due diligence systems are applied across Ingka Group.

Remediation: We take seriously our responsibility to remediate any negative human rights impacts on people, society and the environment that we cause or contribute to. Our approach to remediation, including which impacts we prioritise for remediation, depends on how we are connected to the impact and its nature and severity. For example, in cases where a negative impact is caused by one of our suppliers, we work together to provide access to meaningful remediation and the IWAY standard sets clear expectations on how specific negative impacts should be remediated. We are reviewing how we provide remedy to affected stakeholders beyond our direct business partners to ensure we align with the UN Guiding Principles on Business and Human Rights.

Grievance mechanisms: Co-workers who have any human rights concerns can raise them through our internal grievance mechanism, Trustline, <u>see page 109</u>. In addition, we request all our suppliers, via IWAY, to put a grievance mechanism in place that is known to their workers and enables workers to raise complaints or concerns without fear of retaliation. When requested, we provide guidance and support.

Equality lies at the core of human rights. We believe that all people should be treated fairly and given equal opportunities, whatever their background or identity. Read more about our approach to equality, diversity and inclusion on page 51.

Advocacy and partnerships

When it comes to human rights, we do not have all the answers and need to work together with others to address complex challenges and contribute to systemic change. We want to play our part in addressing the root causes of negative human rights impacts on people, society and the environment.

During FY22, Ingka Group continued to work closely with partners such as the B Team, UNICEF, Real Play Coalition and World Economic Forum to exchange and drive change on human rights related topics. We are members of the Business Network on Civic Freedoms and Human Rights Defenders and our Human Rights and Social Impact Manager, Julia Olofsson, served as the co-chair of the World Economic Forum's Global Future Council on Human Rights.

We believe businesses have a responsibility to provide transparency around human rights through due diligence reporting. Together with our franchisor, Inter IKEA Group, we are actively engaging with EU institutions and key stakeholders on the proposal for a Corporate Sustainability Due Diligence Directive (CSDDD). We support well-designed, harmonised legislation on human rights and environmental due diligence which is mandatory and proportionate. Due diligence mechanisms should use a risk-based approach that allows businesses to identify and manage risks proactively, moving beyond simply avoiding adverse impacts.

Aligning to international standards

Our approach to human rights is guided by well-established international standards. This starts with the Universal Declaration of Human Rights and its two corresponding covenants, The International Covenant on Civil and Political Rights and The International Covenant on Economic, Social and Cultural Rights, which form the basis of our approach.

We pay special attention to children's rights, women's rights and the rights of people belonging to underrepresented and marginalised groups, as outlined in international conventions including:

- the UN Convention on the Rights of the Child
- the UN Convention on the Elimination of All Forms of Discrimination against Women
- the International Convention on the Elimination of All Forms of Racial Discrimination
- the International Convention on the Rights of Persons with Disabilities.

Our commitment to workers' rights is based on the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work.

Our approach to human rights in our business is also aligned to:

- the UN Guiding Principles on Business and Human Rights
- the Children's Rights and Business Principles
- the OECD Guidelines for Multinational Enterprises
- the UN Global Compact, including the UN Women's Empowerment Principles
- the Gender Guidance to the UNGPs
- the UN Standards of Conduct for Tackling Discrimination against LGBTI people.

We comply with applicable laws in the countries where we operate. When these laws are not aligned with international human rights standards, we strive to find the best way forward to secure that the essence of the rights reflected in these international human rights standards is still respected.

Respecting and supporting children's rights

Our business touches the lives of children through our products, stores, marketing and supply chain. Ingka Group are committed to being a childfriendly retailer. We always try to act in the best interest of the children and families that come into contact with our business and have zero tolerance for any form of child abuse.

Children's rights are one of the key areas in our updated Ingka Group Policy on Human Rights and Equality. We also have detailed principles for child participation and safeguarding to ensure a consistent approach to child rights across our business.

Our approach is based on the Children's Rights and Business Principles, developed by Save the Children, the UN Global Compact and UNICEF.

We look at all aspects of our business from a child's rights perspective, and our key commitments include:

- Ensuring that our stores and meeting places are child-friendly.
- Working with Inter IKEA Group to ensure that our products for children are safe.
- Preventing misleading, exploitative, discriminatory, or aggressive marketing and communication practices towards children.
- Never tolerating any form of child or forced labour, modern slavery or mistreatment of workers.
- Supporting fair work for young workers, parents and caregivers.

We make our stance on child labour clear to suppliers through our IWAY Standard on Preventing Child Labour and Supporting Young Workers. Our belief is that young people who are legally able to work should have access to decent employment opportunities, but they should not do hazardous work, night work or overtime. Read more about IWAY on page 110.

Child rights and marketing

A key focus is how we address and portray children through our marketing and communications. We have developed a set of principles for marketing agencies and production companies to ensure they align with our standards. These state that:

- We should never use children to endorse the IKEA brand in a way that is beyond their understanding or control.
- We should only use children as spokespersons in relation to their own products – such as the SAGOSKATT range of soft toys designed by children through a yearly drawing competition.
- We do not use children as IKEA brand ambassadors to endorse products or services.

Winning ideas that support the right to play

Every child has a right to play. It's how they develop creativity, empathy, self-control and other essential skills. Yet millions of children worldwide – especially in cities – are denied playtime, even though there is often great potential to integrate play into everyday life.

IKEA is one of the founding members of The Real Play Coalition, a movement dedicated to narrowing the play gap for 100 million children by 2030.

During FY22 we helped launch the second Real Play City Challenge, aiming to shine a light on great examples of cities that give people time, space and opportunities to play. The Challenge received 94 entries, spanning cities and community organisations across four continents and focusing on three themes: Places where play heals people; Places where play supports climate action; and Places where play unites us all.

Responding to human rights cases

In FY22, we identified two cases in the category of child labour in the Ingka Group supply chain. Both cases were in the UK and related to workers for home delivery suppliers whose children were found to be riding in the delivery van with their parents. We required these suppliers to immediately resolve the situation and to update their child labour policies to be clear that children cannot ride in delivery vans. The updated policies were sent to all relevant sub-contractors and the suppliers are conducting a programme of vehicle spot checks.

Protecting workers' rights in a changing world

Everyone has the right to decent and meaningful work including a healthy and safe workplace, freedom from discrimination and freedom of association, job security, predictable working hours, financial stability and training. However, many people working in global supply chains experience unfair and unsafe working conditions. This is not acceptable. Ingka Group will play our part in protecting the human rights of the workers in our supply chain, just as we respect the rights of our own co-workers.

IWAY: We work with suppliers and service providers to ensure that environmental, social, and working conditions are secured and respected in our supply chain through IWAY, our supplier code of conduct. This is explained <u>on</u> page 110.

Responsible recruitment: We have further guidelines and standards that support IWAY, such as our guidelines on Responsible Recruitment. These help our suppliers and service providers reduce modern slavery risks, including the risk of people being forced or bonded into labour, having their passports taken away or becoming trapped by large recruitment fees. We have trained our procurement and sustainability compliance teams on the guidelines.

Digital platforms: We've also added requirements to our IWAY Standard for digital gig economy platform companies in our supply chain. Gig economy businesses connect independent contractors with customers that need their services such as home delivery, assembly and installation. There is a risk that these people may not be covered by national employment and social protections, as they don't have conventional employment contracts. Our standard states that digital platform companies should put measures in place to respect rights such as minimum wages, working hours, grievance processes and freedom of association, and to prevent forced labour, child labour and discrimination. We ask platform companies to pay for any uniforms and marketing equipment required. We piloted our approach with five platforms companies and trained our sustainability and business teams on the new requirements in all countries. We hope to complete the roll out to all digital platforms during FY23.



Read more about IWAY and how we applied our IWAY standards in our supply chain.



2. Our co-workers at the heart of our business

Our unique culture and values are at the heart of our way of being and doing things.

We believe that creating better lives for the many people starts with our co-workers. Each one of us can make a difference in an environment where we thrive, feel included and learn every day.

Our approach

In FY22 we launched our new people strategy, setting a path for the next 10-year journey, aiming to prepare us as individuals – and collectively as an organisation – to thrive. The strategy outlines our long-term ambitions across three pathways:

- Work-life we aim to create an outstanding place to work where everyone has the possibility to unleash their potential. By being engaged, feeling proud, safe and empowered we develop ourselves and grow the business.
- **Inclusion** we are fair and equal, welcoming everyone to be themselves. Societal inequalities are often mirrored in the world of

work – but we want to be an exception to this trend. Together we will create a workplace that is as diverse as the world is, and as inclusive as the world should be.

• **Democratic learning** – we develop our co-workers for continuous growth through lifelong learning. This is good for us as individuals, and essential for the future of a retail business that will thrive across channels and seize the opportunities presented by developments in technology.

Underpinning the strategy is our commitment to our values. Everyone at Ingka Group is expected to live our values everyday. We integrate them into our processes for attracting, recruiting, onboarding and developing our co-workers, and use our communications to show how they are relevant to every co-worker, every day.

2.1 Work-life

As an employer, Ingka Group has the privilege of positively influence the lives of our 177,000+ co-workers by providing meaningful work, fair working conditions and an environment where they feel accepted, appreciated, and empowered. Across all parts of Ingka Group, our goal is to create a workplace that people are proud to be a part of, where they can grow and develop and feel that they are making a difference.

Living our values every day

Our vision, values and culture give us purpose and a sense of belonging – guiding our work each day, and every day. They make us a better business, and a better place to work – and we want to celebrate them with our co-workers, all over the world.

In FY22, we were pleased that 80.2% of co-workers believed we live our values.

Our approach includes:

- **Employer branding.** We want to be an employer of choice and want more people to choose IKEA for what we stand for. We have integrated our values and culture into our employer branding and communication with potential candidates.
- Values-based recruitment. Every week, on average 1,000 new co-workers join Ingka Group worldwide. Our hiring teams support candidates and managers and are trained to focus on values, competence, and diversity during recruitment. We ask potential coworkers about their strengths and motivations and use values-based interview techniques. This helps us to identify candidates who share our values and are best suited to thrive in our

culture – rather than having a narrow focus on qualifications and experience.

- **Onboarding.** New co-workers learn about our values and culture through our onboarding process, so that every team member knows what we stand for and how we live our values at work. We appoint buddies, who are advocates for our values, to support new co-workers through the onboarding process. 90% of new co-workers were satisfied or very satisfied with their onboarding experience in FY22.
- **Leadership.** We launched our new Leadership idea: inclusive values-based leadership by all, see page 55. 86.5% of our co-workers reported that their manager behaves in line with our values.
- **Recognising and rewarding.** Co-workers are recognised for how they live our values as part of our job chats and through feedback. Our reward programmes reflect our values-led approach, see page 48.
- Policies. Our values are reflected in our Code of Conduct, Employment Standards and other Ingka Group Policies. These outline our ethical standards, how we work and act together, and set the minimum requirements we apply to the employment relationship for all co-workers.



Our values guide us

Throughout the years, IKEA has stood by a set of values that shape everything we do. These values are deeply embedded in our business and create a strong culture that makes IKEA unique, both as a workplace and a brand. Our values act as a compass during times of change, driving us to renew and improve, while keeping us true to ourselves.

- Togetherness
- Caring for people and planet
- Cost-consciousness
- Simplicity
- Renew and improve
- Different with a meaning
- Give and take responsibility
- Lead by example

Caring for co-worker health and wellbeing

Good health and wellbeing is the foundation for a good quality of life. It is also a prerequisite for thriving and performing at work. The wellbeing of all our co-workers is of utmost importance to us. We look at co-workers' mental, physical, and financial health and wellbeing from three different angles: prevention and education, access to treatment and continuous support.

We aim to bring health and wellbeing programmes to our co-workers. We track the impact of our programmes through our co-worker engagement survey. Our overall health and wellbeing score was 74.4% in FY22, a substantial increase from 59.5% in FY21. We aim for 80%. We are using the findings to help us develop further global and local initiatives that support co-workers mental, physical, and financial health and wellbeing.

66.7% of co-workers feel supported in living a healthy lifestyle 57.9% in FY21

17.16 lost time accidents (more than one day of lost time) per million hours worked

Over the last few years, our approach has included:

- A standardised health and wellbeing framework introduced in FY22. This aims to create consistency across our markets in the quality and extent of support we provide to improve co-workers' mental, physical and financial health and wellbeing
- A range of financial, physical and mental health initiatives to support co-workers during the Covid-19 pandemic and other crises such as the war in Ukraine
- An Employee Assistance Programme, available in all countries. This provides access to experts, counselling, and resources to support co-workers' mental, physical and financial wellbeing and promote healthy lifestyles
- Support for financial health including tax advice, pension planning, support during major life events and learning modules focusing on budgeting and financial planning
- Ongoing local health and wellbeing initiatives, including a wide array of remote training and healthy living initiatives.

We are also testing a new Health and Wellbeing digital platform that will enable us to offer coworkers more tailored training and wellbeing content, improve our capability to prevent health issues, and provide real-time, reliable, and comparable data to enable us to measure and improve our wellbeing initiatives.

Ensuring a safe work environment

Our Group Rule on Health, Safety and Security and our framework on Occupational Health and Safety (OH&S) provide guidance on how all our locations should evaluate and mitigate safety risks and prevent work-related accidents and occupational diseases. Our extensive requirements cover OH&S management, risk assessment, training, co-worker involvement, equipment, personal protective equipment, and respiratory virus prevention.

Our co-worker introduction training covers topics such as potential risks associated with their work, policies, rules and standard operation procedures, as well as how to work safely and deal with medical emergencies. In FY22 we developed a training for managers, which supports them in understanding what is expected from them as a manager in the area of Health and Safety to create a successful health and safety culture. The OH&S trainings were completed 47,619 times in FY22. Health and safety internal controls are regularly assessed by individual Ingka units and updated where needed.

Risk areas for co-worker health and safety include sales, logistics and food areas, often when co-workers are handling material or using hand tools. A rise in online sales has increased some risks, for example risks of musculoskeletal disorders connected to manual handling. Our Occupational Health and Safety framework includes several ergonomics initiatives that focus on this particular issue.

Our Lost Time Accident Frequency Rate (LTAFR), the number of lost time accidents (more than one day of lost time) per million hours worked, increased to 17.16 in FY22 (FY21: 12.93). We believe this increase is due to changes to business processes and procedures in our customer fulfilment centres, an increase in online sales and improvements in our incident reporting processes. We will continue to monitor our performance and work to reduce accidents.



Mental health high on the agenda

We believe mental health is a fundamental people and business topic because without healthy individuals you can't secure a healthy business. Read about some of the actions we've taken:

Mental health high on the agenda at Ingka Group

12.93 in FY21

Listening to our co-workers

One of the most important ways we listen to our co-workers is through our co-worker survey. In FY22, over 121,500 co-workers took part^{*}, a response rate of 83.2% (FY21: 80.3%).

Consistent with previous years, Ingka Group co-workers told us they're most proud of our value of togetherness, with colleagues looking after one another and showing respect and trust through everyday actions. They also told us they were particularly proud of the way we collaborate, and our efforts in equality, diversity and inclusion.

Some additional highlights from FY22 include:

- Our co-workers continue to be highly engaged and feel they fit in at Ingka
- Sustainability and togetherness are perceived as a living reality at Ingka
- Our leaders are perceived as values-driven and to be fostering an inclusive and caring culture.

At the same time, co-workers gave us valuable feedback on areas where we can do better. These included workload and work-life balance, tools and equipment including challenges relating to IT systems and communication of business priorities. We're analysing what they've told us and building action plans to address the issues raised.

Overall, co-workers view Ingka Group positively and continue to recommend our company as a great place to work. Our current eNPS – employer Net Promotor Score (showing how willing employees are to recommend their workplace to people they know) – is at 27.4% (FY21: 28.7%), significantly higher than the global cross-sector benchmark score of 10.7%.

In FY22 we introduced a new overall co-worker survey score, based on the average score for all mandatory questions. The result in FY22 was 80.4% and we will be able to compare this with results from future surveys.

Front Days keep us connected

We believe it's important that all co-workers have the opportunity to interact with customers – this gives us insights and knowledge to keep improving how we work. Through our Front Days, office-based co-workers spend at least two days a year working at one of our stores gaining a better understanding of how retail operates and how to contribute to customer satisfaction. We encourage all office-based co-workers to participate, including our CEO and senior leaders, around 16,000 people in total.

Rewarding performance

When we feel that our opinions count and we are rewarded for our efforts, we thrive – and so does our business. So we want to recognise the contribution made by everyone at Ingka Group, every day.

Our annual One IKEA Bonus programme rewards co-workers for achieving and exceeding our business goals and is directly linked to our financial performance. Approximately 100,500 co-workers received a bonus pay-out for FY22, totalling EUR 260 million.

81.0% of co-workers feel engaged Target: 80%

80.2% of co-workers believe we live our values Target: 80%





UPPSKATTA: An appreciation for all co-workers

UPPSKATTA, meaning "appreciate" in Swedish, was our EUR 110 million thank you to co-workers for their effort during the first 18 months of the Covid-19 pandemic (2020-2021).

When the pandemic hit, our co-workers responded with speed and commitment. They accelerated online sales and radically adapted our stores to operate safely and meet demand. We could not have risen to this challenge without their courage, dedication, and entrepreneurship.

EUR 110 million was divided between Ingka Group countries and every co-worker (who was employed with Ingka Group as of 31 August 2021) received the same amount in each country. Co-workers received the money in FY22.

Ingka Group thanks co-workers for efforts during pandemic with EUR 110 million gift

Fair incomes and livelihoods

Responsible Wage Practices (RWP) is our approach to providing fair incomes across the value chain by putting equal focus on five practices: Equality at work, Pay principles, Competence, Dialogue and Living wage.

RWP is a shared initiative that we have developed together with Inter IKEA Group. It involves taking an end-to-end look at how Ingka Group, Inter IKEA Group and partners handle wage practices to make sure that all co-workers can live a decent life.

Responsible Wage Practices is not a new area for us, but with our RWP approach we aim to work in a more methodical and coherent way. In FY22 we introduced the RWP approach to 450 Ingka Group units in 35 countries. We conducted a baseline assessment that included unit Management teams' self-assessment surveys, Line managers' questionnaires and a living wage benchmark. In FY23 we will conduct a co-worker perception survey.

Retaining our talent

We want to retain our co-workers, enabling all colleagues to grow with us. Retention can reduce costs and workload, while helping to increase competence, productivity and engagement.

We post the majority of roles internally, encouraging existing co-workers to develop their careers with us. On average in FY22, 85.9% of managerial roles were recruited from within.

The retail industry has historically been known for high turnover rates, so we have a particular focus on retention of co-workers in our stores where turnover can be higher. We continually review the causes of co-worker turnover to identify where there may be opportunities to strengthen our communication, policies, and processes. In FY22 voluntary co-worker turnover was 23.1% and involuntary turnover was 8.0% (FY21: 17.0% and 8.8%) and we recruited 46,431 new people. We are analysing the causes of turnover in each location and will further strengthen our approach in key areas such as compensation, benefits, scheduling, and development.

In FY22, we've focused on providing co-workers with fair income, as well as more flexibility in scheduling. We use a variety of methods to understand co-workers' everyday work experience. We track a weekly employee Net Promoter Score (eNPS) covering aspects of the co-worker journey such as onboarding and development. In FY22 we also piloted the use of artificial intelligence to help us anticipate which categories of co-workers might be at higher risk of leaving. We tailor our approach to address issues affecting turnover in different locations. For example, in the US we have reduced co-worker turnover through a focus on starting wages, leadership development, a buddy onboarding initiative and other retention tools.

Our employment standards

Being a values-driven company means that Ingka Group cares as much about our co-workers, customers and suppliers as we do about the development of our business. Our Code of Conduct reflects our business ethics and sets out what we expect from our co-workers in the way we act, work together, do business and raise concerns. See page 109.

The IKEA Employment Standards (IES) provide the framework for the relationship between Ingka Group and our co-workers. They outline our way of working and include principles that inspire and support us in engaging with our many co-workers. These are supported by more specific policies and rules governing all aspects of employment at Ingka Group.

The standards set the minimum requirements we apply to the employment relationship for all co-workers, regarding employment contracts, scheduling, working hours, equality of treatment and open communication.

Building strong social relations

We are committed to providing a great place to work for all co-workers, through a spirit of collaboration. Social Relations within Ingka Group is defined as our values-based collective collaboration and dialogue between our leaders, co-workers, co-worker representatives and all other internal and external stakeholders.

Ingka Group is committed to respecting the principle of freedom of association, and we recognise the right to collective bargaining, in compliance with local legislation. Our Social Relations Framework covering all Ingka Group countries includes principles that guide our collaboration with social partners (such as coworker representatives in works councils and trade unions).

Our European Works Council (EWC) ran elections in FY22 and welcomed delegates from two new countries, Slovenia and Ukraine, bringing the total membership to 24. Constructive dialogue with the EWC helps us to grow and develop people and the business together.



2.2 Inclusion

We believe that a better everyday is an equal everyday. Ingka Group is committed to fair treatment and equal opportunities, creating a workplace where people of all backgrounds and identities can thrive and feel supported and valued for who they are. As a purpose-led business, we also want to play our part in advancing equality in society.

81.2% of co-workers feel included 80.4% in FY21 When we talk about diversity, we focus on multiple dimensions and their intersections, including gender, ethnicity, race, nationality, ability, sexual orientation and gender identity.

Our inclusion index helps us measure progress on creating an inclusive culture and is based on questions from our co-worker survey. The score for FY22 was 81.2 (FY21: 80.4%; FY20: 81.5%). We're proud of our work to date in creating an inclusive culture and mindset but we know there is still room for improvement.

Our Group Equality Plan

Believing in equality is not enough – action is needed. Our Ingka Group Equality Plan includes goals and actions focused on:

- **Co-workers:** reflecting the diversity of our society at all levels and creating an inclusive work environment, where all co-workers can be themselves.
- Business: embedding equality into our business practices and ways of working, including policies, processes and interactions with customers.
- **Society:** advocating for a more equal society and being a positive example to inspire change beyond our company.

Every Ingka Group country has developed a local action plan based on the Equality Plan, and most have a dedicated Equality, Diversity & Inclusion (ED&I) Leader to oversee implementation at the local level. We expect every manager to create diverse and inclusive teams where different perspectives are sought out and everyone is given opportunities to thrive – and we expect every co-worker to act in ways that include colleagues with a diversity of backgrounds and identities.

Globally we have more than 14 co-worker resource groups (CRGs), voluntary networks of co-workers that connect together to promote diversity and inclusion on various topics (such as LGBT+, ethnicity, women, disabilities). These provide open forums for people of shared identities or backgrounds, allies and those wanting to learn more.

Key policies – including our policy on Human Rights and Equality and our Rule on Equality – support our efforts to establish a workplace that is free from discrimination, harassment and hostility. Each of our countries in the European

Women in leadership*

(% of women)

Union has signed their country's national diversity charter, committing to promoting equal opportunities in the workplace and society.

A gender balanced business

We have included gender equality goals in our country business plans for more than a decade and this long-term focus is achieving results. At the end of FY22, 49.8% of all managers and 45.8% of country CEOs were women. Across our country retail management teams, we have also reached gender balance with women making up approximately half of team members. In several countries, including India and Japan, women's representation in leadership roles exceeds the national benchmark.



* All leaders covers all management roles. Group Management is the strategic leadership team for Ingka Group.

We maintain gender balance by mandating gender balanced final interview candidate shortlists and by focusing on gender balance in our succession planning.

We have not yet reached gender balance in our Group Management, Management Board or Supervisory Board, <u>see page 85</u>.

Committed to gender equal pay

We are committed to achieving and sustaining equal pay for work of equal value. There should be no gaps in pay that are not explained by performance, competence, or a country's legal requirements. We use annual Gender Equal Pay assessments across our markets to identify and address any gender pay gaps.

This year we carried out our fourth annual group-wide gender equal pay assessment*. Our assessment process and reported data were externally reviewed by KPMG. When an assessment finds a difference in pay of more

Our journey to gender equal pay

Ingka Group has been working on gender equal pay for many years, learning from our progress and setbacks to keep improving our approach.

- **2022** Carried out our fourth annual equal pay assessment.
- **2019** Rolled out our approach across Ingka Group, enabling us to speak "one language" on gender equal pay and track our progress.
- 2018 Launched the Ingka Gender Equal Pay approach with our 6-step process and methodology, carried out our first gender equal pay annual assessment and signed the pledge of the Equal Pay International Coalition (EPIC).
- **2017** Set up a gender equal pay task force to establish a group-wide agenda on Gender Equal Pay.

2013- We analysed gender equal pay among two different groups of countries with a deep dive
2014 analysis in Germany, Japan, Russia, the US and Sweden.

2010 Our compensation and benefits principles set out non-discrimination guidelines for pay.

than 5% between identical groups of women and men performing work of equal value, we investigate why. In FY22 we found that 4.84% of co-workers were in groups where pay gaps could not be explained by performance, competence or a country's legal requirements (compared to 5.04% in FY21). We put concrete actions in place, both monetary and non-monetary, to address the gaps. Examples of actions we may take include salary and reward adjustments, a focus on gender balance in recruitment, and conducting a local pay equity assessment.

We use a set of gender-neutral salary setting and review principles. Where allowed by local law, we do not ask for a candidate's previous salary. Our Group and Country Management Teams are required to report annually on the status of gender equal pay during their board meetings and we have mandatory training for managers and co-workers in our People & Culture teams.

We are a member of the Equal Pay International Coalition (EPIC), an initiative led by the International Labour Organization (ILO), UN Women and the Organisation for Economic Cooperation and Development. Our membership is one way that we demonstrate our commitment to equal pay for current and potential coworkers, and help to raise the profile of this issue. <u>See page 119</u>. We are also a founding member of the World Economic Forum business commitment framework for gender parity in the future of work.

Ingka Includes: a deeper dive into inclusion at Ingka Group

In FY22, we launched Ingka Includes, our firstever global survey on diversity and inclusion to gather data on diverse representation in our workforce and co-worker views on inclusion at Ingka Group.

Around 25% (38,000) of co-workers from 30 countries took part in the survey which was voluntary and anonymous. The survey suggests that Ingka Group tracks well on diverse representation. Overall, our coworker population reflects the diversity of the communities in which we work, but further work is needed to increase diversity at all levels of leadership and management. While our overall scores on inclusion are high, co-workers with underrepresented identity aspects including ethnicity, disability, and sexual orientation are less likely to feel included at work. We are using the results to develop action plans for key areas of the business.

Read more about our Ingka Includes survey

^{*} The assessment covers all lngka Group part-time or full-time co-workers with temporary and permanent contracts. It excludes the following groups: seasonal co-workers, co-workers with non-comparable salary setting (for example due to being on assignment), co-workers of lngka Holding B.V. (holding company) and acquired companies, co-workers not receiving a salary during the assessment period (for example because they joined the business in the month prior to the assessment date) and co-workers for whom we don't have information on gender.

Home Pride Home: Supporting LGBT+ co-workers

We support everyone's right to be themselves, regardless of their sexual orientation, gender identity or expression, and we are committed to creating a workplace where LGBT+ co-workers feel welcome, safe and accepted. Our LGBT+ Inclusion Plan and Toolbox help our managers create truly inclusive workspaces. We also have global guidelines for trans inclusion, to ensure that all trans co-workers feel included at Ingka Group.

In FY22, to raise awareness and show our support for LGBT+ inclusion, we marked the International Day Against Homophobia, Biphobia and Transphobia (IDAHOBT) with a global 'Home Pride Home' campaign. The campaign was activated in 26 IKEA retail countries across social media platforms. We also raised the "Progress" flag outside IKEA stores, and our senior leaders shared their support for LGBT+ inclusion through internal and external communications.

Globally, we are members of Workplace Pride and Stonewall, which are dedicated to improving the lives of LGBT+ people in workplaces all over the world and we are members of Open for Business, a business coalition for advancing LGBT+ inclusion.

Reflecting multicultural diversity

We're committed to achieving a workforce and leadership that reflects the multicultural diversity of the communities and countries in which we operate. In 2020, we set three key objectives to:

- Reflect the multicultural diversity of the communities and countries where we operate, at all levels of leadership;
- Advance underrepresented groups through equitable business practices; and
- Enhance inclusion for co-workers of all ethnicities, races, and nationalities.

In FY22, we started developing a new global initiative called Equal UP! (Equal Upportunity Path) to help us identify and address the barriers to equal opportunities in leadership positions, for people from underrepresented ethnic and cultural backgrounds.

Our first actions have focused on the areas of recruitment, development and retention. We are paying special attention to the role that managers need to play in securing diverse leadership teams, by building their knowledge of co-worker lived experiences and equitable solutions that make a difference. We are also reviewing our processes for spotting and developing talent into leadership positions, to ensure we can sustainably mitigate the impact of biases.



Inclusive of people with disabilities

We want to make sure that people with disabilities can join our workforce and enjoy fulfilling careers with us. In FY22, we completed our first global and country assessments to identify opportunities and workplace adjustments that can improve representation and inclusion for people with disabilities. Our Ingka Includes survey showed that around 11% of our co-workers have a disability and that co-workers felt we should do more to ensure inclusion at work.

We launched a global working group to drive action across lngka and are developing a global disability inclusion approach focusing on recruitment, building an inclusive culture and work environment.

We are partners of the Business Disability Forum, an independent not-for-profit organisation, which supports companies to develop and integrate disability inclusive practices throughout their systems and processes.

Tackling bias

Everyone has unconscious biases. To create a truly inclusive workplace we must all take action to prevent bias from impacting our business decision-making.

We launched the DECIDE Unconscious Bias training, developed by the NeuroLeadership Institute, to equip our leaders to spot bias, mitigate its impact on decision-making, and engage their teams to address biases. Over 2,000 leaders and recruiters took up the programme in FY22, gaining confidence to champion equality topics.

In FY22 we also launched virtual reality training on anti-racism. 350 managers, leaders, and recruiters from IKEA in the US took part in exercises based on real-life experiences of racial and ethnic discrimination. The training focused on addressing bias by building empathy and enabling leaders to 'walk in someone else's shoes'. The programme will be extended to more managers and leaders in FY23.

Read more online

2.3 Democratic learning

We aim to create a dynamic learning culture at Ingka Group. We believe everyone can lead, everyone is a talent, and everyone is a learner. The democratic aspect of learning is key. Regardless of where we come from, and whatever our role, position or assignment, everyone should have equal access to learning opportunities. Learning and development supports continued business success. Knowledgeable co-workers make more customers happy and help us to recruit new colleagues. As individuals, making learning part of how we work gives us confidence and motivation to grow.

It has been estimated that to keep up with the changing nature of work, more than half of all employees around the world will have to upskill or reskill by 2025*. At Ingka Group, many coworkers will need new or additional skills in the near future to meet changing business needs. We have a range of upskilling and reskilling programmes in place as part of our business transformation work, focusing on areas such as customer service, facilities and stores.

A new approach to learning

In FY22 we introduced a new learning approach focused on creating a unique and inclusive learning experience while improving our ways of working consistently across lngka Group.

We created standardised learning guidelines, began developing a new approach to training and onboarding colleagues in Customer Fulfilment, developed a prototype skill mapping tool to help us provide more personalised training and launched a new framework to make it clearer which training is mandatory for which roles. Co-workers now have access to LinkedIn Learning and Rosetta Stone and can take over 16,000 courses and learn 24 languages. In FY23 Ingka Group will be focusing on the onboarding process, updating our training to ensure all our new co-workers feel equipped and confident to perform well in their role.

Leadership by all

To achieve our business and sustainability goals and become an even better company, we need bold leaders and we need to lead together. In FY22 we launched our new Leadership idea: inclusive values-based leadership by all.

This aims to boost our entrepreneurial spirit and empower all co-workers to unleash their potential to lead. It includes seven new leadership expectations for all co-workers which are: I develop our business; I create results; I collaborate and co-create; I develop myself and others; I communicate with impact; I navigate the unknown; I lead by example.

During FY22, we started rolling out this approach, reaching 95% of Ingka Group countries and Group functions. We launched an introductory e-learning course which was accessed by more than 35,000 co-workers and scheduled or delivered 600 workshops. In FY23, we'll be focusing on the role of the managers at Ingka Group.

We also ran Leading in a New Era 3.0 for our senior leaders, a programme aimed at equipping leaders to catalyse change in our business. This year's programme had a special focus on affordability, accessibility and sustainability. **2.8 million** training hours were logged by co-workers

2.4 million in FY21

2,790

colleagues have been reskilled in our customer service, facilities and, focusing on improving skills in home furnishing, automation, and customer experience

74.3%

of co-workers felt they had good opportunities to develop their competencies

72.8% in FY21

Ulrika Biesert, Group People & Culture manager, meeting co-workers in Antwerp, Belgium



We track the impact of our programmes by assessing co-workers' views on the quality of our leadership through our annual survey I Share. In FY22, we achieved a score of 83.4% based on responses to ten questions, up from 81.0% in FY21.

Developing co-workers for performance success

In FY22, we updated Performance Success – our performance and development approach – to make sure we're giving equal, fair and transparent opportunities for all of us at Ingka Group to perform and develop.

The updated approach aims to empower and help every co-worker to become the best version



of themselves at work. It focuses on enabling (rather than managing) performance and is based on more frequent touchpoints between manager, co-worker, and team, with increased feedback and coaching. Every co-worker should have up-to-date, clear and relevant goals, and regular, fair performance evaluations. We want every co-worker to take an active role in articulating why, what and how they contribute to our success.

In FY22 we introduced the Ingka Succession Approach to help us make sure we have a strong succession pipeline for leadership and managerial positions that aligns with our strategies for co-worker development and equality and diversity and puts co-workers in the driver's seat of their career.

A fresh start for people who've been forcibly displaced

Around the world, growing numbers of people are forcibly displaced from their homes every year, often having to rebuild their lives in a new country. Our Skills for Employment initiative has been supporting refugees with job training, work experience and language lessons, see page 57.

In FY22, to complement this initiative we introduced our Hiring Displaced Talent Framework, to ensure that when displaced people join as co-workers we make the best use of their talents while creating a safe and supportive work environment.

Our Framework recognises that many of these potential candidates have valuable skills and are ready and willing to work; by matching these skills with relevant job opportunities we can both help refugees as well as grow our business – a win-win situation.

We used the Framework to support and find roles for people fleeing the war in Ukraine during FY22.





Read more online



3. Better neighbourhoods

Ingka Group wants to create a positive impact for everyone across our value chain and beyond, and that means supporting the neighbourhoods in which we operate and where our co-workers and customers live. Everyone deserves a better home, a better life and a better planet.

Working together with our partners, co-workers and communities, we can prove that inclusive growth and positive social impact go hand in hand.

Our approach

We've collaborated with community organisations for many years to find solutions to local social challenges. We're always looking to improve our approach, bringing together our co-workers and communities and sharing what we learn to keep getting better and increase our impact.

In FY22, we prioritised two areas: **emergency community support** – being there to help when natural disasters, emergencies or crises have an impact on the lives of our neighbours; and launching our new **Ingka Group Neighbourhoods framework**.

Our framework aims to create long-lasting social impact in our neighbourhoods and was developed with input from more than 200 stakeholders including co-workers, leaders, community experts and existing partners. It includes a focus on governance and management, building capacity and competence and establishing KPIs to measure of the impact and reach of our projects. Through the framework we are supporting projects in three main areas:

- Increasing access to better homes exploring innovative approaches and partnerships to increase access to essential products, services and affordable housing;
- **Pathways to decent work** including skills for employment for refugees and integrating social businesses and enterprises into our Ingka Group supply chain.
- **Participation** supporting local social rights organisations and being an advocate for policies and actions that improve local neighbourhoods

We reached almost 417,500 people through our social impact programmes in FY22, despite ongoing challenges including in relation to the pandemic and lockdowns in some markets.

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Toolkit for social impact

We want every Ingka country to implement successful social impact projects in the neighbourhoods around our stores and customer meeting places. During FY22, we've been developing a toolkit to help them do this including a step-by-step guide and templates for research, interviews and activities, as well as indicators for measuring the social and business benefits of our projects. We've worked with our teams in Milan and San Francisco to create the toolkit and will be launching neighbourhood projects in those cities during FY23, as well as testing the whole process in neighbourhoods in more markets.

Responding to emergencies

When an emergency or crisis hits the neighbourhoods where we operate, we aim to give people and communities fast, responsible support. In FY22, a key focus has been on responding to the impacts of the war in Ukraine, through our operations in neighbouring countries. Read more on page 59.

Opening pathways to decent work for refugees

The number of people forced to flee conflict, violence, human rights violations and persecution is over 100 million for the first time in modern history. However, despite the benefits for business and society of refugee integration, refugees and asylum seekers still face higher levels of unemployment and negative misconceptions.

At Ingka Group, we've committed to supporting 2,500 refugees through a 3-6 month programme of job training and language skills initiatives, making it easier to gain employment inside or outside our business. In FY22, 918 refugees completed the training and 50% of these found jobs. Overall we have reached 1,765 refugees since the project began. We did not reach our target by the end of 2022 but are stepping up our efforts and expect to reach it during FY23.

We have also launched our Hiring Displaced Talent Framework to establish a new pathway to IKEA recruitment that considers the specific and complex needs of forcibly displaced candidates, see page 53.

What Laura* had with her when she escaped to a women's shelter:



Domestic violence happens every day in Switzerland. Don't look away.

* Name changed for her protection.

Supporting a campaign against domestic violence in Switzerland

For victims of domestic violence, home is not a safe place; however domestic violence can still be a hard topic to discuss. In FY22, our funding enabled the Swiss Organization of Women Shelters (DAO) to run a nationwide campaign, raising awareness about the rising numbers of domestic violence cases in Switzerland and encouraging members of the public to support victims of domestic abuse.



Working with social enterprises

We aim to integrate social entrepreneurs and social businesses into our retail value chain. This can support vulnerable people to find income opportunities and help to tackle societal challenges while meeting the needs of our business and customers. In FY22 we worked with 30 organisations in 13 countries.

We have trialled a range of approaches including working with social businesses providing services relating to textile recycling, sewing and last-mile delivery but unfortunately did not meet our target to develop partnerships in each of our countries. This was due to resourcing challenges following the pandemic and associated supply chain disruption and the discontinuation of some services.

Supporting diversity in the Ingka supply chain

We also want to increase the diversity of the Ingka Group supply chain by creating opportunities for people from marginalised and underrepresented groups to find jobs with our suppliers.

We are working with Ingka strategic suppliers on equality, diversity and inclusion using our IWAY standards, see page 110.

Advocacy and partnerships

Ingka Group works with a range of trusted partners to deliver our social impact programmes including the UNHCR and the Red Cross. As well as providing practical support we aim to use our collaborations to raise awareness and help promote wider change.

Our long-term collaboration with UNHCR, the UN Refugee Agency, for example, aims to change the narrative around refugees and challenge people's biases. Together we aim to: improve the perception amongst co-workers, customers, and neighbours of the benefits of refugee integration; inspire the private sector to engage in refugee employment and advocacy; and engage and share knowledge with decision makers and opinion leaders to drive a positive change in public policy on refugees. In FY22 we've:

- Made our Skills for Employment toolkit freely available on our website including our 7-step approach, lessons learned and how-to guide for opening pathways for decent work for refugees; read more here;
- Launched our Let's Stand with Refugees page on ingka.com to improve accessibility of Ingka learnings around refugee employment and integration; read more here;
- Become one of the founding members of the World Economic Forum Refugee Employment and Employability Initiative with the ambition of finding system-wide solutions for the private sector to support refugee employment and employability;

- Announced our aspiration to approach 500 businesses and encourage them to use their unique capabilities to support refugee integration;
- Come together with UNHCR, the UN Refugee Agency, to launch an awareness campaign on World Refugee Day with a focus on addressing funding and empathy gaps for all refugees.



Responding to the war in Ukraine



Co-workers design 'Blue Dot' safe spaces with UNHCR and UNICEF

Our co-workers have been supporting UN agencies to design safe spaces for refugees fleeing the war in Ukraine. Known as 'Blue Dots', the centres offer help and advice services alongside areas where families can relax and children can play.

Supporting our co-workers

The devastating war in Ukraine is a human tragedy and our deepest empathy and concerns are with the millions of people impacted. At Ingka Group we have acted to support the personal safety and security of our co-workers and their families in affected countries. Our first actions included:

- Securing employment and income (including core benefits) for co-workers in Ukraine during FY22.
- Making substantial emergency funds available to the countries directly or indirectly affected by the war including Ukraine, Poland, Russia, Hungary, Slovakia, Romania, the Czech Republic.
- Evacuation support for expat co-workers in Ukraine and Russia.
- Supporting displaced Ukrainian co-workers and their partners who wish to work in another country to find suitable jobs with Ingka Group, and provide necessary coaching, training, and language skills to meet job requirements in the new country.
- Providing legal and medical assistance to displaced Ukrainian co-workers and in some cases offering welfare support such as furnishing temporary accommodation and childcare.

We also put in place longer-term support for co-workers and leaders such as:

- Targeted mental health resilience training available in 24 languages
- 100 seminars with psychological experts open to all co-workers globally
- Strengthening our Employee Assistance Programme (EAP) in affected countries to support co-workers and their families
- Additional training for leaders on how to support their teams in crisis.

Shortly after the start of the war, we paused our IKEA Retail operations in Russia. We have provided support and guaranteed six months' salary and core benefits for all co-workers affected by this closure.

Due to the ongoing conflict, the IKEA Retail business will remain stopped and Ingka Group started a process of scaling down our business operations in Russia including reducing the size of our workforce. The majority of those coworkers have now signed mutual agreements. All actions and decisions taken are guided by the IKEA values and our ambition to support our people to the best of our ability.

Our Ingka Centres MEGA meeting places remain open to ensure that many people in Russia have access to their daily needs and essentials such as food, groceries, and pharmacies.

Fast and responsible support to people and communities

We have been responding to the impacts of the war in Ukraine, including through our operations in neighbouring countries. In total, we donated EUR 15.2 million in cash and in-kind donations.

This included establishing an emergency community support fund that enabled our countries to respond with speed to the needs of local partners working on the ground to assist people fleeing the war. A large proportion of this was made through in-kind donations of products, services and resources.

Our in-kind donations supported the furnishing of over 500 accommodation units in Poland, the Czech Republic, Hungary, Slovakia, and Romania, in collaboration with 39 trusted partners, including UNHCR, UNICEF, the Red Cross and local authorities. The products range from beds, mattresses, and pillows to tables, towels and toys. In addition, we donated thousands of products to people displaced in Ukraine, including 3,000 mattresses. Many of our co-workers have supported these efforts, including delivering and assembling products at refugee centres.

- Ingka Group working with trusted partners to support people fleeing Ukraine **IKEA** pauses operations in Russia and Belarus
- LAT IKEA Poland's work finding jobs for their displaced Ukrainian neighbours

Our co-workers get involved

Our co-workers have come together to help people affected by the war in Ukraine by raising money and donating our products, as well as welcoming refugees into their own homes.

Some examples from our countries include:



In Finland, we've extended our partnership with NGO SOS Children's Villages to provide a 'Help' chat service for Ukrainian children affected by the war. Young people can use the helpline to speak in confidence with trained volunteers about their experiences and concerns.



In Italy we've got our customers involved in supporting refugees. While travelling through the store, customers could select designated products and donate them after the check-out. We matched all products donated to create welcome kits for refugees arriving in the country.



Co-workers in Sweden prepared more than 6000 bags full of stuffed animals and other toys for children arriving from Ukraine. We also worked with Save the Children in Sweden to furnish more than 20 child friendly spaces.



In Croatia we've donated products worth more than EUR 12,500 to furnish reception centres and temporary housing for refugees which were prepared, packed and assembled by our co-workers.



Co-workers in Poland have been involved in numerous projects supporting those affected by the war in Ukraine including equipping housing for displaced families and creating play corners for refugee children. In Port Lodz, we opened a store in one of our Ingka Centres meeting places where refugees could select free donated clothing and personal items.



Many of our co-workers in countries bordering Ukraine have taken refugees into their homes. We've provided financial support for these co-workers in Czech Republic, Hungary and Slovakia and also given three paid days of volunteering leave for those involved in humanitarian efforts related to the Ukraine crisis.

