



People and planet positive

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Becoming people and planet positive

Our overall ambition is to become people and planet positive and to inspire and enable the many people to live a better life within the limits of the planet by 2030.

Our People and planet positive strategy has three focus areas:

1 Healthy & sustainable living. Inspire and enable 1 billion people to live a better life within the limits of the planet.

2 Circular & climate positive. Strive for zero waste, contribute to the IKEA ambition to be circular and climate positive by 2030, and advocate for positive change in society.

3 Fair & inclusive. Improve the well-being of millions of people by becoming a truly inclusive and people-centred company and employer.

We're moving towards becoming people and planet positive, and we've taken important steps in FY19. But there is still much more to do and much more to learn. Tackling global challenges means we need partners across the world. We aim to be open and transparent with our stakeholders, and we listen and act, together through forums like ONE HOME, ONE PLANET, see page 60.

About our strategy and priorities

The Ingka Group Sustainability Strategy sets a common, bold sustainability ambition for the Ingka Group (IKEA Retail, Ingka Centres

and Ingka Investments) and empowers people across the group to lead and contribute. It's fully aligned with the IKEA Sustainability Strategy made available by Inter IKEA Group in 2018.

The focus areas and goals set in the IKEA Retail section of our strategy contribute to the sustainability ambitions set by Inter IKEA Group.

We want to play our part in creating a movement in society – one that encourages everyone to live within the limits of our planet, and one which is truly inclusive.

Our strategy is inspired by the IKEA vision to create a better everyday life for the many people. It's our response to global trends and changes in society, including the challenges highlighted by the UN Sustainable Development Goals. We listen to stakeholders and our partners to decide what matters most and where we should focus our efforts, see page 91.

Information about governance of sustainability at Ingka Group is included on page 90.



UN Sustainable Development Goals

Many of the global sustainability challenges that we're responding to in our strategy are described in the United Nations Sustainable Development Goals (SDGs).

► **Launched in 2015**, the SDGs provide an inspiring framework for collective action. They guide us as we develop our business, set ambitions and engage with our partners. All of the goals are connected, and we use them to help guide our strategy and work. At Ingka Group, we support all of the goals, but our strategies contribute to six of them in particular:



Gender equality
see page 52



Affordable and clean energy
see pages 32 and 75



Decent work and economic growth
see pages 48 and 84



Reduce inequalities
see page 82



Responsible consumption and production
see pages 62 and 81



Climate action
see page 70

See how we contribute to the 17 SDGs on page 112.

A MESSAGE FROM PIA HEIDENMARK COOK

A turning-point year

2019 will be remembered as the year when the world finally woke up to the urgency of climate change and biodiversity loss. New research shows just how quickly we need to act, and many more of us started to feel the impacts of climate change firsthand. And children held older generations to account through school strikes and demonstrations across the globe.

We invested in our first wind farm a decade ago, and this year we'll reach a new milestone as we'll generate more renewable energy than the energy we consume in our own operations. Decades of making bold commitments and working with sustainable innovation has taught us that caring for people and the planet is core to our future success. It makes us a company that our co-workers are proud to work for and creates opportunities for growth and cost efficiency. This conviction that sustainable business is the only way to do business means we are eager to accelerate progress and go even faster and further than before.

"We need everyone – from the shop floor to senior leadership – to take responsibility for creating a more sustainable business."

Leading a sustainable transformation

As we transform our business to come closer to customers and their needs and dreams, we know the greatest opportunities will come when we're more sustainable, more affordable and more accessible – all at the same time. We can achieve our goals if we make sustainability as much a part of our culture and the way we work as our commitment to offer well-designed, affordable products, solutions and services for a better life at home. We need everyone – from the shop floor to senior leadership – to take responsibility for creating a more sustainable business.

With this in mind, we made an important change to how we manage sustainability this year – making our Country Retail Managers also Chief Sustainability Officers for their countries. This means they are accountable for delivering our sustainability goals at the national level and for putting sustainability at the heart of the new business we're transforming Ingka Group into. They are, of course, supported by a national, as well as global, team of sustainability business partners.

Meeting customer needs for affordable sustainable living

We also made good progress at integrating sustainability into our customer offer and the way we communicate the sustainability stories behind our products in a clear and compelling way. As the largest retailer in the IKEA franchise system, reaching hundreds of millions of customers and visitors every year, I'm very excited and motivated by the opportunity to contribute towards a movement in sustainable living. Few other businesses are as well placed as IKEA – thanks to our brand, offer and reach – to contribute to making sustainable and healthy living attractive, easy and affordable for the many people. This is a big priority for us, and we aim for all our

customers to see IKEA as the brand that can support them in making a positive change. We know this is important to our co-workers, customers and the communities that host us.

Taking a stand on the issues that matter

In what can feel like an increasingly polarised world, we believe we have a responsibility to demonstrate our vision, values and commitment to inclusive growth. How we treat and care for each other is more important today than ever before, and we know that customers and co-workers increasingly look to companies like ours to drive progressive change in society. I'm so proud to see our IKEA Retail countries running local initiatives and campaigns raising issues such as LGBT+ rights, gender equality and children's rights – they are contributing to important debates and helping to create a more fair and equal world.

Going into FY20, we keep pushing forward on many fronts with a lot more to learn and achieve. I'm confident that by working together with our co-workers, our customers and communities we can achieve the IKEA vision – to create a better everyday life for the many people – because home isn't just where we live, it is the planet we all share.

Pia Heidenmark Cook
Chief Sustainability Officer, Ingka Group



ACT ~~SOON~~ ~~LATER~~ ~~TOMORROW~~ NOW

ONE HOME, ONE PLANET

The time to act is now. To achieve the IKEA ambition to become people and planet positive, we need to speed up, challenge ourselves and seek out new ideas and inspiration.

That's why we convened **ONE HOME, ONE PLANET** – a global two-day event attended by 200 thought leaders from inside and outside our business. In April 2019, participants gathered at one of our leading sustainable stores, IKEA Kaarst in Germany, to explore ideas and actions for a sustainable retail sector.

We asked leaders from businesses, start-ups, policy organisations, academia and NGOs to give their take on how we can meet the challenges and opportunities we're faced with, from unsustainable consumption, to climate change and inequality.

Everyone was able to directly contribute to our sustainability plans and share ideas and actions through co-creation working sessions. Together we explored three key questions:

- » **How do we** make sustainable and healthy living a desirable choice that's affordable, attractive and accessible for as many people as possible?
- » **How do we** become circular and climate positive?
- » **How do we** move from inequality to being truly fair and equal?

During the two days, we discussed how we can take action to create a movement to increase the scale and speed of the transition to sustainable living and how we can work with partners to better understand the impact of sustainable living.

Attendees challenged us to develop more circular solutions and ways of working in order to connect communities and enable people to live more sustainably, reduce waste and reuse resources. We explored how we can go further to develop our commitments to support refugee inclusion and social entrepreneurs.

We also showcased some exciting projects and partnerships, such as those on renewable energy, behaviour change and circular urban farming.

ONE HOME, ONE PLANET is an important milestone in accelerating our people and planet positive activities. We'll bring leaders together again to continue the work at IKEA Greenwich in London in FY20.



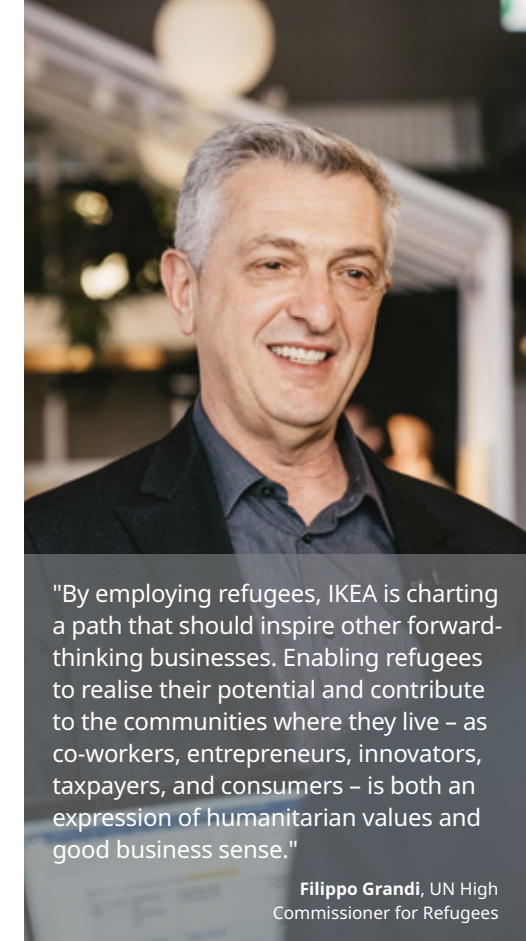
"People come to an IKEA store to be inspired. That's an incredible opportunity and responsibility that IKEA has to influence the way people think and to inspire optimism. IKEA has to be the example of efficient use of resources and efficiency. The past reputation of IKEA was quite the opposite – it used to be buy, use, dispose – and that is a reputation that IKEA must completely transform. It should become the global icon for circularity."

Christiana Figueres, Founding Partner, Global Optimism. Former Executive Secretary of United Nations Framework Convention on Climate Change, 2010-2016



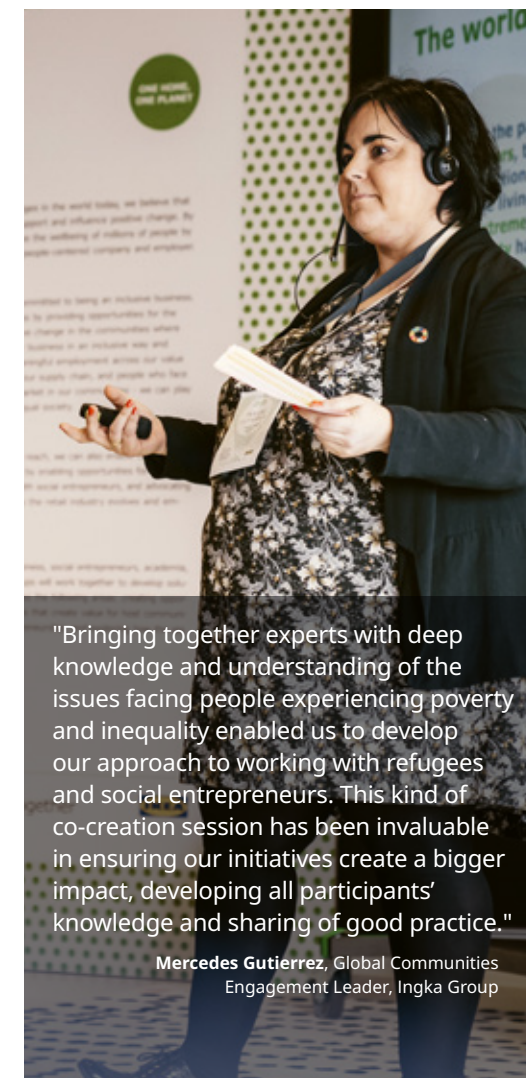
"What will make the difference is leadership and action. We start with ourselves and take a big responsibility to lead and inspire others with bold actions and learnings, so that we do even better tomorrow."

Jesper Brodin, CEO, Ingka Group



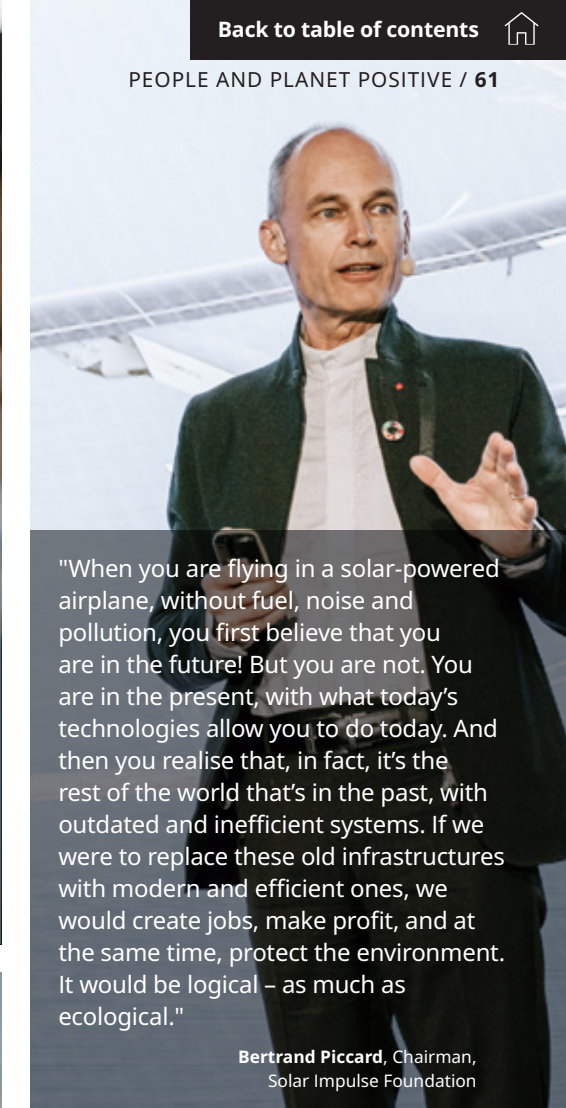
"By employing refugees, IKEA is charting a path that should inspire other forward-thinking businesses. Enabling refugees to realise their potential and contribute to the communities where they live – as co-workers, entrepreneurs, innovators, taxpayers, and consumers – is both an expression of humanitarian values and good business sense."

Filippo Grandi, UN High Commissioner for Refugees



"Bringing together experts with deep knowledge and understanding of the issues facing people experiencing poverty and inequality enabled us to develop our approach to working with refugees and social entrepreneurs. This kind of co-creation session has been invaluable in ensuring our initiatives create a bigger impact, developing all participants' knowledge and sharing of good practice."

Mercedes Gutierrez, Global Communities Engagement Leader, Ingka Group



"When you are flying in a solar-powered airplane, without fuel, noise and pollution, you first believe that you are in the future! But you are not. You are in the present, with what today's technologies allow you to do today. And then you realise that, in fact, it's the rest of the world that's in the past, with outdated and inefficient systems. If we were to replace these old infrastructures with modern and efficient ones, we would create jobs, make profit, and at the same time, protect the environment. It would be logical – as much as ecological."

Bertrand Piccard, Chairman, Solar Impulse Foundation



"We live in the best time we have ever lived in. We have horrible problems to fix but to do that, we need to know where we are today. We have to change the way we look at the facts and the world around us; we need to be humble and curious and find fact-based solutions."

Anna Rosling Rönnlund, Vice President and Founder Gapminder, founder Dollar Street, co-writer of the book *Factfulness*.

You can read more about responsible sourcing, home furnishing suppliers, product design, product safety and other related topics on [about.ikea.com](https://www.ikea.com/about).

Healthy and sustainable living

We will make healthy and sustainable living a desirable choice that's affordable, attractive and accessible. Today the world's natural resources are being used at an unsustainable rate, and this increasingly impacts people, communities and ecosystems. It also affects the long-term future of the IKEA business, giving us even more reason to play our part in addressing this challenge.

We know that most people want to live more sustainably but not at the expense of price, quality or convenience. They would like us to make it easier for them, and we have a great opportunity to do so, with our scale and influence, the IKEA range of products, our knowledge of life at home and our hundreds of millions of customer interactions. With 839 million store visits and 2.6 billion web visits each year, we reach a huge audience.

We believe that living more sustainably makes life better and should not be a luxury for the few. That's why sustainability is one of the IKEA Democratic Design principles alongside form, function, quality and a low price. Helping all our customers enjoy a sustainable and healthy life at home will be good for our business, good for the planet and good for the many people.

In FY19, we:

- » **Updated our approach** to in-store and online communication and information to highlight the

sustainability aspects and benefits of IKEA products.

- » **Engaged almost 60,000 customers** around the world to adopt more sustainable everyday habits through our IKEA Better Living app.
- » **Launched 10 new** plant-based recipes that are good for our customers' health and reduce greenhouse gas emissions, compared with meat alternatives.
- » **Tested urban farming** at two stores to produce salad greens and herbs for our IKEA restaurants that are fresher and have a lower carbon footprint, compared with conventional production.
- » **Launched our Learning Lab** at IKEA Greenwich to inspire customers about sustainable living.

The products we sell are supplied by Inter IKEA Group. From responsibly sourced certified tea and coffee in our Swedish Food Markets and IKEA Restaurants to products that help customers recycle waste and become more energy efficient, there are lots of inspiring sustainability stories behind the IKEA range. You can read more about responsible sourcing, home furnishing suppliers, product design, product safety and other related topics on [about.ikea.com](https://www.ikea.com/about).

Together with Inter IKEA Group, we're developing a measurement framework to enable us to track and report progress against our 2030 ambition.

Our ambition and focus areas

Our ambition for 2030 is to inspire and enable 1 billion people to live a better life within the limits of the planet. We will focus on the following commitments:

- » **Creating a movement in society** around better living.
- » **Promoting circular** and collaborative consumption.
- » **Enabling and inspiring people** to live healthier, more sustainable lives.



IKEA 365+
Food container with lid
€3.99

A better world starts at home

It's possible for all of us to take simple and affordable steps at home that make a difference – to the planet and to our own well-being.

The IKEA home furnishing range, developed and supplied by Inter IKEA Group, is designed according to the five dimensions of Democratic Design: form, function, quality, sustainability and a low price. This means building sustainability into how the products are made – such as the choice of materials – and in some cases how they're used – such as functions that enable people to save water or energy.

As the largest IKEA retailer in the IKEA franchise system, we have a big opportunity to demonstrate how the IKEA range can enable healthy and sustainable living and to offer services, inspiration and knowledge to help make sustainable living a reality.

Our research shows that the majority of people want to live more sustainably but don't know what action they can take.

Our research shows that the majority of people want to live more sustainably but don't know what action they can take and there is growing interest in how products are made and sourced.

We want to show that more sustainable options are accessible and affordable to everyone and to inspire customers to make changes in their everyday lives that benefit people and the planet.

We do this through a wide range of channels and interactions, including: highlighting the sustainability stories behind our products and services; inspiring and engaging our customers and co-workers to make small changes; and enabling communities to come together and share sustainable living tips and ideas with each other.

Communicating sustainability in-store and online

During FY19, we trialled a new communications approach at our stores in Austria, highlighting products with strong sustainability credentials. This included adding sustainability information and

icons to our brochures, website, IKEA Family communications, newsletters, room sets and product labels. The results of the test show that there is interest in the sustainability aspects of products as mobile shoppers were 5% more likely to purchase a product featuring a sustainability icon, and overall sales of highlighted products increased.

We're using the results, together with those from similar tests in other countries, to develop a communications approach that will highlight the sustainability aspects and benefits of IKEA products and services in a consistent and impactful way. This will be implemented across all countries in FY20.

Using the findings of research with customers, we'll also develop tailored room settings in each country, designed to inspire customers on the most relevant and appealing aspects of low carbon living. This is another way we can meet customer needs for inspiration and ideas on simple, achievable sustainable living choices.

Engaging and inspiring customers and co-workers

We're using our stores, websites and advertising to engage co-workers and customers on sustainable living, see examples on page 65. Every year, our stores and Ingka Centres meeting places host sustainability events, workshops and trainings for customers and co-workers. According to our co-worker survey, I Share, 80% of our co-workers feel they actively contribute to IKEA taking care of people and the planet.

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IKEA Greenwich leads the way

Our new Greenwich store in London is putting sustainability at the heart of the IKEA experience. Through events, shared spaces and information, we're supporting customers to make sustainable and healthy choices – while providing new spaces for local people to meet, share, learn and shop.

One of the most exciting features at IKEA Greenwich is the Learning Lab, where customers can explore how to reuse, refresh and prolong the life of their products. In this fully equipped space, customers can join regular, hands-on craft and maker sessions with local experts. During these inspiring sessions, they may learn how to install, repair or upcycle their IKEA products or how to make new, useful items for the home from materials that might otherwise have become waste.

In the first seven months, there were 267 workshop sessions, and 1,766 customers got involved. Ninety-six percent of participants said they loved the workshop they'd attended, and 75% said they would definitely use the skills they had learnt at home.

Throughout the store, information boards, displays and room settings provide easy-to-digest information on sustainability and our products, helping customers to make informed choices.

"The changes at Greenwich are all part of our Leading Sustainable Store concept, through which we're developing new ways to help customers to lead more sustainable and healthy lives. We want to help bring about a circular economy, where products aren't just used and discarded. Innovations such as the Learning Lab will play an important part in this transition."

Hege Saebjornsen, Country Sustainability Manager, IKEA Retail UK & Ireland

Upstairs there's a roof garden with views of London and a pavilion with two large event spaces. Both can be used for free to hold local events, classes and meetings, or informally for people to socialise, study and work. Thirty-six different community groups used the

space in the first five months after the store opened.

We'll be using what we've learnt from IKEA Greenwich and our Learning Lab pilot to introduce similar changes at our other stores.

Feedback from our customers:

- » It's a perfect way to learn new skills, to learn about protecting our planet and also make new friends.
- » It was just excellent, I can't wait to come again, love the learning lab space, it's a truly inspiring area.

Our greenest store yet

Behind the scenes, our Greenwich store is more sustainable too. From the moment you enter, it feels a little different.

Lighter and brighter, the building design makes use of large windows, skylights and sun pipes to bring in more daylight – reducing energy bills and creating a pleasant place to shop.

On a sunny day, the store's large solar array generates more electricity than the store uses. Ground source heat pumps cover 60% of the store's heating and hot water needs, and it also uses 100% LED lighting, rainwater harvesting and renewable materials. To encourage visits by public transport, we've made it easy and affordable for customers to have their products delivered home.

It's one of just a few hundred buildings worldwide, and the first retail building in the UK, to achieve the BREEAM Outstanding rating. Read more on www.breeam.com.



Life of an icon: The POÄNG chair

► **A new short film** is helping to inspire, inform and engage our co-workers on sustainability. Using virtual reality, it immerses our co-workers in the story of the POÄNG chair, following it from the timber's origins through to the customer's home.

All the little things

► **A campaign at Ingka Centres** meeting places in Sweden and Finland encouraged everyone to make small changes to help look after our planet. Visitors to the centres took part in second-hand clothes sales, learnt how to grow their own vegetables, found out about sustainable living products on sale at IKEA and heard from inspiring speakers.



Black Friday that makes you think

► **Our research in Poland** found that many people store old belongings that they no longer use – many of which could be repaired, upcycled or donated. Based on this insight, our Black Friday campaign for 2018 asked customers to think before they shop and to ask themselves – can I do something useful with the things I already have? A dedicated webpage included ideas for how to make possessions useful again. It received almost 70,000 visits during Black Friday. See www.IKEA.pl/przydanie

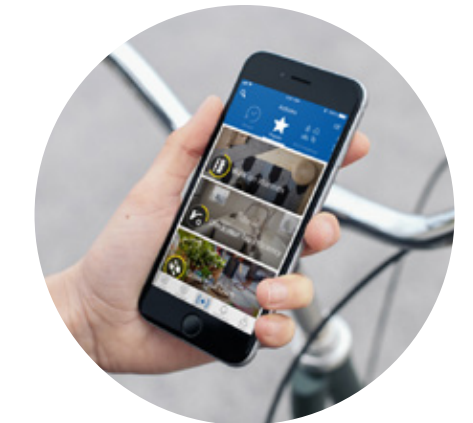


Sustainable Living Festival Beijing

► **Customers young and old** were able to try out sustainable living solutions, watch a sustainable fashion show and attend talks at our Livat Beijing meeting place and IKEA Beijing store. They could also redeem discount coupons for products that support healthy and sustainable living.

App helps customers make savings

► **Our IKEA Better Living app** helped almost 60,000 customers around the world to save 1,500 tonnes of carbon, 101 tonnes of waste and 3 million litres of water by making small and simple changes, logging their progress and competing against friends. It was part of our global A better world starts at home campaign, see page 17.



Maintain, upgrade, repair at IKEA Norway

► **The simple act** of regularly tightening the screws on your IKEA furniture can help products last longer. This was the message in a customer campaign in Norway on Black Friday that encouraged customers to take care of their IKEA furniture. The IKEA Norway website also featured tips on how to maintain and upgrade older furniture.



Promoting circular consumption

Our customer research shows that many people feel bad about throwing things away. They often want to repair, reuse or recycle but lack the time, knowledge or energy to do so.

We're exploring new solutions to make circular consumption more convenient and relevant for our customers. For example, we're testing the potential for furniture leasing, see page 33, launching take-back and buy-back schemes and helping customers repair, reuse and recycle old furniture or give it a second life through reselling.

IKEA furniture from IKEA customers in our As-Is areas too – providing a useful service for customers and helping to extend the life of products and materials.

In FY19, six Ingka Centres meeting places in Russia collaborated with tenants on a circularity campaign, running events to encourage visitors to reuse, share, recycle, upcycle and repair items, along with talks about circular principles. The campaign will now be rolled out to Ingka Centres meeting places in China and Poland.

Our stores sell unused returned products through our As-Is areas; 38 million products were sold this way in FY19, see page 80. In many stores, we offer second-hand used

A second life for your old IKEA furniture

IKEA Retail Canada is testing whether a buy-back and re-sell service can help create a more sustainable and affordable shopping experience for Canadians.

► **The service enables customers** to apply to sell their gently-used IKEA products back to us, in exchange for store credit, with the aim to give products a second life through resale or donation. It also remade its famous advert from 2002, which showed someone discarding an old lamp and replacing it with a new IKEA one. The 2019 version shows how the discarded lamp actually found a new and happy home – and ends by encouraging everyone to reuse.



IKEA stores grow their own lettuce

We know many of our customers like to grow their own fruit and vegetables. What if we could do the same?

► **Global food production** is responsible for up to one-third of greenhouse gas emissions¹ – so cutting the carbon footprint of the food we eat has never been more important. That's why we're testing small-scale urban farms, exploring whether we can become self-sufficient in some of the fresh produce we use in our IKEA restaurants. The potential benefits of healthier food are significant, from fewer emissions to less waste.

In FY18, we grew our own herbs and lettuces in small-scale urban farms in Sweden and Switzerland. In FY19, we extended the tests, installing medium-scale container farms with romaine and frisée lettuces outside the IKEA Malmö and IKEA Helsingborg stores in Sweden. The farms use hydroponic technology and operate in a circular way, with food waste from the store used to create a nutrient solution to feed the lettuces.

The early results are promising. We produced enough to supply the in-store restaurants with all the lettuce they need. Since they're grown onsite, the lettuce can be used almost straight away, meaning they're fresher, tastier and contain more nutrients. They also grow faster, with less water and waste than conventional farming and without the use of pesticides and herbicides. A life-cycle assessment shows that when the urban farm is powered by renewable energy, the carbon footprint of the lettuce is 30% smaller than the ones we would usually use. We'd like to extend urban farming so that we become self-sufficient in herbs and lettuce across all our store restaurants.

The main challenge is that our produce is currently more expensive than a conventionally farmed alternative. We've already made progress on reducing these costs, and we're continuing to find ways to improve efficiency. Ingka Investments has also invested in two urban farming businesses in the USA and Estonia to support development of the industry.

¹ Source: CGIAR, ccafs.cgiar.org

Good food that's good for the planet

We aim to provide healthy and sustainable food for our customers and co-workers in the IKEA Restaurants, IKEA Bistros and Swedish Food Markets.

From sustainably sourced ingredients to meat-free options and locally grown produce, we want to promote the benefits of food that tastes great and is better for the planet too. The IKEA Food range, sourced and supplied by Inter IKEA Group, includes a variety of sustainably sourced options from organic rapeseed oil to responsibly farmed seafood and certified coffee and cocoa. We're increasing the information we provide on our food and sourcing to highlight our sustainable products to customers.

"By providing delicious and attractive plant-based food, we can encourage more people to become 'flexitarians' – reducing the amount of meat they eat to lower their carbon footprint."

Catarina Englund, Innovation and Development Leader, Ingka Group

We're working to further develop our food range strategy, with the aim of offering our customers a wider range of healthy, sustainable and affordable food options in our country-specific food offers. During FY19, around half the food we sold in our IKEA stores was

sourced directly by Ingka Group and the rest was supplied by Inter IKEA Group. By the end of FY20, we expect that all the food we offer in our IKEA stores will be supplied by Inter IKEA Group and we'll no longer source food directly.

Meat-free meals

With meat production accounting for 14% of global greenhouse gas emissions¹, eating less meat is one important way we can all reduce our carbon footprint. We've offered options for our vegetarian customers for many years such as veggie balls and veggie hot dogs. Now we want to go further and encourage even more customers to enjoy plant-based dishes.

At Ingka Group, we've developed 10 new tempting plant-based recipes that look good and taste good with lower carbon footprints. Each dish, such as our Italian herb lasagne, chili sin carne and meat-free kebabs, uses plant proteins derived from ingredients like oats and peas but with a texture that's similar to meat. We've tested them in seven countries and they've proved popular with co-workers and customers. We'll now roll them out as local dishes across all of our IKEA Retail countries, with each country offering at least one of the dishes in its IKEA Restaurants.



ALLEMANSRÄTTEN
Vegetable balls, 1000g
€3.99

¹ Source: FAO, www.fao.org

Circular and climate positive

The world is facing a climate crisis that will affect the lives of many millions of people. Human activities have warmed the planet's average temperature by more than 1°C, and we're using resources at a rate equivalent to 1.75 Earths per year¹. With 1 million species at risk of extinction, we're on course for irrevocable damage to nature and ecosystems.

Climate change is already threatening lives with heatwaves, wildfires, hurricanes and flooding becoming more common. Risks to communities include extreme weather events, rising sea levels, food and resource scarcity and collapsing ecosystems. We all need to act now.

At Ingka Group, climate change is impacting our business today, and we've mapped climate-related risks and taken steps to better understand the potential future costs. These include physical impacts of extreme weather on our buildings and the rising cost of using fossil fuels.

Many of the solutions to the climate crisis already exist, but they urgently need to be deployed on a massive scale. This can offer new opportunities for job creation, innovation, economic growth and reduced energy costs.

We're taking action to reduce our direct climate impact and strive for zero waste across our own operations. We're looking for ways to reduce our indirect impact too

– for instance by enabling people to travel to our stores more sustainably and generate renewable energy at home.

We believe that if we all act together, we can build a low carbon and circular economy that secures long-term prosperity.

In FY19, we:

- » **Generated renewable energy** equivalent to 93% of the energy used in our operations, up from 81% in FY18.
- » **Committed to zero-emission home deliveries** in five cities by 2020 and reached this milestone already in Shanghai.
- » **Gave 47 million products a second life** by repacking and reselling products in stores – that's over 70% of all the products that could potentially go to waste.
- » **Phased out single-use plastic items** for serving food in our IKEA restaurants and IKEA bistros in Canada and the UK, with other countries to follow in 2020.

Our ambition and focus areas

To contribute to the IKEA ambition to be circular and climate positive by 2030.

We will do this by:

- » **Striving for zero waste** and becoming circular.
- » **Being powered by 100% renewable energy**, while increasing energy efficiency.
- » **Ensuring zero emissions from home deliveries** and aiming to reduce emissions from co-worker and customer travel by 50% in relative terms.

Our contribution to a circular and climate positive IKEA

The IKEA ambition is to be circular and climate positive by 2030¹. At Ingka Group we're going all in to contribute.

CLIMATE POSITIVE

Becoming climate positive is about reducing more greenhouse gas emissions than the IKEA value chain emits, while growing the IKEA business. At Ingka Group, we'll contribute to the IKEA climate positive ambition² by achieving our science-based emission reduction targets, see page 70.

We'll do this by:

1 Being powered by 100% renewable energy, while increasing energy efficiency. We'll ensure our business is run on 100% renewable electricity by 2025 and completely phase out fossil fuel-based heating and cooling by 2030. We want to drive decarbonisation of the electricity sector beyond our operations, making major investments in wind farms and solar power generation to grow the amount of renewable electricity in the grid. Read more about the contribution of Ingka Investments on page 38.

2 Targeting zero emissions from home deliveries and halving emissions from customer and co-worker travel in relative terms. Our ambitious plans to scale up electric vehicles and other low carbon options mean that all our home deliveries will be zero emission by 2025. We're setting up several pilots to encourage co-workers to commute in a more sustainable way, and we're developing our plans to help customers travel more sustainably too.

3 Inspiring customers to reduce their climate footprint. We're enabling customers to generate and use renewable electricity, helping them reduce their emissions at home. We're also working to reduce the climate footprint of products over their life cycles by prolonging their lives and offering customers returned and second-hand products. Find out more about our work with customers on page 62.

A CIRCULAR BUSINESS

The IKEA ambition to become a circular business by 2030³ means designing all products with circular principles in mind, using renewable or recycled materials and working with customers to keep products in use for longer.

At Ingka Group, we're contributing to this ambition by:

1 Developing circular services for customers. We're piloting new ways for customers to acquire, care for and pass on products in circular ways. By exploring furniture leasing, product take back, second-hand sales, product recovery and repair, we aim to keep resources in use for longer.

2 Striving for zero waste. Reducing operational waste is a priority, including packaging and product waste, and food waste from our IKEA Restaurants and Cafés and IKEA Bistros. We're increasing recycling rates too.

3 Switching to sustainable materials. We're switching to more sustainable materials for our non-home furnishing products like packaging and co-worker uniforms. We're investing in renewable, recyclable or recycled materials.

4 Exploring circular resource flows. Within our operations, we're looking at opportunities to reduce the use of virgin materials across our business. We're partnering with suppliers to reuse and recycle resources for non-home furnishing products like packaging and co-worker uniforms.

¹ newsroom.inter.ikea.com/Publications/ikea-sustainability-strategy---people---planet-positive/s/5b72986f-d8c5-42fe-b123-f5f9d00a17bb
² newsroom.inter.ikea.com/about-us/our-view-on-climate-positive/s/c34096a3-a06e-429b-8932-b28ff10b7827
³ newsroom.inter.ikea.com/about-us/our-view-on-inspiring-a-circular-mindset/s/b813c66f-2e9e-4bf6-bcd9-9409ab471f87

¹ Source: Earth Overshoot Day: www.overshootday.org

Tackling climate change

Our targets and plans will enable us to reduce our greenhouse gas emissions in absolute terms as we're committed to do our part to limit global temperature increases.

We support the aims of the Taskforce on Climate-related Financial Disclosures (TCFD). This year, we conducted a climate change scenario analysis and report in line with TCFD's recommendations for the first time, see page 72. We're embedding responsibility for reaching our climate goals into our business and regularly track climate footprint metrics. From FY20, Country Retail Managers, in their new roles as Chief Sustainability Officers, will oversee progress against these metrics. We also encourage all co-workers to find energy and emissions savings, see page 35.

We collaborate with others to accelerate progress on climate footprint reduction, including through the Climate Group's renewable electricity (RE100) and electric vehicle (EV100) initiatives, the World Business Council for Sustainable Development, the World Economic Forum Alliance of CEO Climate Leaders, We Mean Business coalition, Corporate Leaders Group and SolarPower Europe, among others.

Our climate footprint in FY19

Our operational emissions (scopes 1 and 2) are responsible for around 2.5% of our total climate footprint. In FY19, our scope 1 and

2 greenhouse gas emissions increased by 3.0% in absolute terms, compared with FY18. Since our climate target base year of FY16¹, our scope 1 and 2 emissions have gone up by 17.7%. We realise we need to reverse this trend in order to reach our targets. The increase in emissions is related to the growth of our business – the opening of new stores, Ingka Centres meeting places and Distribution Centres and increased visitation. We're growing in countries where there is limited access to renewable energy. While reducing emissions in absolute terms is challenging, we're continuing to focus on improving energy efficiency, generating and buying renewable electricity and retrofitting our buildings with renewable heating and cooling techniques.

The majority of our climate footprint lies in the IKEA value chain with scope 3 emissions making up 97.5% of our total footprint. In FY19, our scope 3 greenhouse gas emissions decreased by 2.9% in absolute terms, compared to FY18, and by 0.3% compared to FY16.

Our science-based targets

Our emission reduction goals are approved by the Science Based Targets Initiative, and the targets covering our operations (scopes 1 and 2) are consistent with reductions required to keep warming to 1.5°C:

- » **By 2030, reduce greenhouse gas emissions** from across all Ingka Group operations by 80% in absolute terms, compared to 2016. This covers our direct and indirect energy-related emissions (scope 1 and 2).
- » **By 2030, reduce greenhouse gas emissions** from Ingka Group customer and co-worker travel and customer deliveries by 50% in relative terms², compared to 2016 (scope 3).

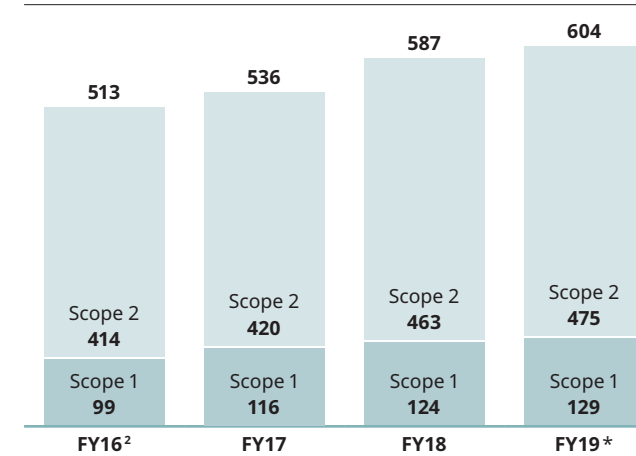
Reducing the footprint of the IKEA product range

Inter IKEA Group, which is responsible for developing the IKEA product range and supply chain, has committed to reduce greenhouse gas emissions from the IKEA value chain by at least 15% in absolute terms³ by 2030, compared to 2016. Accounting for expected growth in this period, this translates to, on average, a 70% climate footprint reduction per IKEA product. To read more, go to about.ikea.com.

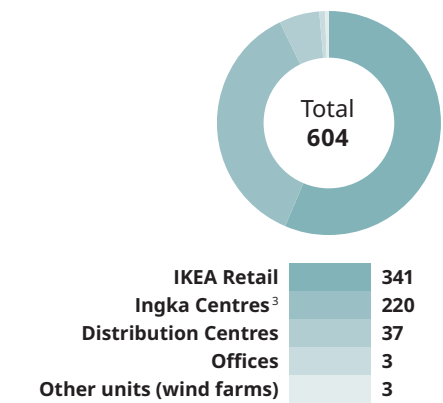


Climate footprint – Scope 1 and 2¹

(1,000 tonnes of CO₂e)

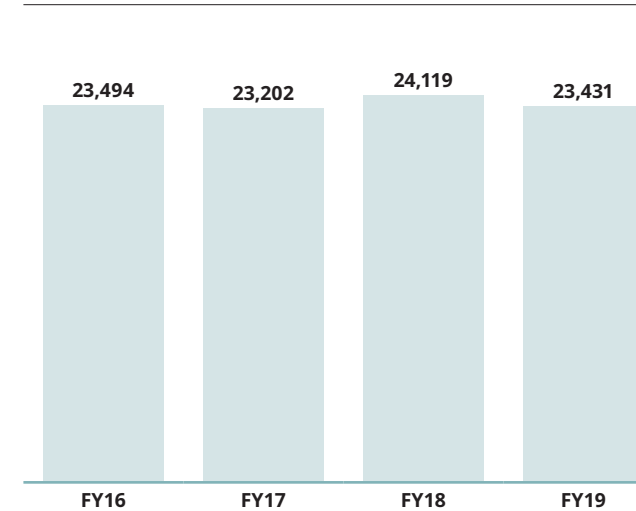


Energy-related greenhouse gas emissions from our buildings – Scope 1 and 2* (1,000 tonnes of CO₂e)

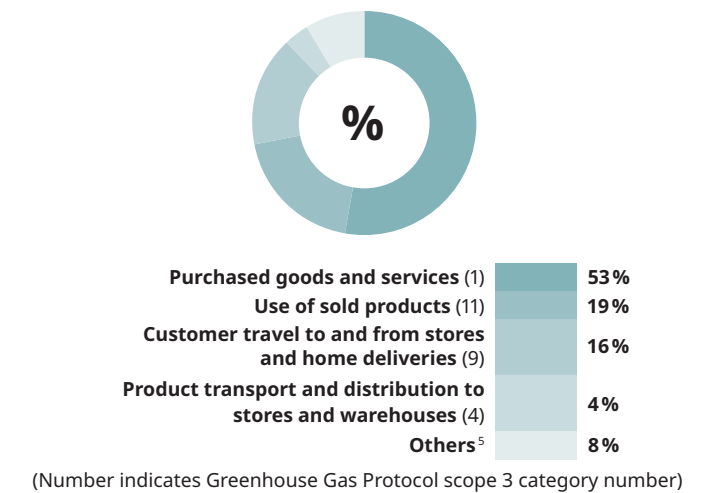


Climate footprint – Scope 3⁴

(1,000 tonnes of CO₂e)



Share of value chain emissions in FY19 – Scope 3



About our climate footprint reporting

- The external assurance scope for FY19 climate and energy data only covers our direct carbon footprint (scope 1 and 2). Data within the external assurance scope is indicated with an asterisk. Scope 3 emission data is unassured. Read more on page 93.
- Due to inconsistencies with data on gross building area in some countries, we're unable to report on carbon efficiency this year. We'll report on carbon efficiency data in FY20.
- In FY19, we performed reviews on data governance, ways of working and reporting policy. This affects the carbon footprint data we previously disclosed. For more information, see page 93. Historical climate footprint data including restatements can be found in Appendix, see page 114.

* Data included in the external assurance scope

¹ Emissions from company cars, on-site vehicles and refrigerants have been excluded for FY16-FY19, and a more consistent reporting approach will be introduced in FY20.

² Base year for Ingka Group science-based targets

³ Scope 1 and 2 emissions relate to energy used in landlord common parts and shared services.

⁴ Scope 3 data outside our external assurance scope. Restated historical data is available in Appendix.

⁵ Includes the following Greenhouse Gas Protocol Categories: Capital goods (2), Fuel and energy-related activities (not included in scope 1 or 2) (3), Waste generated in operations (5), Business travel (6), Employee commuting (7), End of life treatment of sold products (12) and Downstream leased assets (13).

¹ In FY19, we made restatements of the FY16-18 data as a result of updated reporting methods, which lowered the FY16 baseline (see Appendix).

² By 2030, we aim to halve emissions relative to the number of co-workers and number of visitors to our stores, compared to the FY16 baseline.

³ The scope includes the footprints of materials, food ingredients, product transport (excluding customer deliveries), the production at suppliers, and the use of products in people's homes.

Understanding the impact of climate change on our business

This year, we report on our approach to managing climate change risks and decarbonisation opportunities in line with the recommendations from the Taskforce on Climate-related Financial Disclosures (TCFD).

In FY19, we conducted a detailed assessment for climate-related risks and decarbonisation opportunities to understand the strategic and financial implications for our business. We then carried out a more detailed scenario analysis of financially material risks in three areas of our business: transport¹, energy and real estate.

We considered two scenarios²: global temperature increase kept below 2°C in 2030, and a global temperature increase of 4°C with impacts modelled up to 2050. The first scenario (temperature increase kept well below 2°C) enables us to better understand the risks we may face as the world transitions to a net-zero carbon economy, such as the potential financial impact of changes to policy, legislation, technology and markets expected across every sector. The second scenario (a temperature increase of 4°C) helps us

understand the physical risks of climate change to our business and operations. The results are summarised to the right.

The risk assessment helps us mitigate climate-related risks and capture decarbonisation opportunities.

We focused on our own operations and did not model the impact of climate change in our value chain. However, we believe there are also material risks to our business related to resource scarcity and damage to the ecosystems we rely on. This could affect the availability of raw materials for the IKEA products we sell, such as wood and cotton. There are also opportunities to develop our business by enabling customers to lower their climate footprint.

Our approach to managing climate-related risks and opportunities

► Governance

The Management Board of Ingka Holding B.V. is responsible for the Ingka Group Sustainability Strategy and progress against its targets, including our climate change goals. The strategy is formally decided by Management Board, considering advice from Supervisory Board. Management Board is also responsible for risk management, including sustainability related risks, supported by various boards and committees. Climate-related risk assessment is reported to the Sustainability Committee and the Risk & Compliance Committee once per year. The Sustainability Committee, chaired by our CEO, meets twice a year to define and follow up on the overarching priorities, principles and frameworks for sustainability. The Sustainability Committee reports regularly to the Ingka Group Management Board.

► Strategy

The actual and potential impacts of climate-related risks and decarbonisation opportunities are discussed on page 73.

► Risk management

Climate-related risks are integrated into the Ingka Group risk management framework. The Ingka Group Sustainability Management Team identifies and assesses risks annually, including climate-related issues. Risks are reported to the Sustainability Committee and Risk & Compliance Committee once a year. From FY19, climate-related risks have also been identified in a bottom-up process led by Country Retail Managers who log

risks and feed into the annual group risk process through the sustainability risk register.

Risks are assessed based on likelihood and impact on a five-point scale from rare and insignificant up to almost certain and critical.

The Sustainability Management Team assigns risks to risk owners within the group sustainability team and across other business functions, who are responsible for developing mitigation plans. Sustainability leaders support the risk owners with knowledge and expertise to develop mitigation plans.

In FY19, we also conducted an additional risk assessment focused on climate-related risks and decarbonisation opportunities, and we modelled the potential impacts of two climate change scenarios. We're developing plans to mitigate the risks and capture the opportunities identified in the assessment and scenario analysis.

► Metrics and targets

We've set ambitious science-based targets to reduce our scope 1 and 2 emissions in absolute terms and to reduce relative emissions from our indirect (scope 3) travel and transport footprint (see page 70).

Inter IKEA Group has set science-based targets to reduce emissions in absolute terms for the IKEA product range. We regularly track climate change metrics (see page 71).

How might climate change impact our business in a world that is below 2°C or 4°C warmer?

The scenario analysis shows that there are some major potential costs to our business from climate change. In a below 2°C scenario, our transport costs could increase by 2030 and we may need billions of euros to renovate and adapt our real estate portfolio. This highlights the need to continue our focus on energy efficiency and investments in renewable energy. In a world that's 4°C warmer, 62 buildings in China and the USA (among our top countries by sales) are potentially at risk due to storms, cyclones and floods and we could lose significant revenue as our business is disrupted.

We also identified significant benefits for our business to reduce its reliance on fossil fuels and its climate footprint. These include cost savings through energy efficiency, generating renewable energy and switching to electric vehicles.

While the below 2°C scenario is likely to bring major costs to our business, there are also more opportunities to mitigate the risks with the right investments and through the actions we've planned in our sustainability strategy. Doing so will also create a range of opportunities for higher revenue, for example, from our renewable energy investments. However, the analysis shows that the cost of inaction is too high – in the 4°C scenario, our ability to mitigate the risks is very limited and the costs for the business are far higher and more damaging.

Results of our climate change scenario analysis¹

SECTOR	BELOW 2°C IN 2030	4°C IN 2030-2050
Real estate	<p>RISKS: Billions of euros of investment required up to 2030 to reduce energy intensity in our buildings to meet future regulations.</p> <p>OPPORTUNITIES: Reduced real estate operational costs as a result of investments in energy efficiency, renewable heating and cooling and on-site generation of renewable electricity.</p>	<p>RISKS: 1) 62 buildings in our top countries by sales potentially at risk from climate change in 2050. 2) Potentially billions of euros of revenue losses from business interruption due to factors including high temperatures, increased precipitation and extreme weather events like tropical cyclones.</p> <p>OPPORTUNITIES: 1) Increase climate resilience measures for our buildings. 2) Consider the risk assessment results in our expansion strategy and where we locate new buildings.</p>
Energy	<p>RISKS: Increased regulation leads to stronger energy efficiency requirements for buildings that reduce energy consumption, as well as a switch from fossil fuels to renewable energy. Up to 39% energy cost increase.</p> <p>OPPORTUNITIES: 1) Increase in revenue from our off-site and on-site renewable electricity investments, see page 75. 2) Reduced heating and cooling costs from using efficient renewable technologies</p>	<p>No analysis was performed for energy in the 4°C scenario.</p>
Transport ²	<p>RISKS: 1) Under the assumption of constant business volumes, overall transportation costs would increase by 20% by 2030. 2) Transition to a low carbon economy leads to an increase in fuel prices through regulatory changes such as increasing vehicle efficiency standards.</p> <p>OPPORTUNITIES: 1) Avoid disruption and rising costs by reducing dependency on conventional road transport. 2) Partner with forward-thinking suppliers to develop innovative solutions for zero-emission transport.</p>	<p>RISKS: A 13% increase in transport costs in 2030, rising to a 33% increase in 2050, due to growing costs of maintaining transport infrastructure.</p> <p>OPPORTUNITIES: Partner with others to increase resilience of transport infrastructure.</p>

¹ For transport in the scope of Ingka Group – transport from warehouses to stores and home deliveries to customers.

² Our scenarios were based on the following models: **Below 2°C scenario** – International Energy Agency, Energy Technology Perspectives 2017; **Below 2°C scenario** – International Energy Agency, World Energy Outlook 2018; **4°C scenario** – Intergovernmental Panel on Climate Change, Fifth Assessment Report (AR5) 2014. There is currently no available International Energy Agency model for 1.5°C.

¹ The analysis in these scenarios was primarily based on FY18 data, therefore % changes are based on an FY18 baseline. For the risks analysis we based this on our business as it was in FY18, without implementation of our sustainability strategy by 2030. For the opportunities and risk mitigation we've based this on the plans we've set out in our sustainability strategy, including goals to be achieved by 2030.

² For transport in the scope of Ingka Group – transport from warehouses to stores and home deliveries to customers.



All in for renewable energy

We believe the future of energy is renewable, and we've invested heavily in wind and solar power over the past decade.

Being powered by renewable electricity and using renewable heating and cooling, is critical to meet our science-based emission reduction targets. However, we want to go far beyond our own operations and help to accelerate a global transition to renewable energy.

Investing in renewable energy
In FY19, we generated renewable energy equivalent to 93.4%¹ of the energy used in our operations, up from 81% last year. Our recent investments in wind and solar power put us on track to exceed our 2020 target to generate more renewable energy than the energy we consume.

Since 2009, we've invested close to EUR 2.5 billion in wind and solar power, helping to grow the amount of renewable electricity in the grid. We own and operate 31 wind farms in 14 countries, including a new investment in Romania in FY19. Read more about our investment portfolios on page 39. We also have 920,000 solar modules on our sites. Our total renewable energy generation from wind, solar and other renewable sources was 3,151 gigawatt-hours (GWh).

We generated renewable energy equivalent to 93% of the energy used in our operations.

Using renewable electricity
Sixty-six percent of the electricity we used worldwide in FY19 was from renewable sources. This includes 8.4% from our own solar electricity generated at Ingka Group sites. For the rest, we use renewable electricity credits from the wind farms we own and operate. In countries where that's not possible, we buy credits from others to increase overall demand for renewables. By using

electricity with lower emission factors, such as renewable electricity, the climate footprint of our operations (scope 2) was 45.8% lower than if we had purchased the average electricity mix available in the countries where we operate, see page 115. Our position on renewable electricity governs our approach in each country, see box below.

As a next step, we're committed to consuming 100% renewable electricity across all the countries where we operate by 2025. Through IKEA Energy Services, we're enabling our customers to generate and use renewable energy at home too (see page 32).

We'll consume 100% renewable electricity in all of our buildings by 2025.

Renewable heating and cooling
We're switching from fossil fuels to renewable technologies, such as ground and air source heat pumps and biogas or biomass boilers. In FY19, almost half of our sites had renewable heating and cooling systems installed, sometimes in combination with other technologies.

We're aiming for 100% renewable heating and cooling across all our buildings by 2030, and in FY19, we developed road maps to reach this goal in every Ingka Group country. All new buildings approved after 2020 will use renewable heating and cooling systems.

We're working with others to develop solutions enabling us to retrofit hundreds of existing stores, shopping centres, offices and Distribution Centres. Last year, we worked with members of the European Heat Pump Association to evaluate the latest technologies, discuss challenges and find ways forward. We're sharing our findings to help other retailers accelerate their transition away from fossil fuel systems.

Improving energy efficiency

Energy efficiency is an opportunity to reduce our climate footprint, cut costs today and protect us from rising energy costs in the future.

This year, we asked every Ingka Group country to develop energy action plans for 2020. We've approved EUR 40 million worth of investments in energy-saving projects as a result.

Tools include switching to LED lights and relying on more daylight, improving insulation and using energy recovery from heating and cooling.

Our "energy staircase", a toolkit of energy efficiency measures, helps our store and facility managers to identify and measure savings. Some of the tools include switching to LED lights and

relying on more daylight, improving insulation and using energy recovery from heating and cooling. Our newest stores showcase these technologies and achieve significant savings. IKEA Greenwich, for example, is 80% more energy efficient than building standards required at the time. In FY19, our LIVAT Wuxi meeting place was recognised as the "National Green Mall 2018" by the Chinese Ministry of Commerce for its use of sustainable technologies and facility management practices. Due to inconsistencies with data on gross building area in some countries, we're unable to report on energy efficiency this year. We will report on energy efficiency data in FY20. Every co-worker can find opportunities to save energy. Read more on page 35.

Our renewable electricity approach

We have a three-part approach to achieving our goal of 100% renewable electricity consumption, in the order presented below. This hierarchy enables us to prioritise approaches that have the most direct impact on the development of the renewable electricity market.

- **Onsite:** We prioritise onsite renewable electricity generation and consumption, e.g. solar.
- **Offsite:** If we can't generate sufficient renewable electricity onsite, we aim to generate the equivalent amount of renewable electricity offsite. We invest directly in renewable electricity generation offsite, and use all or some of our renewable electricity certificates to cover our consumption.
- **Purchase from a third party:** When the onsite and offsite approaches aren't possible or don't enable us to cover all electricity consumption, the third option is to purchase renewable electricity from a supplier, including renewable electricity attributes certificates. While this doesn't directly add or finance new renewable energy capacity, it indirectly incentivises renewable energy suppliers to increase their capacity by adding more market demand.

¹ If sub-metered tenant consumption was not included, generated renewable energy would be equivalent to 112% of consumption.

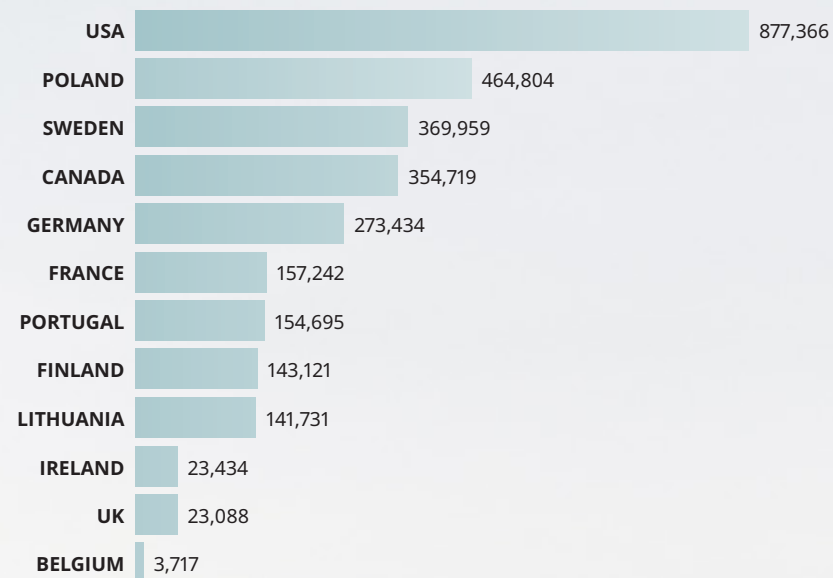
Total energy (electricity, heating and cooling) use and share of renewable energy FY19

	Total energy use (MWh)	Renewable energy use ¹ (MWh)	Non-renewable energy use (MWh)	Share of renewable energy as % of total use
IKEA Retail	1,853,736	1,196,417	657,319	64.5
Distribution Centres	259,737	144,845	114,891	55.8
Ingka Centres ²	664,821	38,733	626,087	5.8
Offices	30,465	19,914	10,552	65.4
Other units (wind farms)	8,134	4,122	4,012	50.7
Total	2,816,893	1,404,031	1,412,862	49.8

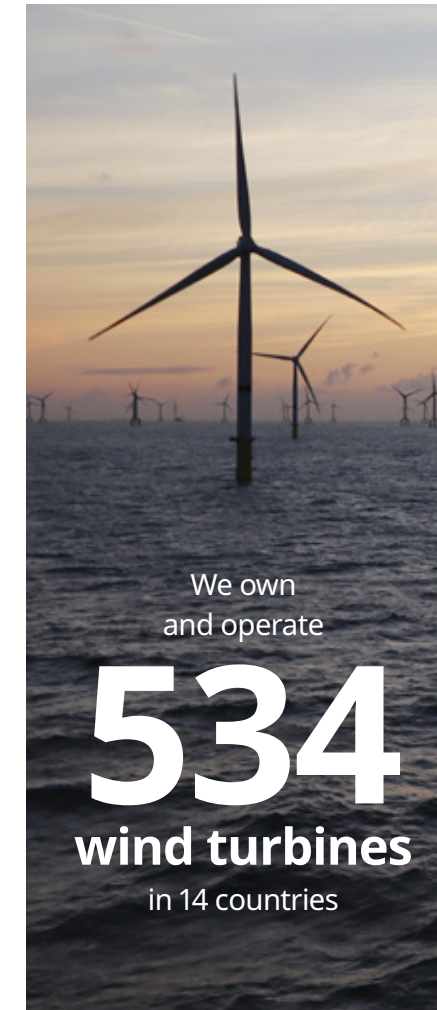
Renewable energy generation by type (GWh)

	FY17	FY18	FY19
Electricity from wind	2,264	2,559	2,984
Electricity from solar photovoltaic modules	124	155	167
Heat from renewable sources (biomass heat, solar water heating, geothermal)	44	44	n/a
Total (GWh)	2,432	2,758	3,151

Electricity generated from Ingka Group wind power investments by country³ (MWh)



¹ Purchased certified renewable electricity and district heating, and renewable energy generated and used on-site.
² Excluding submetered tenant consumption. Data not comparable with FY18 data due to changes in our reporting approach for Ingka Centres.
³ Not including Denmark (1,137 MWh) and Romania.



66% of electricity we use is from renewable sources

We have **920,000** solar modules on our sites





Tackling emissions from travel and deliveries

Around 15% of our emissions come from customers travelling to and from our stores, co-worker travel and last-mile delivery of products to customers' homes.

Our work on sustainable mobility helps us manage risks to our business from low-emission zones, road tolls for fossil fuel vehicles and diesel bans.

Low carbon travel for customers and co-workers
Reducing emissions from people travelling to our stores and centres is a significant challenge. We're developing our plans and learning our customers' travel needs so that we can develop affordable, convenient and low carbon solutions.

In FY19, we carried out research in the USA with both customers and co-workers to better understand how they travel to stores and what they need in order to use more sustainable travel options. We also held workshops with younger consumers in inner cities to understand their needs. We're using the results of our research to develop plans to halve relative emissions from customer travel by 2030.

New city formats, including in London, Paris and Shanghai, enable customers and co-workers to reach us by public transport, bike or on foot. We're making it easier to charge electric vehicles, with charging points at 82% of our stores and 62% of Ingka Centres in FY19. We'll provide access to electric vehicle charging stations at all our locations by 2020.

We're making it easy for customers to charge their electric vehicles with electric vehicle charging stations at 82% of our stores in FY19.

Our co-workers took 27% fewer business flights in FY19, compared with FY18, and virtual meetings increased by 11%. We're also committed to ensure that all owned, leased and shared vehicles in our fleet are electric or zero-emission by 2025.

Towards zero-emission home deliveries
As customers shop more online, emissions from home deliveries will grow to be a bigger part of our climate footprint. Deliveries also contribute to increased air pollution and congestion in cities. To tackle this, we aim to have only electric or other zero-emission home deliveries by 2025 in all our countries, and also find new ways of working to reduce congestion.

We're targeting 100% electric or emission-free home deliveries in all Ingka Group countries by 2025.

We don't have our own delivery fleet but partner with transport providers to switch to electric vehicles and find zero-emission alternatives.

In total, around 4.8% of our deliveries were made using electric or zero-emission vehicles in FY19 – double the amount in the previous year. This was despite the total volume of deliveries increasing by 14%. But we're still a long way from our goals, and we face challenges such as high initial investment, lack of charging infrastructure and the availability and performance of vehicles.

Despite these challenges, we've achieved 100% delivery by electric deliveries in Shanghai one year ahead of our goal (read more on page 22), and we're working hard to apply what we've learnt in other locations. We've deployed electric vehicles in 14 Ingka Group countries now, with more markets ready to follow. We know the solutions are available, and we need to work together with others to achieve these ambitious goals.

We're investing in charging infrastructure for customers and co-workers to use in every Ingka Group country and supporting several transport providers to develop new electric van and truck technologies. We're also partnering with others as a founding member of EV100, a global coalition to promote electric vehicles.

Striving for zero waste and using resources in a circular way

We're always looking for ways to reduce waste, increase recycling, use fewer resources and apply circular principles across our business.

Most of the waste we produce comes from our IKEA Retail operations, and around half of it is packaging material. The rest is product waste, food waste and other operational waste like light bulbs. We prioritise actions to prevent, reduce, reuse and recycle waste – landfill is always the last resort. Some waste is incinerated for energy recovery.

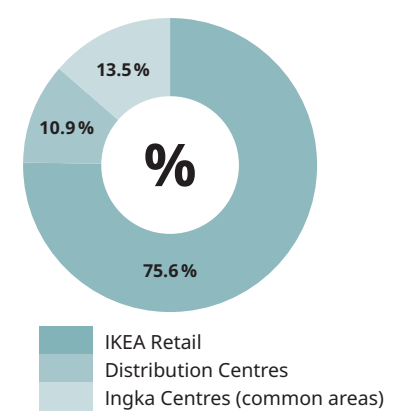
We're exploring new ways to reduce product waste as every item that isn't wasted is one less to be produced and transported to our stores. We're working with partners to develop circular resource flows and to start measuring and reducing use of virgin materials across our operations.

In FY19, we continued to work with others to build a circular economy, for example at the World Circular Economy Forum 2019 in Finland. We explored circular economy principles with other retailers at a workshop convened by the European Commission in Brussels.

Recycling and reusing waste
We produced 5% less waste across our operations in FY19, reversing the trend from previous years. The amount of waste we recycled increased to 71% in FY19, up from 67% in FY18.

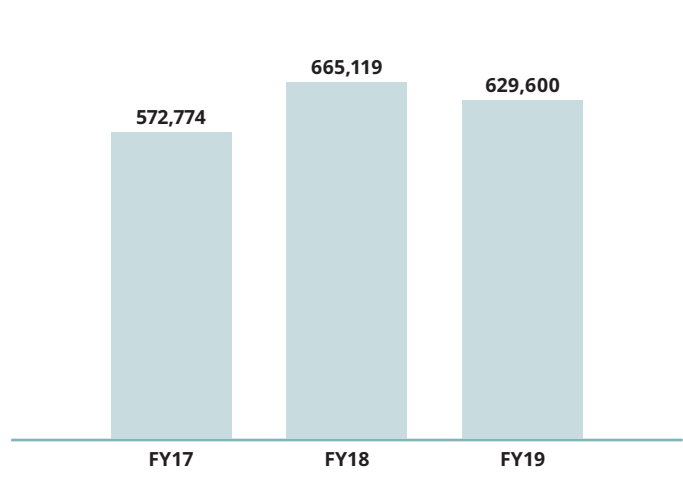
Investments to improve waste reporting systems have resulted in better quality waste data collected across our sites this year. We began tracking waste data every month and sharing results with sustainability managers in each country. More regular data reports and benchmarking between sites help store managers to spot issues and find solutions quickly. ▶▶▶

Waste produced by business unit FY19 (% of total)¹

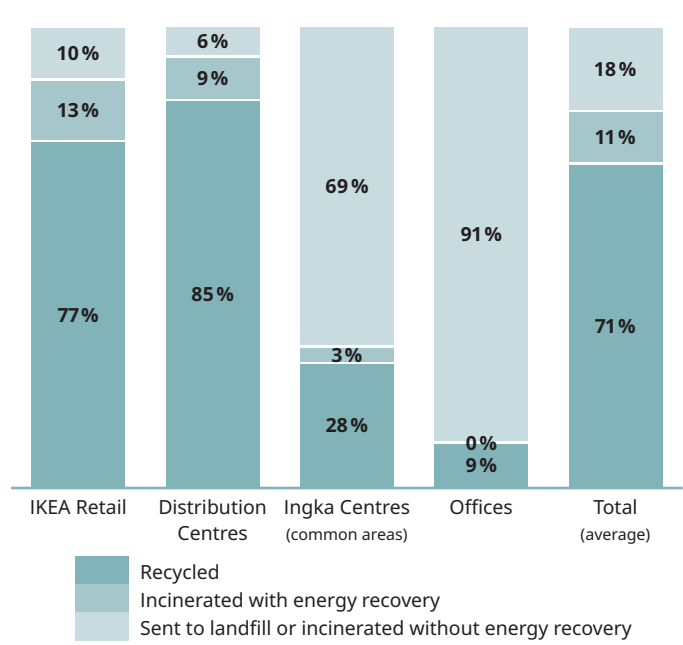


¹ Due to a recalculation of waste generated in our Ingka Centres meeting places for FY17-18, we have restated waste data for these years. Restated data and a detailed breakdown of waste produced per business unit is available in Appendix.
² Not including offices (<0.1%).

Total waste produced (tonnes)²



Waste disposal by business unit (%)





In FY19, IKEA stores in Russia competed to increase recycling rates and achieved a collective recycling rate of 68%, up from 63% in FY18. Better waste sorting, co-worker engagement and food waste recycling paid off, with winning teams rewarded with a trip to IKEA Warsaw in Poland to learn about leading sustainable practices.

Increasing recycling rates at Ingka Centres is challenging because much of the waste is mixed consumer waste that tends to be contaminated and harder to sort and recycle. In some countries, the lack of recycling infrastructure makes it difficult for both businesses and consumers to recycle more.

At 14 of our Ingka Centres meeting places in Russia we've installed waste sorting facilities and launched incentives with prizes like concert tickets to encourage visitors to sort waste for recycling.

We successfully gave 47 million recovered products a second life.

Preventing product waste

Some of our products are taken off display in store, returned by customers or damaged in transit before they reach the IKEA store or on the way to customers' homes.

Recovering products that go back into our stock or are sold at a discount, instead of being wasted, is an important part of our efforts to move to more circular resource flows and save raw materials.

In total, 65 million products were returned or damaged in FY19, and we saved three quarters of them – 47 million – from going to waste. We weren't able to recover 18 million products that were damaged, lost, expired or returned by customers. This means our recovery rate improved by 2% compared to last year.

We know there's always more we can do to prevent product waste and we're tackling it across our business by:

- » **Repairing and repacking products** to go back on the shelf. Our dedicated product recovery teams in stores repacked 9 million products in FY19 – 300,000 more than last year.
- » **Giving store display, end of range and returned products a new home** through the As-Is area in stores. Customers love the discounted items, and 38 million products were resold in FY19 – that's 3 million more than in FY18.
- » **Providing a range of options for customers and co-workers to get spare parts** so products can more easily be repaired, with around 70% of stores now benefitting from a better spare parts system.

Fighting food waste

Every year, we serve meals to many millions of people across our stores. We're fighting food waste, and we're aiming to halve our food waste from IKEA Restaurants and Cafés, IKEA Bistros and Swedish

Food Markets by the end of August 2020. In FY19, many stores continued to weigh every bit of food thrown away in the kitchens to find ways to cut waste. Stores in Russia and Poland began weighing food waste this year, and now we have 68% of our stores worldwide doing so. It has saved 1.5 million kg of food from being wasted in FY19 – equivalent to 6.5 million kg of greenhouse gas emissions.

Phasing out single-use plastic

We're making progress towards our goal to phase out all single-use plastic items, like straws and cutlery used for food. In FY19, our IKEA Restaurants and IKEA Bistros in the UK and Canada stopped their single-use plastic habit. We're using alternatives like wooden cutlery and paper straws from sustainably managed forests. From January 2020, we'll replace all single-use plastic items such as straws, cups, cutlery and plates with alternatives made from renewable materials¹.

One remaining challenge is the inner coating of single-use cups – the only commercially available cups contain a thin plastic coating, made from materials from renewable sources, for food safety reasons and we're continuing to explore better solutions. Inter IKEA Group, which develops and supplies the IKEA range we sell, is also phasing out all single-use plastic from the product range.



Managing water resources

We aim to use water efficiently in our business and in FY19 we continued to use harvested, reused or recycled water wherever possible. We use water-saving technologies at our current sites and when we design new sites. For example, rainwater harvesting tanks and water-efficient fittings at the new IKEA Greenwich store halved the store's water use. Total water use decreased by 1.2% in FY19. Water use in our stores decreased by 1.9%, in spite of an increase in the number of stores during the year, while Ingka Centres' water use increased by 1.2%.

Water use by business unit (m³)¹

	FY17	FY18	FY19
IKEA Retail	5,346,839	6,009,125	5,862,693
Distribution Centres	264,567	270,602	270,729
Ingka Centres (common areas)	2,463,212	2,480,484	2,539,254
Offices	42,109	69,029	48,628
Total	8,116,728	8,829,240	8,721,304

Being a responsible buyer

Beyond the home furnishing products designed and supplied by Inter IKEA Group, we also buy goods and services from thousands of other suppliers, including for construction, delivery, IT and food.

The size of our business means we can use our scale to secure more sustainable sources. The IKEA supplier code of conduct, IWAY, sets out our social, ethical and environmental requirements, see page 84.

Going circular in our supply chain

In FY19, we continued to work with our suppliers for non-home furnishing materials like packaging, IT equipment and construction materials to find more resource conscious and circular solutions, such as:

- » **Closing the loop** so that thousands of tonnes of waste cardboard at 24 IKEA stores in China is sent back for recycling by the paper factory that supplies IKEA packaging.
- » **Reusing over 10,000 IT products** that were refurbished and resold or partly recovered, instead of wasted, together with our IT supplier.

- » **Exploring a circular economy approach** for co-worker uniforms.
- » **Buying more renewable materials** as we replace single-use plastic items in our IKEA Restaurants and Cafés and IKEA Bistros.

By 2030 all materials purchased for our non-home furnishing products will be renewable, recyclable or recycled.

► **To read more** about how IKEA products are designed and sourced with sustainability in mind, visit [about.ikea.com](https://www.ikea.com/about)

¹ Due to supply delays, some countries will not receive the new disposable items for our IKEA Restaurants and Cafés, as well as IKEA Bistros, in time and will need to continue with alternative solutions until the new items arrive.

¹ Water use FY17-FY18 restated, following improved reporting process for Ingka Centres and correction of historical reporting error for Customer Fulfillment in FY18. Restated data is available in Appendix.

Fair and inclusive

We're present in many communities, with millions of people connected to our business, including customers, co-workers and people in our supply chain.¹

We want to contribute to thriving communities wherever we operate by being an inclusive business and by providing opportunities for the many people in our daily work. We also strive to have a broader positive impact in society. In this way, we'll support the IKEA ambition to help create a fairer and more equal society.

We can make a difference by: providing and supporting decent and meaningful employment for our co-workers and people in our supply chain; helping those currently outside the labour market to improve their employment skills; and creating income opportunities for vulnerable people by integrating social entrepreneurs in our supply chain. We're also co-creating

sustainable, child-friendly and connected neighbourhoods and cities by working with partners to tackle societal challenges.

In FY19, we:

- » **Inspired 244,000 children to play more** by designing their dream soft toy through the Let's Play for Change campaign, in IKEA stores since FY16.
- » **Completed 417 reviews against IWAY**, the IKEA supplier code of conduct, to check social and environmental standards at suppliers.
- » **Supported refugee inclusion in nine countries** with programmes to develop skills for employment.
- » **Continued partnerships with 32 social entrepreneurs** and social businesses across 16 countries.

Our ambition and focus areas:

Our ambition for 2030 is to improve the well-being of millions of people by becoming a truly inclusive and people-centred company and employer.

We will do this by:

- » **Providing and supporting decent and meaningful work** and standing up for equality.
- » **Co-creating sustainable, child-friendly and connected neighbourhoods** and cities, together with relevant partners.
- » **Contributing to safe, affordable and sustainable places** to call home in the communities where we are present.

Respecting human rights

The size and scale of our business means we impact the lives of millions of people around the world – our co-workers, customers, workers in our supply chain and the communities around us. Wherever we operate, we have a responsibility to respect human rights.

We're committed to implementing the UN Guiding Principles on Business and Human Rights. We address human rights in many of our strategies, policies and processes, including the Ingka Group Policy on Human Rights and Equality, and update these regularly in line with emerging risks and expectations.

In FY19, we conducted a detailed analysis of our existing policies and procedures against the UN Guiding Principles and identified opportunities to strengthen our policies and processes, due diligence and grievance mechanism. This work will continue in FY20.

Human rights risks are integrated into the risk management process of Ingka Group. Potential risks in the retail industry include: modern slavery and forced labour, low wages, excessive hours, unsafe working conditions, harassment and prevention of collective bargaining. As a service business, the risk of child labour in our operations is relatively low. We'll never tolerate any form of child or forced labour, modern slavery or mistreatment of workers.

We mitigate potential human rights risks in our business and in our supply chain by monitoring compliance with our human rights policies and with the standards set out in IWAY – the IKEA supplier code of conduct. We only work with suppliers who meet our standards, and we conduct reviews to check compliance (see page 84).

Everyone at Ingka Group should be treated fairly, and we expect our co-workers to always uphold our values.

We're committed to providing decent, meaningful and engaging employment for every co-worker. Everyone at Ingka Group should be treated fairly, and we expect our co-workers to always uphold our values. Read more about our co-workers on page 36, and our approach to business ethics on page 106.

Respecting and supporting children's rights

We believe children are the most important people in the world. That's why we always try to act in the best interest of the child and want to create a better life for children and families that come into contact with our business.

We continuously work to implement the Children's Rights and Business Principles into our daily work, which were developed jointly by Save the Children, the UN Global Compact and UNICEF. We want to put this into practice in our daily work by implementing a leading example of a child-friendly retailer concept in 100 locations by 2025.

In FY19, we developed further detailed principles for child participation and safeguarding. This means co-workers organising or participating in activities that involve children and their families have the right tools to engage them in an ethical and responsible way.

Our commitment to children's rights means:

- » **Supporting decent work** for our co-workers and people in our supply chain, including young workers, parents and caregivers, while eliminating child labour.
- » **Ensuring our IKEA stores** and Ingka Centres are playful and safe spaces for children – for example, by providing Småland crèches at our stores and kid's centres, playgrounds and activity areas at our Ingka Centres meeting places.
- » **Offering products for children** that are safe and marketing these appropriately and responsibly.
- » **Contributing to a healthy environment** for children to live in, both now and in the future, through our climate positive initiatives.
- » **Reinforcing community and government efforts** to respect children's rights.

Fairer lives for young and migrant workers

We never accept child labour. We investigate and follow up on any suspected case, prioritising the best interests and safety of the child. Our belief is that young people who are legally able to work should have access to decent employment opportunities. They should not do hazardous work, night work or overtime. The IKEA Way on Preventing Child Labour and Supporting Young Workers makes our position clear to all suppliers.

We take the risks of modern slavery very seriously. We have safeguards to reduce these risks in our supply chain, including people being forced or bonded into labour, having their passports taken away or becoming trapped by large recruitment fees. This is a particular risk for migrant workers who are seeking work away from home. In FY19, we continued to roll out our Guidelines on Responsible Recruitment, designed to help our suppliers and service providers to reduce modern slavery risks.

In FY19, we did not identify any cases of child labour or modern slavery in the Ingka Group supply chain. During onsite reviews, we identified some issues with suppliers having the correct documentation in place, and we agreed to corrective action plans to resolve this.

¹ In this report, we discuss the supply chain of Ingka Group that provides non-home furnishing products and services. For more information about the supply chain for the home furnishing products we sell in our stores, see Inter IKEA Group Sustainability Report.

Supporting decent work in our supply chain

We have tens of thousands of suppliers providing products and services from construction, security and cleaning to home delivery, product assembly and food for our customer and co-worker restaurants.

We want to use our scale as a buyer to influence standards in our supply chain, selecting suppliers who share our values and work together to have a positive impact on societies and communities. We expect our suppliers to treat their co-workers fairly and to adopt the IKEA supplier code of conduct.

The IKEA Way on Purchasing Products, Materials and Services – IWAY – is the IKEA supplier code of conduct. It sets out minimum requirements on environmental, social and working conditions. It's based on the Universal Declaration of Human Rights, the United Nations Convention on the Rights of the Child, the eight core conventions defined in the ILO Fundamental Principles of Rights at Work and the Ten Principles of the UN Global Compact.

IWAY also applies to the suppliers in the IKEA supply chain¹ for the home furnishing products sold in our stores.

IWAY is updated regularly, and the Ingka Sustainability Compliance Working Group – with members from procurement, risk and compliance as well as and business experts – oversees the development of our suppliers. They review the most severe compliance issues to share learnings across the business.

At Ingka Group, the size and complexity of our supply chain means we take a risk-based approach to embedding IWAY. We use internal and external data to assess risks based on the suppliers' location and the individual characteristics of the business they run. All new suppliers are evaluated on the risk of them not complying with the IWAY Standard and given a risk rating of critical, high, medium or low, which is regularly reviewed.

We have a 10-step process to manage risks in our supply chain (see below). Suppliers are reviewed and reassessed in a continuous IWAY cycle. Sustainability developers in our procurement team build relationships with suppliers and offer training to help them understand and apply IWAY.

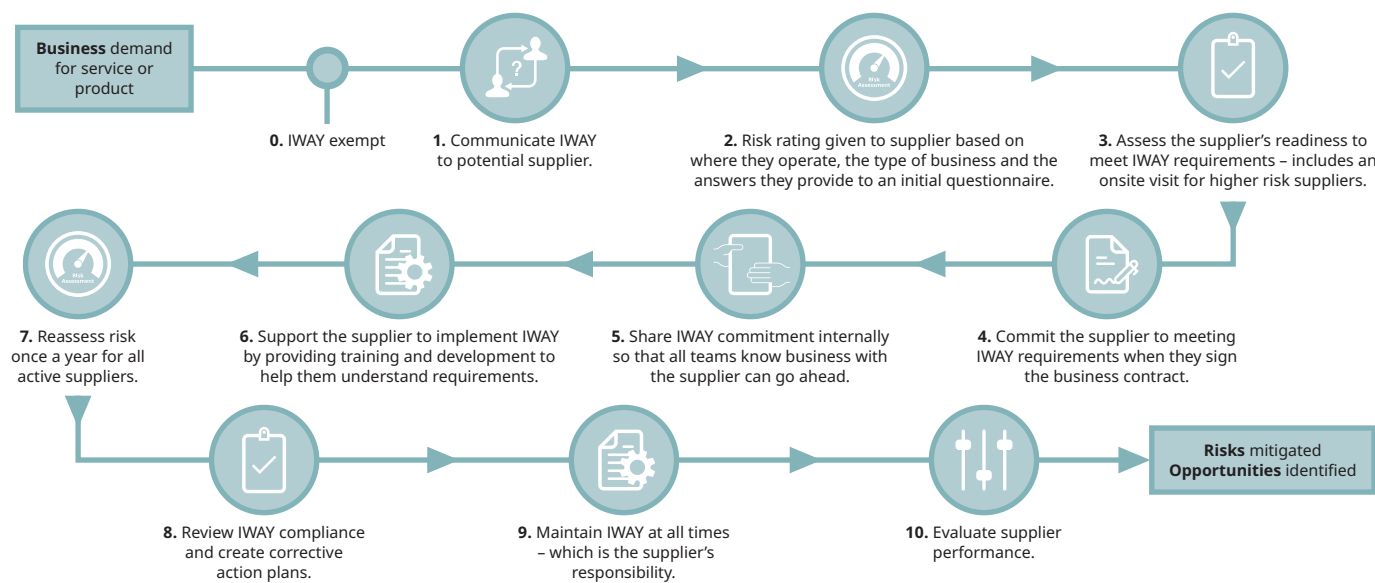
For the highest risk suppliers, we conduct IWAY reviews to check compliance with our standards. This is done by a team of 40 trained Sustainability Risk & Verification Reviewers who are independent from our procurement team. We also use third-party auditors to check IWAY compliance at some suppliers.

Our suppliers are responsible for communicating IWAY requirements to their sub-suppliers and ensuring high-risk sub-suppliers comply with the critical parts of IWAY ("IWAY Musts"). We support suppliers throughout this process.

What does it mean for a supplier to be compliant with the IWAY approach?

Suppliers must have:

- » **Signed an IWAY commitment** as part of their contract.
- » **An assigned risk rating.**
- » **A risk management and mitigation plan** in place – for higher risk suppliers, this includes site reviews.



Our performance in FY19

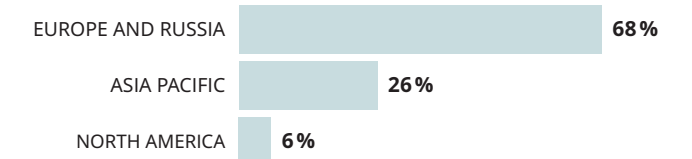
In FY19, we completed 417 Ingka Group supplier reviews, up from 314 reviews in FY18. These were completed by our internal IWAY Sustainability Risk & Verification team, and in some cases, we completed joint reviews together with third-party auditors.

We found 137 major non-compliances (issues related to critical "IWAY Musts") at 85 suppliers, up from 38 major non-compliances in FY18. We completed more supplier reviews in FY19 and continued to apply our risk-based approach, targeting reviews with the highest risk suppliers. Non-compliances were mostly related to working hours, accident insurance and fair wages at suppliers in Russia, Australia, Germany and China.

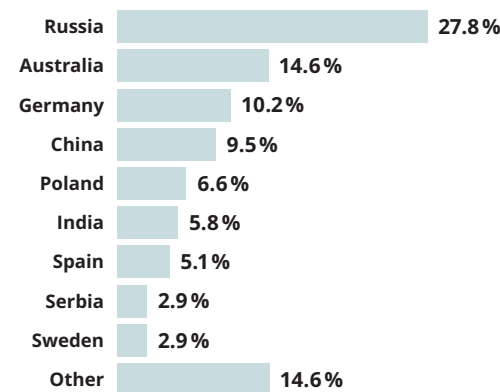
If we find that suppliers aren't meeting our standards, we agree on an action plan with the supplier to correct this. Major non-compliances have to be fixed within 14 days and all remaining issues within 90 days.

Major non-compliances are reported to the relevant Ingka Group decision making body. We will phase out suppliers who don't implement their corrective action plans.

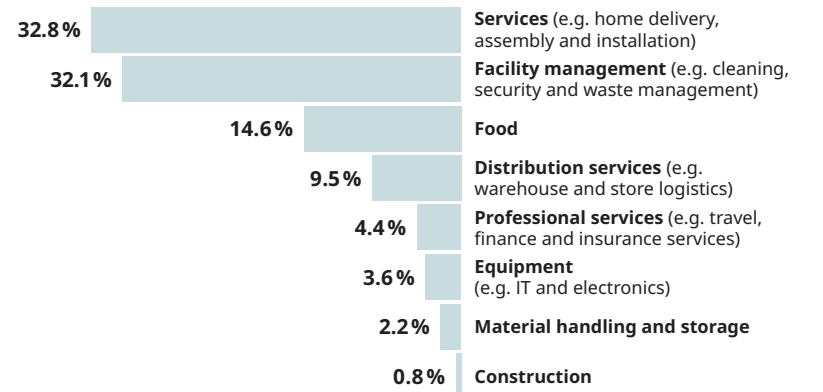
Location of IWAY reviews in FY19



Location of major IWAY non-compliances in FY19



Major IWAY non-compliances by supplier type in FY19



Partnering for positive impact

"Right at the heart of our company sits IWAY – the IKEA supplier code of conduct – a huge and important system that affects anyone who deals with the thousands of suppliers we have worldwide," says Justo Candel, IWAY Sustainability Developer based in Madrid, Spain.

► **Justo first joined IKEA** over a decade ago. Today, his job as a sustainability developer in the procurement department of Ingka Group involves implementing IWAY with suppliers in Spain and Portugal. He says partnership is the key to having a positive social and environmental impact.

Sustainability developers like Justo assess risks and support suppliers in every country where Ingka Group operates. They work hard to continuously train, develop and raise standards among suppliers. "There's a real sense that we'll face challenges together and work with our suppliers to find solutions," he says.

"As IWAY experts, we share our knowledge with our suppliers to help them maintain compliance. We have strict requirements, but that doesn't mean we're forcing them to spend a lot of time or money on unnecessary processes," Justo continues.

Training and development includes explaining IWAY requirements or technical terms, educating suppliers about the benefits of compliance or highlighting good social or environmental practices.

Sustainability developers also spot opportunities to do things differently. Last year, Justo and his colleagues noticed a pattern of IWAY non-compliances with service providers in stores. Issues with working hours and a lack of days off were picked up regularly during suppliers' annual reviews. They ran workshops with the onsite suppliers and piloted a different approach by training the store team to carry out monthly spot checks. The result was positive – with many more checks on working hours but far fewer non-compliance issues. The approach will be rolled out across all stores in Spain and Portugal next year.

¹ For more information about the IKEA home furnishing supply chain visit [about.ikea.com](https://www.ikea.com/about).

The power of play

Play is a critical part of every child's development. It contributes directly to health and well-being, cognitive development, self-esteem and skills building.

Play is so important that the UN Convention on the Rights of the Child states that every child has a right to play and to develop in a safe, secure environment. But around the world, children are spending less and less time playing.

That's why we've joined forces with UNICEF, Unilever, The LEGO Foundation and National Geographic to form the Real Play Coalition. The ambition is to create a movement that prioritises the importance of play as something that not only lets children be children but also sparks the fire for a child's development and learning. We believe that play is the "rocket fuel" of child development.

Play lets children be children and is the "rocket fuel" for a child's development and learning.

The Value of Play Report¹, launched by the coalition, calls for an urgent rethink of how children are given the time and space to play. Aimed at policymakers, educators and those shaping the global development agenda, the report explores the impact of declining play, and highlights how low-play and play-poverty are fuelling inequality and a looming skills crisis.

Years of research have made us a vocal advocate for play as every child's right and every human's need. At the end of 2018, we shared our knowledge and love of play by filling our stores with lots of opportunities to spark fun during our annual Let's Play for Change campaign. Through the campaign, we want to highlight the importance of play – not just for children but for all people – by inviting all customers to come play with us.

This included launching SAGOSKATT soft toy collection, the result of the annual IKEA soft toy drawing competition. Creative children draw the toy of their dreams, and five ideas are turned into real toys, with sales donated to local organisations supporting children.

Since the start of the Let's Play for Change campaign three years ago, 244,000 children have designed their dream soft toy – and half a million have taken part in IKEA Foundation programmes supporting their right to play. Learn more about the IKEA Foundation on page 108.

¹ To read more about the Value of Play Report, see www.realplaycoalition.com/value-of-play-report



In Portugal, more than 350 primary school children benefitted from better opportunities to play in FY19 – with SAGOSKATT sales funding new play and creative activities through the Let's Play for Change school competition.



With a donation from IKEA Family, IKEA Australia has transformed the Kidsafe House at The Children's Hospital in Westmead, Sydney. The Kidsafe House is a play space that demonstrates the very best in-home safety, so visiting parents, carers, students and health industry professionals can take away the knowledge and solutions to help them create a safer life at home.

Contributing to thriving communities

We want to play our part in contributing to thriving and inclusive local economies. We aim to have a positive impact on communities and people in our value chain and to use our voice to highlight important issues.

Our approach includes: partnering with community organisations to find solutions to social and environmental challenges; creating income opportunities for vulnerable people by working with social enterprises; investing in skills and work experience for refugees, migrants, people with disabilities, young people and women outside the labour market; and engaging our co-workers and customers to contribute to their local communities.

Building skills for employment

Our commitment to diversity means we see the potential talent in everyone – including those who are struggling to access the labour market. We want to support people who lack skills, experience or face other barriers, to find work with us or another employer. By reflecting the diversity of our local communities, we broaden our customer base, tap into new countries and better understand our customers' needs.

We're supporting young people, people with disabilities, people over 50 years old, migrants, refugees and women who have been out of the workplace. In FY19, we ran projects in 16 countries, often in partnership with local NGOs and public bodies, providing skills development and work experience placements.

We ramped up our commitment to increasing refugee inclusion this year. In FY19, stores in nine countries ran initiatives to support refugees' skills development and help them to find work with Ingka Group or other companies (see page 37). In five countries, we sold TILLTALANDE, a textile collection from the Jordan River Foundation, that has created 250 jobs for local artisans and women refugees in Jordan, in partnership with Inter IKEA Group.

IKEA stores in nine countries ran initiatives to support refugees' skills development.

We've launched several initiatives to support refugees and scale up our impact. By 2022, we aim to have 300 units supporting refugees with skills for employment initiatives. We'll also contribute to creating more jobs for local artisans and female refugees in Jordan by selling their products in all countries.

By advocating for a positive change for refugees in society, we want to show other companies, organisations and key decision-makers the value of refugee integration into host communities and businesses. ▶▶▶



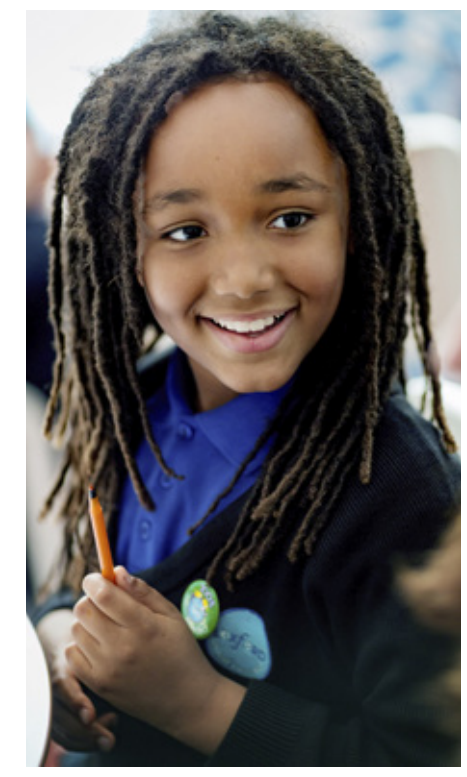
At IKEA Örebro in Sweden, a sewing service is provided by Vivillalla, a women's co-operative which encourages entrepreneurship and creates income opportunities for migrant women who struggle to enter the labour market.



Children and young people

... are the focus of a long-term partnership between IKEA Retail UK & Ireland and the children's charity Barnardo's. Our co-workers are fundraising, sharing their skills and revamping spaces to create bright, comfortable safe spaces.

Together we'll improve frontline services for vulnerable children and young people, working together to support children's development and play.



Stable employment for people with disabilities

... is being provided by IKEA Bratislava in Slovakia, in partnership with a local workshop. The skilful hands of people with disabilities are making products in ÅTERSTÅLLA collection. Leftover textiles are upcycled and transformed into useful items like aprons and cushion covers, which will be sold at IKEA Bratislava.

"It can be difficult for people with disabilities to find work. This project has helped 15 people working in our organisation to develop new skills, feel valued in society and contribute to the collection."

Marta Prochyrová, Manager, Dom Svitania workshop, Slovakia

32

social entrepreneurs in 16 countries

... are tackling societal challenges while growing their business – and ours – to create a more positive and inclusive future for people.

Unemployed young people

... are building a better future through The Power of Childhood programme across four IKEA units in Catalonia, Spain. Young people receive training and skills development, mentoring from IKEA co-workers and the chance to access paid internships and summer contracts. Fifty-nine percent of 46 participants have accessed a job inside or outside IKEA since the project began in 2017.



Partnership with social entrepreneurs

Social entrepreneurs are experts at building businesses that tackle societal challenges. We're partnering with social enterprises to help them grow, while they help us to meet the needs of our business and customers. We also involve local communities in our IKEA Retail offer in new and exciting ways.

This is not charity as it's also good for our business – entrepreneurs offer products and services we need in our retail operations, enhancing our offer to our customers. It also creates opportunities for customers to contribute to their local communities, with beautiful handicrafts, tasty food products and services with a social mission, available at affordable prices.

We're partnering with social enterprises to help them grow, while they help us to meet the needs of our business and customers.

Our commitment is to accelerate and empower vulnerable people to move from dependency to independency. We'll do this by integrating social entrepreneurs and social businesses into our retail value chain.

Goal highlight: By 2025 we want all Ingka Group countries to develop products or services made by local social businesses. So far, we've built partnerships with 32 social entrepreneurs and social businesses in 16 countries that support women and others who might be facing inequality or poverty, such as young people, migrants or those with disabilities.

From FY20 we will prioritise working with social entrepreneurs in three areas:

- » **Last mile fulfilment operations** such as collection, delivery and product assembly.
- » **Circular offers to customise**, repair, upcycle, rent, resell or take back products and materials, such as textiles, to save resources.
- » **New business solutions** that find innovative ways to solve business and societal problems.

Supporting communities

We want to co-create sustainable, child-friendly and connected neighbourhoods and cities, using our skills, experience and expertise in home furnishing, retail and sustainability. We want to respond to local communities needs and create a positive impact by becoming hubs for people to share, meet and learn, as well as to shop. Our goal is to empower 50% of IKEA Retail co-workers and 30% of IKEA Family members to be positive "change-makers" in their local communities, using IKEA as a platform to create more sustainable, fairer and inclusive neighbourhoods and cities by 2025.

It takes people to make a positive change. Our talented and passionate co-workers take an active role as change-makers in their communities by partnering with local partners, NGOs, social entrepreneurs and community groups. For example, in Russia the "Learning Together" project opens up schools and kindergartens, providing specialist equipment for children with disabilities and special learning needs, to enable them to study with other children and feel more included. In FY19, the third year of the project, around 4,800 children participated with the support of 9,700 teachers.

300

Ingka Group units will support refugees

... with skills for employment initiatives by 2022.

Sustainability governance and management

The Ingka Group Sustainability Strategy sets out the direction for the three businesses we operate: IKEA Retail, Ingka Centres and Ingka Investments. The strategy is formally decided by Management Board, considering advice from Supervisory Board. The Sustainability Committee of the Management Board, chaired by the CEO of Ingka Group, defines and follows up on the overarching priorities, principles and frameworks for sustainability within Ingka Group.

Our Chief Sustainability Officer (CSO), Pia Heidenmark Cook, oversees our performance against the commitments of our sustainability strategy. The CSO organises and is the deputy chairperson of the Sustainability Committee, supported by the Sustainability Management Team. The Sustainability Management Team includes managers from Group Sustainability, Group Procurement and Group Communication,

along with the Sustainability Managers of IKEA Retail and Ingka Centres.

At the end of this year, we appointed all Country Retail Managers as Chief Sustainability Officer for their country. This is a significant step forward in our effort to embed sustainability into our core business at Ingka Group and broaden ownership of our People & Planet Positive strategy. Country CSOs are accountable for delivering our goals at the country level, and sustainability is integrated into their development programme and performance review process.

Ingka Group participates in the IKEA Strategic Sustainability Council. This is an Inter IKEA Group governance body that focuses on the IKEA Brand's role in society, sustainability strategies and ambitions across the franchise system and compliance with requirements for sustainability goals through IWAY.



Deciding what matters

Our People & Planet Positive strategy is informed by our own research, in-depth knowledge of our customers and consultation with our key stakeholders.

► **In 2017, we conducted** a materiality assessment to listen to our stakeholders as we formulated our strategy. We ranked issues based on our experience and on feedback from key internal and external stakeholders.

The issues most critical to our business, and to our stakeholders, are listed below in alphabetical order. The IKEA Sustainability Strategy, issued by Inter IKEA Group, also addresses topics that are the responsibility of Inter IKEA Group, such as sourcing raw materials for home furnishing products and food, and sustainable product design.

Read more on page:

Circular economy	33, 66, 79
Community involvement	87
Co-worker well-being	55
Customer travel & deliveries	22, 78
Diversity & inclusion	52
Greenhouse gas emissions and air pollution	70, 78
Human rights	83
Public policy & advocacy	52, 70, 79, 86, 91
Supplier and their co-worker well-being	84
Sustainable & responsible sourcing of indirect materials and customer services	81
Water stewardship	81

Engaging with our stakeholders

Our key stakeholders include our co-workers, customers, NGOs, academics, governments, partners and peers, who all challenge us to be our best.

Relationships with many external partners help us achieve our ambitions, goals and targets as we contribute to broader efforts to tackle major societal, environmental and regulatory challenges. In our daily work, we raise our voice and advocate where we want to see change.

Together with partners we've called for high-level policy changes and advocated with governments for a climate positive future.

We're a member of the UN Global Compact (see page 111 for our UNGC index); we work with the World Economic Forum; and we're a member of the World Business Council for Sustainable Development (WBCSD). Together with partners, we've called for high-level policy changes and

advocated with governments for a climate-positive future and a fairer and more equal society.

We also collaborated with stakeholders on a range of issues relevant to our sustainability strategy focus areas in FY19. These include:

- » **Human rights, diversity and inclusion:** UN Women, Real Play Coalition, Business for Inclusive Growth Platform, Equal Pay International Coalition (EPIC), Catalyst, Workplace Pride, Stonewall and The Conference Board.
- » **Climate change and energy:** We Mean Business coalition, The Climate Group, SolarPower Europe and Corporate Leaders Group.
- » **Circular economy:** Ellen MacArthur Foundation (CE100), the Circular Economy 8 (CE8) – a group of companies committed to a circular economy.

Managing sustainability risks

Like any large business, we face sustainability risks. To remain successful and to grow, we work to understand and address both the risks and opportunities that we face.

Social, environmental and ethical risks are integrated into the Ingka Group Risk Management Framework. Risks are identified, assessed and managed across the business, and relevant functions are responsible for monitoring progress and putting mitigation plans in place.

We assess risks on an ongoing basis, as well as conducting an annual sustainability risk review, led by the Sustainability Management Team. Risks are assessed using internal data and third-party reports from organisations such as the World Economic Forum and the World Resources Institute. Identified risks are assessed based on likelihood and impact.

These risks are reported to the Ingka Group Sustainability Committee and the Ingka Group Risk & Compliance Committee. The Ingka Group Risk Register is updated to reflect the latest assessment. All risks have an owner in the relevant business area who is responsible for leading efforts to mitigate the risk and to provide regular feedback on developments during the year. Sustainability Leaders in Group Sustainability are assigned to support risk owners to develop mitigation plans.

In FY19, we strengthened our risk process by adding a bottom-up approach for each Ingka Group country to identify and report local sustainability risks. Sustainability Managers in each country, supported by Risk & Compliance Managers and other relevant co-workers, identify and record risks. Risks are consolidated into the Ingka Group Sustainability Risk Register which is a key input for the annual Ingka Group risk process. The bottom-up approach improves our understanding of sustainability risks in each country and whether there are any emerging risks that could affect our strategic sustainability goals.

Key sustainability risks in FY19

The key sustainability risks identified in FY19 include: climate change disrupting our supply chain and business operations and impacting

co-workers and customers; and social and environmental risks in our supply chain. More detailed information about climate change risks can be found on page 72. We discuss our approach to managing social, environmental and ethical risks in more detail throughout this report.

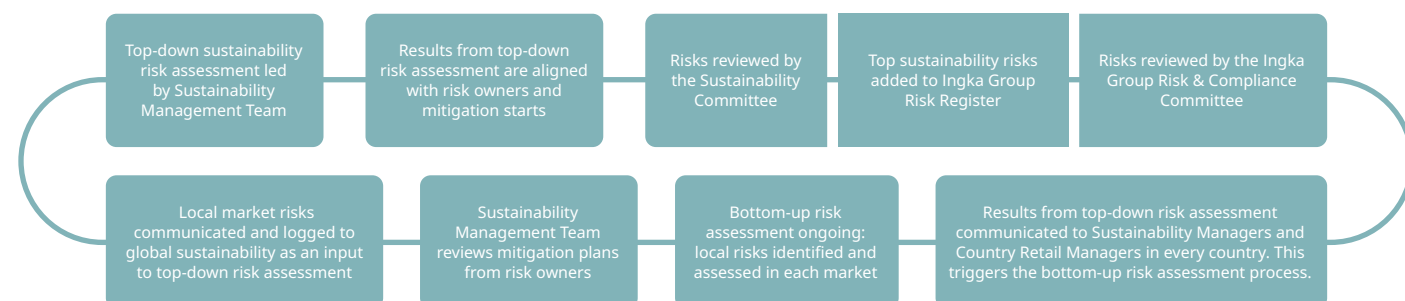
Reporting non-financial information

In line with the requirements of the EU Non-Financial Reporting Directive, more information on the following risks is disclosed:

- » **Environmental risks** – see Circular and climate positive: Tackling climate change, Striving for zero waste and using resources in a circular way, pages 68-81.
- » **Social and employee risks** – see Our people: Equality, diversity and inclusion, Improving health, well-being and occupational safety, pages 48-55; and Fair and inclusive: Respecting human rights, Supporting decent work in our supply chain, pages 83-85.
- » **Human rights and children's rights risks** – see Fair and Inclusive: Respecting human rights & children's rights, Supporting decent work in our supply chain pages 83-85; and Our people, pages 48-55.
- » **Anti-corruption, anti-bribery and business ethics risks** – see Business ethics, page 106; and Fair and inclusive, page 84.

Our sustainability risk management process

Risks are identified, reviewed and mitigated in a top-down and bottom-up annual risk assessment cycle.



About our sustainability reporting

Scope

The Ingka Group Annual Summary & Sustainability Report is a combined report of our performance and achievements across our business, including sustainability. It covers the financial year 2019 (FY19) from 1 September 2018 to 31 August 2019, unless otherwise stated, and the entities controlled by Ingka Holding B.V. during this time.

Our sustainability report describes our progress against the Ingka Group sustainability strategy, which sets our sustainability ambition, focus areas and goals up to 2030. Our strategy guides the contribution of Ingka Group to the IKEA ambition to become people and planet positive. Ingka Group is the largest IKEA retailer within the IKEA franchise system. Ingka Group operations include three business areas which are within our reporting scope: IKEA Retail (including Customer Fulfilment), Ingka Centres and Ingka Investments.

Inter IKEA Group sets the overall strategic direction for the IKEA business and includes the companies that develop and supply the IKEA product and food ranges, certain manufacturing and Inter IKEA Systems B.V. – the worldwide IKEA franchisor. Each year, Inter IKEA Group reports progress against the IKEA sustainability strategy from across the IKEA value chain and franchise system.

Environmental data

Our reporting and data collection processes involve many internal and external stakeholders. The majority of data is collected from primary sources and entered into reporting systems. Energy-related information is usually obtained from real-time meters at each site, from invoices or from service providers. The primary unit used in energy reporting is megawatt-hours (MWh).

We calculate our energy and carbon footprint in accordance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard using the operational control consolidation approach and our internal reporting criteria. The scope of external assurance in FY19 covers our direct carbon footprint (scope 1 and 2), see page 118. We are currently in the process of updating scope 3 models which is why they have not been included in the assurance scope this year.

In FY19, we performed multiple internal reviews on data governance, ways of working and reporting policy. These changes are part of our efforts to improve the quality of our data so that we can make better-informed business decisions. This affects

the carbon footprint data we previously disclosed, and data restatements are clearly indicated where relevant.

► For Ingka Centres, we developed our reporting approach regarding the allocation of energy consumption between common and leased areas in our meeting places to make it more consistent across regions. As a result, we have restated data for scope 1, 2 and 3 from FY16 and onwards.

► For scope 1 and 2, emissions from company cars and on-site vehicles and refrigerants have been excluded for FY16-FY19 and a more consistent reporting approach will be introduced in FY20.

► Some scope 3 models were developed and/or corrected for historical data errors.

► This year, we did not report on carbon or energy efficiency performance, but we aim to report these indicators again in FY20.

Historical climate footprint data including restatements can be found in Appendix, see page 114.

Data may also be affected by uncertainties in scientific knowledge or in the contextual data used in calculations, especially for scope 3 emissions. We use emission factors from publicly available sources like DEFRA, Department for Environment, Food & Rural Affairs (2018) and IEA, International Energy Agency (2018) and from local electricity and heat suppliers. Factors from publicly available databases are integrated into our reporting system. Regular updates of these databases are included in the services provided by our software vendor. Scope 2 emissions are calculated in accordance with the Greenhouse Gas Protocol Scope 2 Guidance, applying both the market and location-based approaches. Our baseline for greenhouse gas footprint disclosure is FY16. The global warming potentials (GWPs) used in the calculation of CO₂e are based on the IPCC Fourth Assessment Report (AR4) over a 100-year period.

We aim to ensure all information and data is relevant, transparent, consistent, accurate and complete, and that it provides an objective picture of the operations of Ingka Group. Data for IKEA stores or other units not owned by Ingka Group, but by other franchisees, is not covered within the scope of this report. Any other exclusions are stated in the report.