

INGKA HOLDING B.V. AND ITS CONTROLLED ENTITIES

# SUSTAINABILITY SUMMARY REPORT FY17



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The financial year 2017 (referred to as FY17) of the IKEA Group (Ingka Holding B.V. and its controlled entities) refers to the period between 1 September 2016 and 31 August 2017 and the entities controlled by Ingka Holding B.V. during this time. The IKEA Group franchises the IKEA retail system and methods from Inter IKEA Systems B.V. in the Netherlands. Inter IKEA Systems B.V. is the owner of the IKEA Concept and the worldwide IKEA franchisor.

# ***INTRODUCTION***

We are guided by the IKEA vision to create a better everyday life for the many people. That means offering beautiful, functional, good quality, sustainable home furnishings at affordable prices. And it's about ensuring everything we do has a positive impact for the people involved in our business, and the planet where we live and work.

The People & Planet Positive strategy, launched in 2012, was grounded in our belief that to have a positive impact we must go all-in to transform the way we work. We're proud of what we have achieved, but we know that there is much more to do. And in 2018 we will introduce the next big steps leading us to 2030.

Read on to learn about our work in FY17 to achieve our ambition of becoming people and planet positive.



# FY17 AT A GLANCE

**817 million** store visits

**460 million** shopping centre visits

**110 million** IKEA family members. Our most loyal customers are members of IKEA FAMILY. More than 30,000 new members join every day!

**2.1 billion** visits to IKEA.com. 137 million visits to the catalogue & store apps.

**EUR 34.1** billion total retail sales

(32.9 billion in FY16<sup>1</sup>). Total retail sales translated into Euros increased by 3.5%. Adjusted for currency impact, total retail sales increased by 3.8%. Total revenue EUR 36.3 billion.

**24.9%** corporate income tax

Corporate income tax amounted to EUR 0.8 billion globally, which equals an effective corporate tax rate of 24.9% (21.6% in FY16). Our total tax bill including other taxes and duties amounted to approximately EUR 1.3 billion.

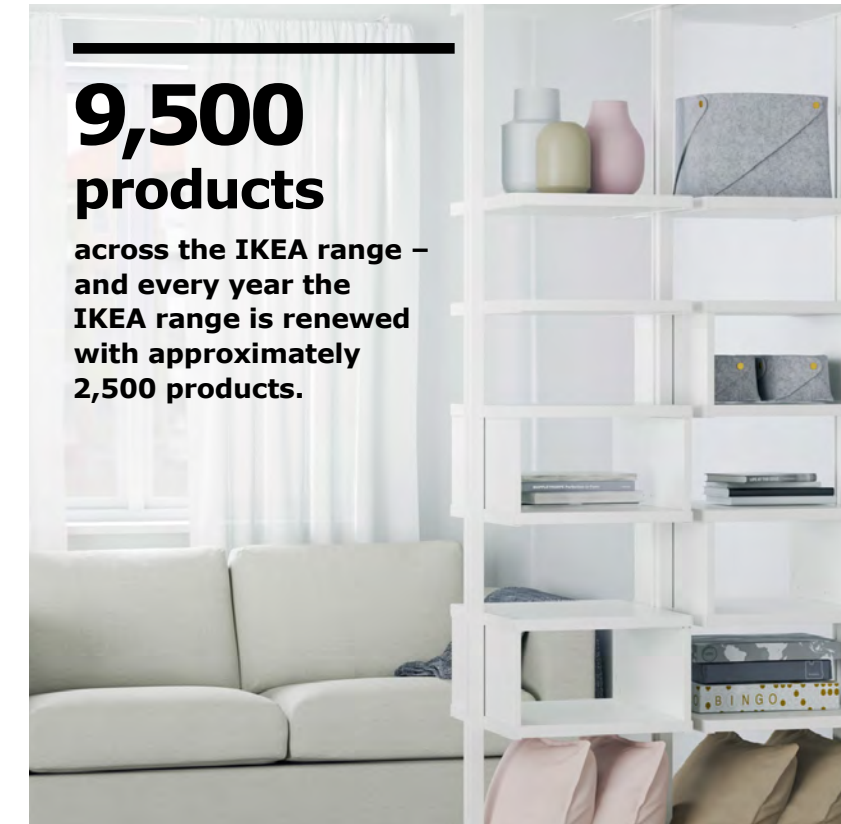
**EUR 2.5** billion net profit



**355 IKEA stores**  
in 29 countries. At the end of FY17 we also had 24 Pick-up and Order Points in 12 countries, 43 Shopping Centres in 15 countries, 31 Store Distribution sites in 18 countries and 26 Customer Distribution sites in 13 countries.



**149,000** co-workers  
Retail: 134,000  
Distribution: 9,100  
Shopping centres: 2,100  
Other: 3,400.



**9,500** products  
across the IKEA range – and every year the IKEA range is renewed with approximately 2,500 products.



**EUR 1.8 billion** total food turnover within our restaurants, bistros, Swedish Food Markets and co-worker restaurants.

<sup>1</sup> Comparison FY17-FY16 represents retail sales. Before FY17 sales volumes also included sales from supply chain and production companies. Since 1 September 2016 these entities are not a part of IKEA Group, which makes a comparison to previous years not applicable.

# SUSTAINABILITY HIGHLIGHTS

**54% of co-workers are women**

as are 49% of managers and 53%<sup>2</sup> of the Group Management. Read more on [page 29](#).

**85 million LED bulbs sold**

If each bulb replaced an incandescent bulb, they could save enough energy to power 750,000 households for a year.<sup>3</sup> The RYET LED bulb is now available for just EUR 0.99, making energy-efficient lighting affordable for the many. See [page 10](#).

**>100 initiatives**

contributing to the circular economy – from takeback services to textile revival workshops. Read more on [page 13](#).

**91% of waste from our stores is recycled or incinerated for energy recovery.** Read more on [pages 24 and 25](#).

**Food is Precious!**

The 'Food is Precious' initiative aims to cut food waste in IKEA restaurants. Over 200,000 kg of food was saved in FY17 – saving over 865 tonnes of carbon emissions and nearly 450,000 meals. Read more on [page 24](#).

**100% cotton**

**77% wood in IKEA products came from more sustainable sources.<sup>4</sup>**

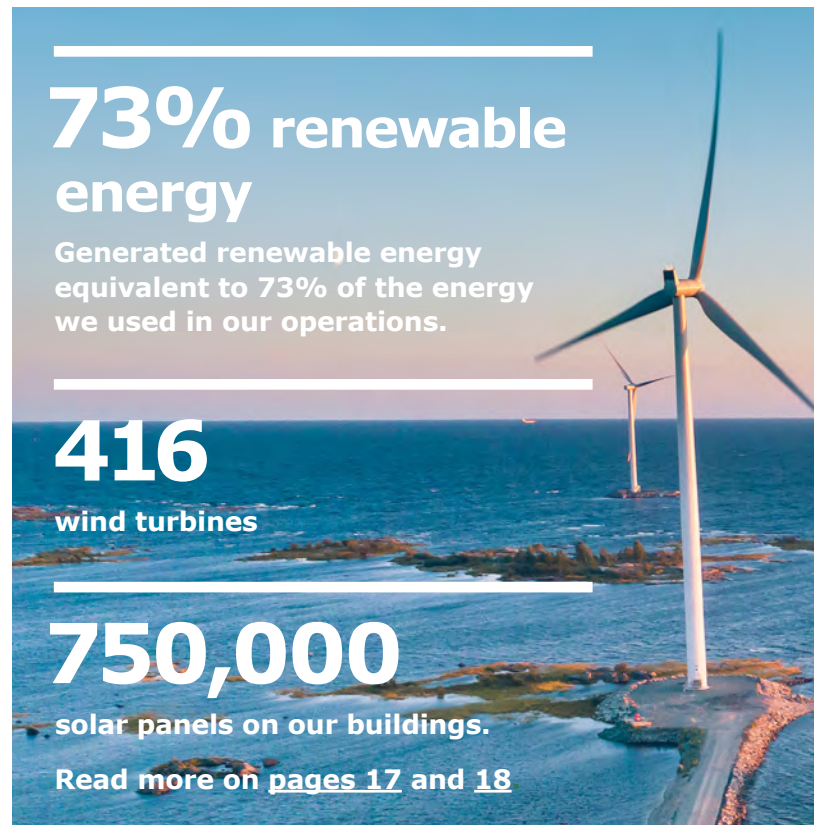
**73% renewable energy**

Generated renewable energy equivalent to 73% of the energy we used in our operations.

**416 wind turbines**

**750,000 solar panels on our buildings.**

Read more on [pages 17 and 18](#)



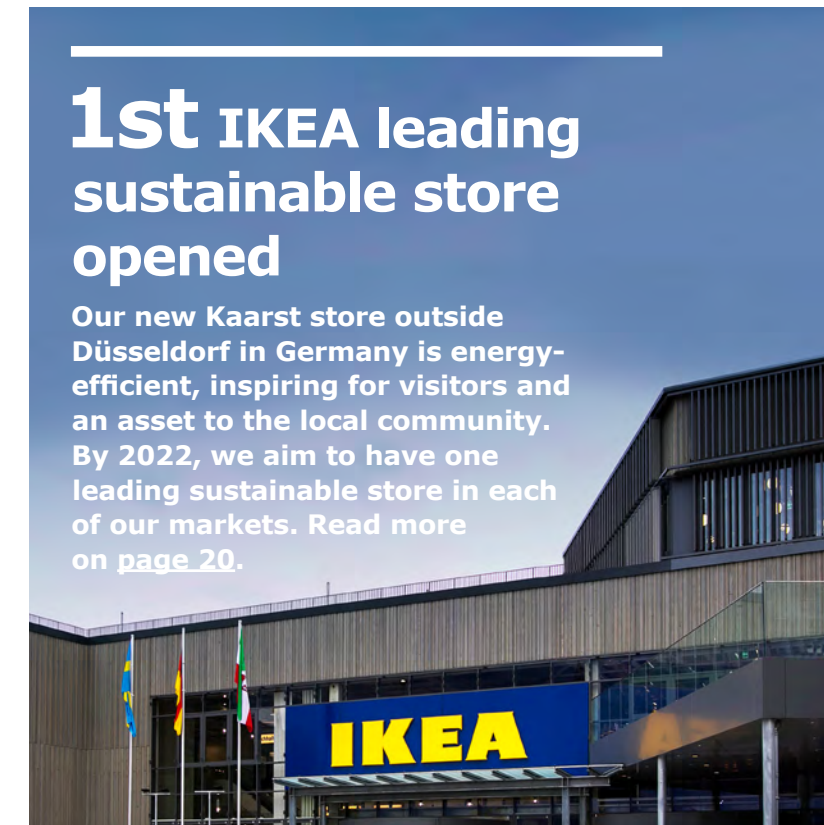
**5 countries with Home Solar offer**

IKEA home solar offer launched in Poland and Belgium, joining the Netherlands, Switzerland and the UK. Now even more people can turn their rooftops into power stations. Read more on [page 10](#).



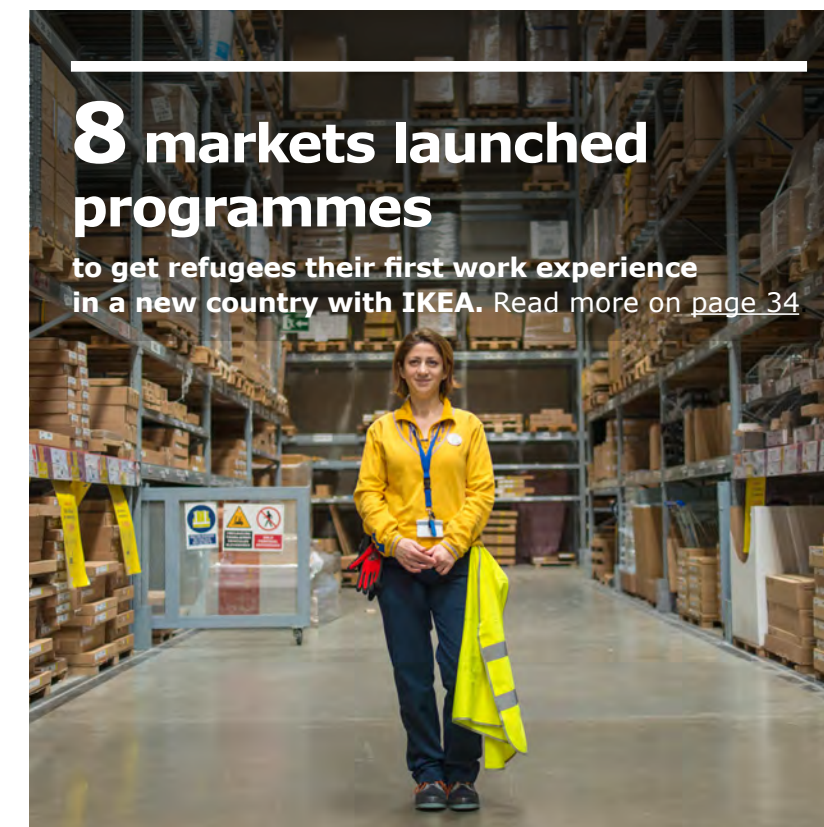
**1st IKEA leading sustainable store opened**

Our new Kaarst store outside Düsseldorf in Germany is energy-efficient, inspiring for visitors and an asset to the local community. By 2022, we aim to have one leading sustainable store in each of our markets. Read more on [page 20](#).



**8 markets launched programmes**

to get refugees their first work experience in a new country with IKEA. Read more on [page 34](#)



<sup>2</sup> This number has changed for FY17 due to new management structure.

<sup>3</sup> This calculation is based on the electricity consumption of an average European household.

<sup>4</sup> More sustainable sources for cotton: includes cotton grown to the Better Cotton Standard; by farmers working towards Better Cotton; recycled cotton and more sustainable cotton from the USA (such as the 'e3 Cotton Program'). More sustainable sources for wood, defined as FSC™ certified or recycled. Materials used for IKEA products are sourced by Inter IKEA Group.

# PIA'S MESSAGE

Our commitment to become people and planet positive has never been more relevant than it is today. The world is facing tremendous challenges: climate change, inequality, and increasing polarisation. And yet, I am optimistic because I see real opportunities to join forces with the many people to tackle these challenges together.

We see that a movement is coming. More and more, people are concerned and want to stand up for what they believe in. IKEA has always been about creating a better everyday life for the many people. Today, we continue to side with them on the issues that matter most.

Since we decided to go all-in for people and the planet, we've demonstrated how sustainability can be a driver of innovation and renewal – contributing to the success of our business. And FY17 has been no different.

Our new store in Kaarst, Germany is one example. It's our leading sustainable store, packed full of technology and innovations that make it better for the planet, better for the people who work there and the communities around it, and inspiring for the customers who visit. Some of the ideas will fly, others might not. But this is an opportunity to step outside of our comfort zone and experiment.

Of course our stores are important. But it's the co-workers who work there and across our business that make IKEA. We recognise that all across the world people face difficulties in finding employment. We want to provide fulfilling working opportunities for people, no matter their life situation. Already, our co-workers are a diverse group of people from different backgrounds and identities. And starting in eight markets, we're working to give refugees their first opportunity of employment in their new country.

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***"I am inspired and energised by the thousands of co-workers and customers who have taken part in our sustainable living projects."***

We know that many of our customers aspire to a sustainable and healthy lifestyle. I am inspired and energised by the thousands of co-workers and customers who have taken part in our sustainable living projects. Their stories show us what a big impact we can

have by showing the benefits of sustainable and healthy living, and empowering people to improve their lives through everyday actions. We will take all that we have learned from these projects to help us take the next big steps in this area.

I am excited by the year ahead when we will introduce our updated sustainability strategy with ambitions and commitments leading to 2030. It's the combined effort of many co-workers across different markets and functions and sets a bold agenda for how we will maintain and scale up our ambitions. These steps are not just critical for the future-proofing of our business, they are also what the world needs today. People-focused leadership and working together have never been more important.

**Pia Heidenmark-Cook**  
Chief Sustainability Officer  
INGKA Holding B.V. and its controlled entities



# JESPER'S MESSAGE

We are committed to having a positive impact on people and the planet. We will only achieve this through partnering together with others and working towards our common ambitions as a team player. And we are doers, because actions speak louder than words.

The core of the IKEA business idea is based on being affordable and improving millions of life situations, especially for those with thin wallets. Sustainability goes hand-in-hand with the IKEA vision to create a better everyday life for the many people. And our size is a strength – it means we can reach millions of customers around the world and enable them to live more sustainably. In the end of the day, my proudest moment will always be when we make a practical, positive difference to people's lives.

We took a huge stride when we launched our People & Planet Positive strategy in 2012. The pace of change in the world is amazing and we're ready to take the next big steps. It is clear our customers want to contribute to a better society. It's critical that we support them to do this and that we play our part too, to secure the future of our business.

In the coming years, we will take massive steps to become a circular business. We have already started on this journey and we are

learning a lot. It will change the way IKEA products are designed and developed, the way we run our operations and how and where we meet our customers. We are problem solvers. And I see one of our big contributions to this movement is to use our understanding of our customers' problems at home as the starting point for creating relevant, circular solutions.

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***"In the coming years, we will take massive steps to becoming a circular business."***

I know our ambitions are very challenging, but we have some advantages. We are fortunate enough to be able to think long term and we will use time as our friend. Because of our size, we can scale up ideas – making small steps into very big steps. Take renewable energy. In 2012 we set out to be energy independent, and by 2020 our windfarms and solar panels will generate more renewable energy than all the energy we use. Now we want to enable our customers to do the same, and our home solar business is in five markets today – making the most sustainable energy available to the many.

It always comes back to creating a better life for the many people. I'm really proud of the way we're using our stores around the world to create jobs that empower people, improving their everyday life, and providing new services to our customers.

We will continue standing up for what we believe in, and partner with others to raise our voice. Part of being a team player is sharing a common language and objectives with others. That's why we – like other forward-thinking businesses – are committed to science-based targets. And it's why we fully support the UN's Sustainable Development Goals (SDGs) that provide a shared direction towards a sustainable future.

Having a positive impact on people and the planet is part of the big, important partnership we have with society. Let's help each other to take the next big steps to a better world.

## **Jesper Brodin**

CEO

INGKA Holding B.V. and its controlled entities



# BECOMING PEOPLE AND PLANET POSITIVE

The IKEA vision is to create a better everyday life for the many people. We do that by providing beautiful, high-quality home furnishings, at a price affordable for the many people. But on its own, that's not enough.

To achieve our vision, we must contribute to improving the everyday life for people at every stage of our value chain. That is why we work to enable millions of people to live more sustainable and healthy lives, use resources efficiently, and provide fair working conditions and respect human rights, while advocating for positive change in society.

We call this approach becoming people and planet positive. And it's not just the right way to do business, it's vital for our future success.

Since the launch of the People & Planet Positive strategy in 2012, we have demonstrated that sustainability is good for people, the planet, and our business. It has contributed to more growth, greater trust, lower costs and minimised risk exposure. We recognise the impact of sustainability on our business, and the opportunity that it presents. That is why sustainability is a key part of our business.



In 2018 we will introduce an updated sustainability strategy to build on the progress we have made so far, and identify the areas where we can continue to improve, and aim even higher.

This Summary Report focuses on three areas where we can have the greatest impact. Learn more about how we prioritise issues on [page 38](#).

#### ■ **Healthy and sustainable living.**

We strive to offer more sustainable home furnishing and food products, solutions and services, and to inspire and support people to make positive lifestyle changes and consume in more sustainable ways.

#### ■ **Energy and resources.**

The long-term prosperity of communities depends on our common efforts to tackle climate change and shift towards a circular economy. We will work to transform our business, and to advocate for wider change.

#### ■ **People and communities.**

By putting people at the heart of our business and playing an active role in our communities, we can play our part in contributing to a fairer, more equal society.

## About IKEA Group (INGKA Holding B.V. and its controlled entities)

IKEA Group (INGKA Holding B.V. and its controlled entities) is one of 11 groups of companies that own and operate IKEA sales channels under franchise agreements with Inter IKEA Systems B.V.

IKEA Group is the world's largest home furnishing retailer and operates 355 stores in 29 countries. The IKEA business idea is to offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.

## About the Summary Report

This Summary Report outlines the key sustainability achievements of IKEA Group (INGKA Holding B.V. and its controlled entities) in FY17. The Summary covers all wholly owned companies in IKEA Group in FY17. Read on to learn about our progress towards our ambition to become People and Planet Positive.

At the beginning of FY17, the scope of IKEA Group changed. The development and supply of the IKEA range is now the responsibility of Inter IKEA Group. Find out more about the scope of IKEA Group on [page 37](#), and see the Inter IKEA Group FY17 Sustainability Summary Report [here](#).

## Sustainable Development Goals

We support the Sustainable Development Goals as a catalyst towards achieving a more sustainable and equal world. We use the goals to guide and inspire us in developing our sustainability agenda.

Find out how we contribute to each of the goals on [page 42](#).

**SUSTAINABLE DEVELOPMENT GOALS**



# HEALTHY AND SUSTAINABLE LIVING

The IKEA vision is to create a better everyday life for the many people. And we believe that lives are truly better when they are healthy and sustainable.

Our homes and day-to-day lives have a big impact on the planet, our health and wellbeing. We know our customers want IKEA to play an active role in helping them live more sustainably.

Like most people, our customers want to enjoy a decent quality of life without negatively impacting the environment. But not at the expense of price, quality or convenience.

This means that sustainability cannot be a luxury. With our knowledge of life at home, and 149,000 co-workers meeting many millions of people every year, we are well placed to make a positive difference. We are able to offer affordable, sustainable home furnishings and food products, solutions and services, and to inspire and support people to make positive lifestyle changes and consume in more sustainable ways.

PHOTO | LIVE LAGOM PARTICIPANT IN THE UK



# ENABLING HEALTHY AND SUSTAINABLE LIVING

There are many steps we can all take to improve our health and reduce our impact on the environment. We provide knowledge and affordable products that enable customers to save precious resources, like water and food, and even produce their own renewable energy.

## PRODUCTS THAT ENABLE HEALTHY AND SUSTAINABLE LIVING

To date, our targets in this area have focused on increasing sales of our 'sustainable life at home' range – products that enable people to save and generate energy, cut water use, reduce waste or live more healthily. We have made good progress. Sales in the sustainable life at home range have grown to EUR 1,720 million in FY17.

There are over 500 products in the IKEA range that enable our customers to, for example, save energy and water, cut waste, access cleaner air and generate renewable energy.



RYET LED bulb (top left)

TILLREDA portable induction hob (top right)

FILUR waste sorting bins (bottom left)

ÄLMAREN kitchen tap (bottom right)

## PRODUCT EXAMPLES

### Save energy

LED lightbulbs use up to 85% less energy than traditional incandescent bulbs and last for up to 20 years. We switched our entire lighting range to LED lightbulbs in September 2015. Our ambition is to sell 500 million bulbs between 2015 and 2020, as part of the Global Lighting Challenge. In FY17 we sold 85 million LED lightbulbs. If each one replaces an incandescent bulb, they will save enough energy to power 850,000 households a year.<sup>1</sup> RYET<sup>2</sup> LED bulbs are now available for as little as EUR 0.99<sup>3</sup>! And the TRÅDFRI smart lighting range includes motion sensors to ensure that lights are only on when they're needed.

### Cut waste

Our LADDA rechargeable batteries can be charged up to 1,500 times, reducing battery waste and saving money.

Our waste sorting bins, such as FILUR, help customers to easily sort waste and recycle, saving valuable resources from landfill.

### Access cleaner air

Indoor air pollution is often caused by burning fuels to cook. We sell induction and ceramic hobs at prices affordable for the many people, such as the energy-efficient TILLREDA portable induction hob, for EUR 49.99<sup>3</sup>.

### Save water

All our kitchen taps, like ÄLMAREN, feature a pressure-compensating aerator that reduces water use by up to 40%. We sell cold start wash-basin taps, such as ASPSKÄR, that save water while also reducing energy use by up to 30%.

## Generate renewable energy

We want to become the world's first global solar retailer. We have already installed around 750,000 solar panels on our own buildings around the world to power our operations, and now we're helping our customers to benefit from solar power too.

We're bringing the world's most sustainable energy source – the sun – into people's homes at a price affordable for the many people. Customers in Belgium, the Netherlands, Poland, Switzerland and the UK can now buy solar panels in IKEA stores or online with our home solar offer, SOLSTRÅLE (Swedish for sunbeam).

In August 2017, we launched solar battery storage solutions in the UK. Our customers there only use around 40% of the solar electricity they generate, and often less if they are out during the day – the rest is exported to the grid. Now customers can store unused solar electricity for later, and enjoy even bigger energy cost savings.

<sup>1</sup> This calculation is based on the electricity consumption of an average European household.

<sup>2</sup> LED bulb RYET E27 400 lm.

<sup>3</sup> Prices may vary across markets.

## Record breaking solar sales in Poland

*"In Poland, we're generating more energy from renewables than we use across all our stores and shopping centres!*

*It's an amazing achievement, and we want to enable our customers to become energy independent too. In April 2017, we became the fourth country to offer customers IKEA home solar, with installations available from all nine of our stores and online.*

*The success has impressed us all – breaking all IKEA solar sales records in the first few months. Together with our customers we can help to secure a better future for our planet and the next generation."* Anna Pawlak-Kuliga, Retail Manager, IKEA Retail Poland.



## PRODUCT SUSTAINABILITY

We believe that good design combines form, function, quality and sustainability – all at an affordable price. We call this 'democratic design'. We don't think people should have to compromise on any of it – great design should be something everyone can enjoy.

A lot of care goes into making IKEA products – from selecting and sourcing materials that are better for people and the planet, to securing good conditions for the people who make them. We want people to feel good about bringing IKEA products home, because they don't have to choose between sustainability and affordability.

## Where our products come from

The products we sell in our stores are supplied by Inter IKEA Group. You can read more about responsible sourcing, suppliers, product design, product safety and other related topics in the [Inter IKEA Group FY17 Sustainability Summary Report](#).

4 Includes cotton grown to the Better Cotton Standard; by farmers working towards Better Cotton; recycled cotton and more sustainable cotton from the USA (such as the 'e3 Cotton Program').

5 Defined as FSC™ certified or recycled.

6 IWAY is our supplier code of conduct. See [page 31](#).

7 According to EU standards.

8 Defined as UTZ-certified.



**100%**  
of cotton in IKEA products comes from more sustainable sources<sup>4</sup>



**77%**  
of wood in IKEA products comes from more sustainable sources<sup>5</sup>



**98%**  
IWAY<sup>6</sup> approval of home furnishing suppliers in FY17

PHOTO: PER MIKAELSSON



**100%**  
of IKEA-branded coffee is organic<sup>7</sup> and from sustainable sources<sup>8</sup>

## HEALTHY AND SUSTAINABLE FOOD

The products in our core food range are sourced by Inter IKEA Group. The core food range consists of products sold in our restaurants, bistros and Sweden shops. While these and many more food products are centrally sourced, almost two thirds of the food sold and served in our stores is procured by IKEA Group from local suppliers in each country. This allows our markets to cater for local tastes, reduce food miles and source the freshest produce at affordable prices.

In FY17, Inter IKEA Group remained committed to only sourcing ASC or MSC certified fish and seafood. With the launch of PÅTÅR – Swedish for ‘refill’ – we now sell coffee that is both UTZ-certified and organic according to EU standards. The cocoa in IKEA branded chocolate bars is also UTZ-certified. And in FY17, 64% of our retail markets sourced tea from sustainable sources.<sup>9</sup>

In FY17, we conducted a food survey to assess our food sustainability and progress so far, and to set new ambitions for the future. We are improving our framework to ensure that



GRÖNSAKBULLAR  
Veggieballs

all locally procured food sold meets agreed standards. These criteria, which we will define by 2019, will include sustainable and humane sourcing requirements for products including palm oil, soy, animal welfare standards, sustainable packaging, traceability, food safety and certifications such as organic.

### Innovations

We are exploring innovations to enable our customers to make healthier and more sustainable food choices, including air fryers, plant-based proteins and urban farming.

#### Air fryers

In FY17, we trialled air fryers in all our kitchens in Switzerland. Air fryers cook French fries containing just 6% fat, compared to 12-16% with traditional deep frying in oil. This makes them healthier, improves air quality in kitchens for our staff, and reduces the cost of buying and disposing of oil. In FY18 we will conduct more air fryer trials.

#### Future proteins

In FY18, we will test new plant-based meat alternatives in co-worker restaurants. If successful, we'll expand the trials to customer restaurants. The aim is to make plant-based proteins part of local customer restaurant menus.

#### Urban farming

In FY18 we will test urban farming projects to explore whether it can contribute to the needs of our stores (above right).



### URBAN FARMING

In FY18, we will run small-scale urban farming tests at our global meeting centre in Malmö, Sweden and in the Service office in Switzerland.

### LEARNING ABOUT IKEA AND SUSTAINABILITY

As part of a project with the Swedish Society for Nature Conservation, around 2,500 school children visited IKEA stores in Sweden in 2017 to learn more about how IKEA works with sustainability. In the IKEA restaurant in Bäckebo, pupils got to know more about responsibly sourced seafood, and how to reduce food waste.

<sup>9</sup> Defined as Rainforest Alliance, Fairtrade or UTZ-certified.

## SERVICES FOR A CIRCULAR ECONOMY

Becoming circular is a huge opportunity to innovate and find new ways to meet people's needs and dreams at home within the limits of the planet. Most of our customers feel bad about throwing things away. But people are often positive about giving away, selling and fixing, when it is convenient and relevant. By truly understanding people's needs in each market where we operate, we can design relevant offers and meet customers' needs in new ways.

We are just at the beginning. We have learnt a lot by trialling initiatives focused on taking back, repairing and giving products a second life through reselling. In FY17, there were over 100 projects and pilots worldwide contributing towards our learning about the circular economy. For example:

- **IKEA Retail US** recycled over 41,000 mattresses by offering to recycle customers' old mattresses when they bought new ones.
- **IKEA Retail UK** collected 1.1 tonnes of textiles from customers for recycling in the first three months of its textile takeback initiative at the Cardiff store.
- **IKEA Retail Japan** launched its 'Buy-back service' that encourages customers to look after their IKEA furniture so they can sell it back to IKEA later at a good price. In the first six months around 1,900 second-hand items were returned and 1,600 were repaired, refurbished and resold.
- **Erikslund** Our shopping centre in Västerås, Sweden, held a 'Shop the World a Little Better' campaign. This involved collaborating with tenants and holding second hand markets including upcycled IKEA furniture, with all proceeds going to charity.



## Bike sharing in Portland

We want to help make cities cleaner, make lives healthier and save people money. That's why in FY16 we launched the SLADDA bike – the money-saving, exercise-encouraging urban transport bike. Since then, we've sold almost 5,000 across all our markets. But the SLADDA bike is still an investment for our customers, and we want to make it more accessible to the many.

In FY17 in Portland, USA, we launched a pilot in collaboration with Spinlister (a website and app for peer-to-peer sharing of bikes) to help us explore

how to enable more people to enjoy the positive benefits of cycling without owning a bike of their own. We learned a lot, and will build on this to explore how we can create services to enable people to share more of our products. And for people interested in SLADDA, the bike sharing pilot gave them the chance to 'try before they buy'. We also offered generous IKEA FAMILY discounts on new SLADDA purchases, enabling people who listed their bike to recover their investment more quickly.

*"The bike was great for our tour around the city and it was fun to try IKEA's innovative bike design!"*

**Luke**  
Spinlister user



### KUNGSBACKA

is a new kitchen front with a past life. In FY17, we started selling KUNGSBACKA kitchen fronts made from recycled wood chips and PET bottles (right). Read more about developing products with recycled materials in the [Inter IKEA Group FY17 Sustainability Summary Report](#).

### IKEA RETAIL BELGIUM

Spare parts library for mending any broken furniture (left).



## INSPIRING CUSTOMERS AND CO-WORKERS

We all want to make life better through our everyday actions. But we worry that sustainable choices require extra time, money or effort and that individual efforts won't make a difference. So it's easy to get overwhelmed, feel frustrated and do nothing.

We want to make healthy and sustainable living desirable and empower people to act by showing them how a better life is achievable today, without big compromises.

We do this by communicating the benefits of healthy and sustainable living to customers in-store, in our shopping centres, on our websites, and in the IKEA Catalogue. And we engage thousands of co-workers and customers through projects that demonstrate the power of hands-on personal and shared experiences in transforming the way people live.

### SUSTAINABLE LIVING PROJECTS

Since 2014, our sustainable living projects have given 3,184 customers and 3,697 co-workers worldwide the chance to try products that enable healthier and more sustainable living, along with inspiration to make small changes for better living. While the projects directly engage a relatively small group, they inspire many more people through the shared stories and experiences of participants. The projects give insights into the reality of living healthier and more sustainable lives in different contexts, enabling us to better engage people in the future, wherever they live.



# 93%

of Live LAGOM participants agree that the project has helped them to live more sustainably, with all participants reporting that they plan to continue their LAGOM lifestyle.

### Building a community for sustainable living in the UK

"Sustainable living isn't about compromise," explains Sharon McCracken, Sustainable Life at Home Leader at IKEA Retail UK and Ireland. "It's about taking just the right amount – not too much and not too little. There's a word for that in Swedish: *lagom*. That's why we called our sustainable living project Live LAGOM."

Since launching in 2014, the Live LAGOM project has engaged 1,225 co-worker and customer households to take steps towards a more sustainable life. The team at IKEA Retail UK and Ireland offer participants the products, inspiration and design know-how to make small and achievable changes that enhance their daily lives and have big sustainability impacts.

"Throughout the project, we've encouraged participants to share their experiences with one another – with huge success. We launched a Facebook community, which is used daily to share tips and ideas, and for advice," explains Sharon.

Now in its third year, Live LAGOM is an important way for us to listen to our customers, promote sustainable and healthy living, and show that it is easy when you know how!

**"I want to make the LAGOM attitude an intrinsic part of our family so that when my children grow up and move out, they will continue to live sustainably."**

**Julie Bellingham**  
Customer and Live LAGOM participant  
Derby, UK

## Sustainable living apps

**IKEA Retail US and Canada** launched a mobile app where co-workers earn points by sharing their everyday sustainability actions. Around 3,000 co-workers and 1,000 customers downloaded the app and worked in teams to log almost 300,000 actions addressing carbon emissions, energy, water and waste. Customers and co-workers were rewarded with products that enable sustainable living as prizes.

**IKEA Retail France** launched the *IKEA Kid's adventure* app in collaboration with a start-up, My Appy Tours, to help children learn more about sustainability and bring fun to their shopping experience. Through the app children can hunt eco-monsters hidden around the store and learn what each one has to say about raw materials (cotton, wood and bamboo) or sustainable living, including tips to save energy and water, and reduce waste.

87%

of co-workers are proud of the way IKEA works with sustainability<sup>10</sup>

81%

of co-workers feel that sustainability is a natural part of their everyday work<sup>10</sup>

<sup>10</sup> Respondents to VOICE survey.

## IKEA FAMILY MEGA EVENTS

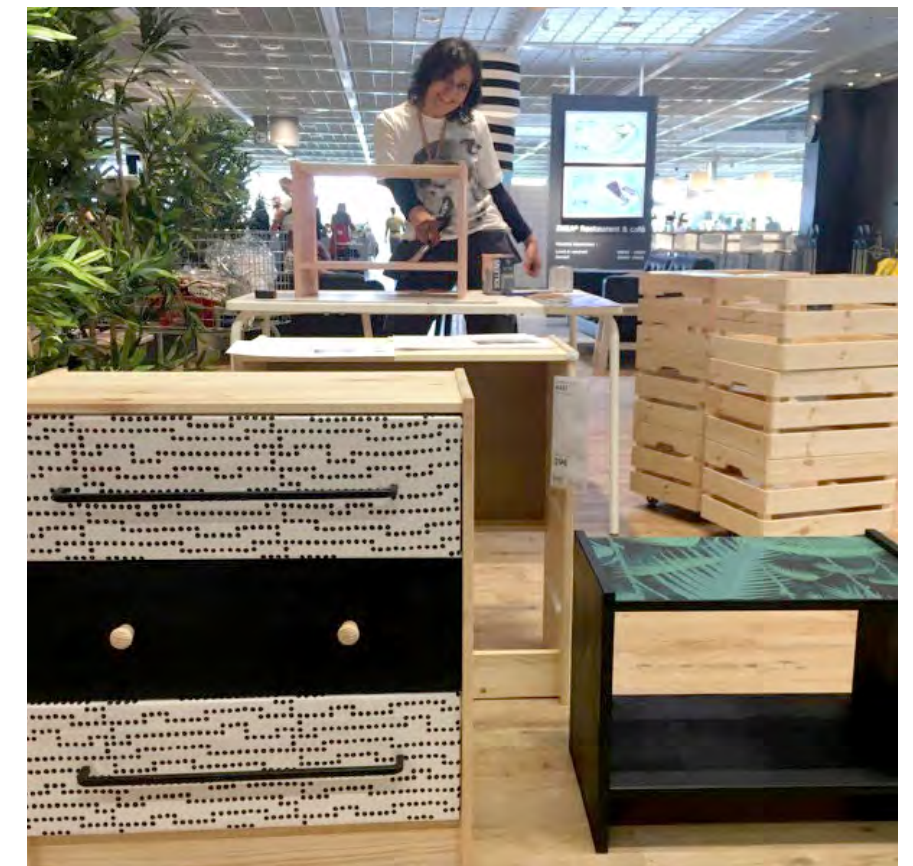
We want to encourage the 110 million members of IKEA FAMILY – our free-to-join global membership club – and visitors to our stores to explore better living within the limits of one planet.

In FY17, many IKEA Centres and 187 stores ran IKEA FAMILY Mega Events, providing opportunities for customers to take part in sustainable living activities. For example:

- **IKEA Retail US** ran 'Sustainable Living Your Way' Mega Events at 42 stores on Earth Day, with workshops on topics from cycling to making natural cleaning products and test driving electric cars.
- **IKEA Retail Spain** hosted Healthy Living Mega Events at all stores and invited local growers and producers to set up stalls to sell their healthy, organic food products. *"It's important to know the origins of products to make healthier choices,"* explains participant Abilio Merino. *"And it is great to see how involved children are."*
- **IKEA Retail France** ran Mega Events in all stores during March 2017. Customers could recycle textiles and enjoy special offers on products that support more sustainable lifestyles.
- **IKEA Centres Russia** ran more than 30 major events devoted to sustainable and healthy living, including children's days, eco-fests and masterclasses on sustainable consumption.

### IKEA MEGA EVENTS AND CIRCULAR ECONOMY EVENTS

Customers and co-workers get creative with furniture and textiles at various events.



# ENERGY AND RESOURCES

**Climate change and limited resources are some of the biggest challenges of our time.**

Since the industrial revolution, human activity has caused the planet to warm by 1°C. Already, climate change is impacting weather patterns, the availability of food and water, and sea levels. And humankind is using resources at a level that could only be maintained by the equivalent of 1.6 earths.<sup>1</sup>

The long-term prosperity of communities depends on our common efforts to tackle climate change and shift towards a circular society. We are determined to be part of the solution. We strive to reduce carbon emissions by investing in renewable energy generation and improving the energy efficiency of our buildings. And we want to contribute to a circular economy, by turning unavoidable waste into a resource.

The shift to a low carbon, circular economy will require all parts of society to work together – we are determined to play our part.

PHOTO | WIND TURBINES IN FRANCE

<sup>1</sup> [http://wwf.panda.org/about\\_our\\_earth/all\\_publications/lpr\\_2016/](http://wwf.panda.org/about_our_earth/all_publications/lpr_2016/)





# RENEWABLE ENERGY AND ENERGY EFFICIENCY

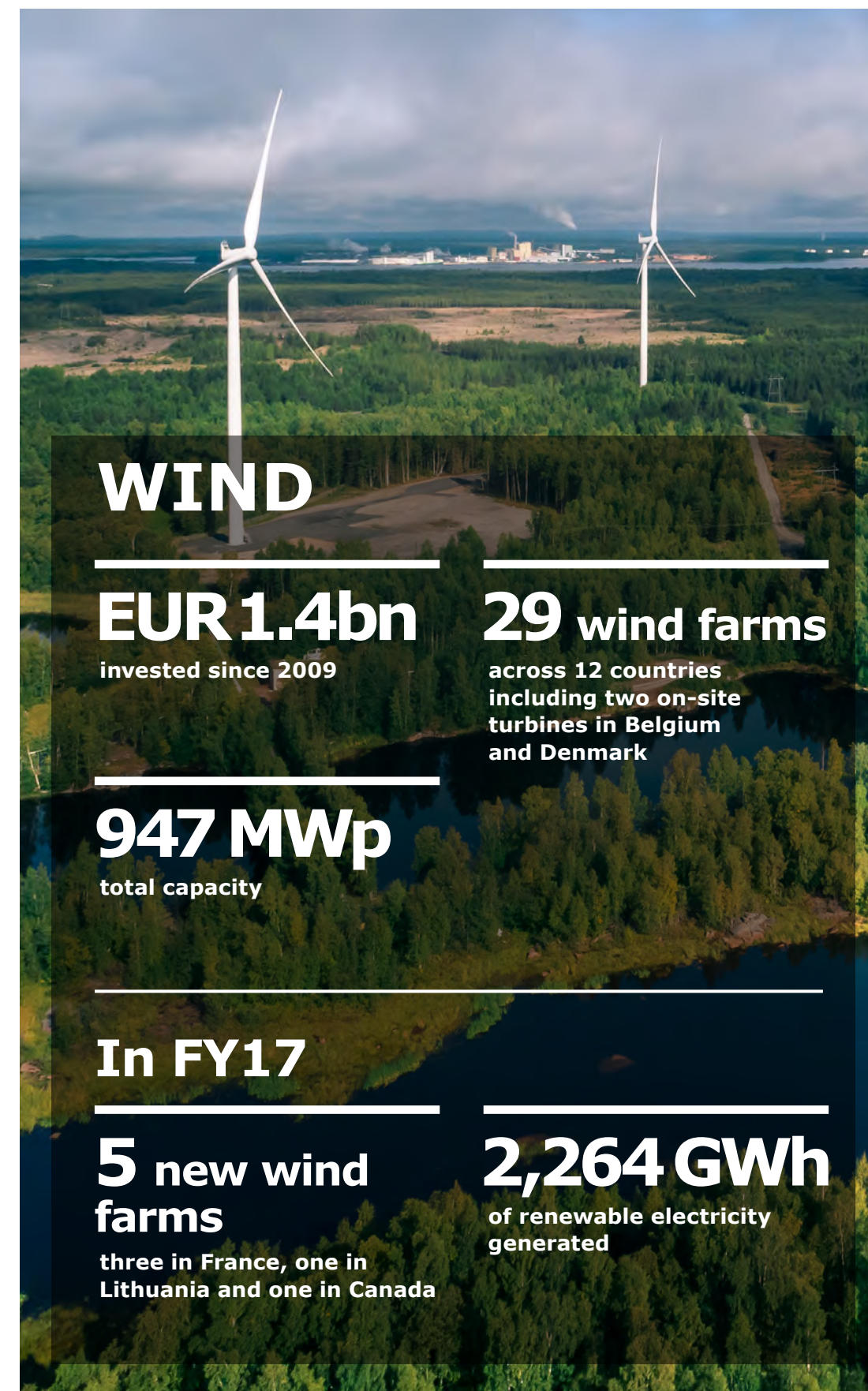
We want to play our part in tackling climate change by reducing greenhouse gas emissions and becoming more energy-efficient - generating more renewable energy than we use and purchasing renewable electricity. By lifting up what we do and advocating for positive change, we can also inspire others to take action.

## RENEWABLE ENERGY

### Renewable energy generation

We believe that the future of energy is renewable, and by 2020 we aim to generate as much renewable energy as we consume across our operations.<sup>2</sup> By continuing to invest in generating renewable energy, and working to make our operations as energy-efficient as possible we can continue to grow without increasing our energy needs. In FY17, we generated renewable energy equivalent to 73%<sup>3</sup> of the energy we used across our operations.

In FY17, our wind farms and solar PV modules generated 2,388 GWh of renewable electricity. Compared to the same amount of electricity generated with the average grid mix,<sup>4</sup> the electricity generated by our wind farms and solar panels reduced carbon emissions by 961,747 tonnes.<sup>5</sup>



2 Our renewable energy generation target includes landlord-obtained energy which is purchased by IKEA Centres and passed through to tenants for use in their rented areas.

3 If sub-metered tenant consumption was not included, generated renewable energy would be equivalent to 84% of consumption.

4 Using grid mix average electricity emission factor.

5 Reduced emissions are based on the assumption that electricity generated by IKEA Group replaces generation with average local grid mix carbon footprint. Applied factors were published by UK Department for Environment, Food & Rural Affairs (<https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2015>).

**RENEWABLE ENERGY GENERATION BY TYPE**

Electricity from wind (GWh)	2,264
Electricity from solar PV (GWh)	124
Heat from renewable sources (biomass heat, solar water heating, geothermal) (GWh)	43
<b>Total renewable energy generation (GWh)</b>	<b>2,431</b>

**RENEWABLE ENERGY INVESTMENTS IN WIND POWER**

Country	No. of turbines	Capacity (MW)	Electricity generated in FY17 (GWh)	Equivalent to the electricity needs of households <sup>6</sup>
France	43	83	117	32,339
Germany	23	45	50	13,776
Sweden	46	132	378	104,385
Denmark	1	1	1	345
UK and Ireland	11	20	44	12,133
Poland	80	180	456	125,911
Canada	75	134	278	76,612
USA	104	263	889	245,309
Finland <sup>7</sup>	13	42	0	0
Belgium <sup>8</sup>	1	2	0	0
Lithuania	19	45	51	14,140
<b>Total</b>	<b>416</b>	<b>947</b>	<b>2,264</b>	<b>624,950</b>

**Scope of energy consumption and generation**

There have been two key changes that have impacted our energy consumption and generation figures in FY17 compared to previous years:

- IKEA Industry, which owns the factories that make many of our products, is no longer part of IKEA Group.
- We have also fully integrated our shopping centre business in our sustainability reporting.

We maintain our high ambitions for renewable energy generation and will continue to invest in renewable energy across our operations.

In this summary report, the energy consumption figures includes IKEA stores (and other sales points), distribution centres, shopping centres (common areas and shared services), and offices.

Our renewable energy target – to generate as much renewable energy as we consume by 2020 – also takes account of landlord-obtained energy which is purchased by IKEA Centres and passed through to tenants for use in their rented areas.

Read more about our reporting on [page 40](#).

**Renewable energy consumption**

Two-thirds of our buildings worldwide run on a 100% renewable electricity supply. By using renewable electricity, we reduce our carbon footprint from electricity consumption by 47% (see [page 21](#)). The solar electricity generated on-site is used in our buildings or sold to the grid.

In some markets where we own and operate wind farms, we use the renewable electricity credits for our own operations. In some markets where we cannot use our own renewable electricity credits, we purchase credits, thereby contributing to increasing the demand for renewable electricity in the market.

With 355 stores and 43 shopping centres in 29 countries, it takes a lot of energy to keep our co-workers and customers cool in summer and warm in winter. And we are making good progress in implementing renewable heating and cooling systems in our buildings. We invest in technology such as ground and air source heat pumps and biogas and biomass boilers.

**TOTAL ENERGY CONSUMPTION AND SHARE OF RENEWABLE ENERGY**

	Total energy consumption (GWh)	Renewable energy <sup>9</sup>	Share of renewable energy used <sup>9</sup> as % of total consumption
Retail	1,768	1,178	66.6
Distribution centres	227	134	58.9
Shopping centres <sup>10</sup>	788	89	12.3
Offices <sup>11</sup>	108	50	66.6
<b>Total</b>	<b>2,891</b>	<b>1,451</b>	<b>46.1</b>

**Advocacy**

We believe that a low-carbon future is not just good for the planet – it's good for business too. Addressing climate change offers huge opportunities, including energy security, job creation, innovation, and economic growth. It will take all parts of society to build the low-carbon economy and we want to lead by example and inspire others.

We are members of We Mean Business, a coalition of organisations calling for action on climate change, and RE100, a group of businesses committed to using renewable electricity. In FY17 we were represented at key events including the 22nd Conference of the Parties (COP22) and the United Nations Framework Convention on Climate Change in Marrakesh.

**In FY17 we generated 2,388 GWh of renewable electricity,<sup>12</sup> equivalent to the annual needs of around 660,000 households!<sup>6</sup>**

# 73%

**In FY17, we generated renewable energy equivalent to 73% of the energy we used across our operations.**

<sup>6</sup> Based on an average European household (3.62MWh per year). Source: <http://publications.jrc.ec.europa.eu/repository/bitstream/JRC101177/ldna27972enn.pdf>.

<sup>7</sup> We formally took ownership of our wind farm in Finland in FY18.

<sup>8</sup> The wind turbine will become operational in FY18.

<sup>9</sup> Purchased certified renewable electricity and district heating, and renewable energy generated and consumed on-site.

<sup>10</sup> Excluding sub-metered tenant consumption.

<sup>11</sup> Includes a small amount of energy used at our wind farms.

<sup>12</sup> Wind and solar PV.

## IMPROVING ENERGY EFFICIENCY

We want all of our buildings – stores, shopping centres, distribution centres, pick-up points and other facilities – to be sustainable.

All of our new buildings are designed to minimise energy use – using better insulation, smarter ventilation systems, LED lighting with dimmers and ground and air source heat pumps (read more on [page 20](#)). We look for ways to measure and reduce embodied carbon in construction, using recycled, recyclable and reused materials, while working to internationally-recognised sustainability standards.

In existing buildings, we are installing energy-efficient technology such as LED lighting, energy control systems in kitchens, more energy-efficient cooling systems, and heat recuperation in ventilation systems and fridges. To help us understand where energy is being used and how, we are implementing smart energy management information systems. These systems will enable us to monitor electricity and heating systems remotely, easily extract data and control lighting, HVAC and temperature settings among other functions. And we are developing a tool to assess the costs and savings of solutions over their entire lifetime, enabling us to make better business decisions, and to install the most effective technologies in more locations.

In FY17, we started or completed energy-efficient lighting retrofits, including LED, in around 235 stores, shopping centres and other facilities. We aim to begin retrofits of another 80 stores in FY18 and FY19. When complete, we expect the EUR 100 million total investment to save us EUR 15 million per year. We fitted six new efficient ventilation systems in kitchens in FY17, bringing the total to 121. They will save around 177 MWh per store each year, with a payback of less than two years.

In spite of the energy efficiency measures implemented, total energy efficiency in FY17 remained unchanged compared to FY16. This was mainly due to rebuilds in our stores and distribution centres. Unusually warm weather in many parts of the world also contributed to an increased need for cooling in our buildings.

### IMPROVEMENT IN ENERGY EFFICIENCY (ENERGY USE PER M<sup>2</sup> GBA) COMPARED TO FY10 (%)

	FY16 <sup>13</sup>	FY17
Retail	19.4	17.2
Distribution centres	8.0	0.9 <sup>14</sup>
Shopping centres	21.7	24.5
<b>Total<sup>15</sup></b>	<b>11.4</b>	<b>11.3</b>



#### IKEA KAARST

(above) our leading sustainable store, which opened in October 2017. The store has many features to ensure maximum energy-efficiency. Read more on the [next page](#).

<sup>13</sup> Figures are not comparable to those in the IKEA Group FY16 Sustainability report, as we have gone from measuring energy use per m<sup>3</sup> product sold to m<sup>2</sup> gross building area (GBA).

<sup>14</sup> The drop in the efficiency rate from FY16 is due to expansion in Dubai. Our distribution centre in Dubai consumes approximately 3 times more energy than average. This is because of the weather conditions in the region and great need for air-conditioning in the building throughout the year.

<sup>15</sup> This figure includes our offices, which make up a minor part of our building area.

## MORE SUSTAINABLE STORES AND SHOPPING CENTRES

Environmental performance is important, but sustainability is about more than just the building. We want all of our stores and shopping centres to contribute to healthy and sustainable living (see pages 13 and 15), and promote fairness and inclusiveness for the people working there, visitors, and the communities around them (see pages 28, 29 and 33).

Our approach is underpinned by the IKEA Group Sustainable Store guidelines which we update to reflect new learnings and best practice from each new store we build. We aim to make each new store we build more sustainable than the last one in that location.

In FY17 we opened the world’s first leading sustainable IKEA store, certified to BREEAM Excellent. We will open a leading sustainable store in all our markets by 2022.

### IKEA Kaarst - our leading sustainable store



#### PLAY AREA

Pedestrian approach to the Kaarst store – the play area in front of the store is always open for the community (left).



#### THE ROOFTOP CAFÉ

gets lots of natural light. It also has access to an outdoor seating area. An exhibition space in the café shows how sustainable materials are used, and provides work and meeting spaces.

16 Forecasted annual output.

#### Energy and resources

- **Building certification** BREEAM Excellent
- **Natural light** Large windows and skylights flood the store with daylight, creating a pleasant and enjoyable shopping experience.
- **Lighting** Motion and daylight sensors control the lighting, which is all LED.
- **Heating and cooling** Heat pumps, solar thermal collectors and a combined heat and power plant that uses biogas to heat and cool the store.
- **Renewable energy** Solar photovoltaic panels will provide 339 MWh<sup>16</sup> of electricity, 8% of the store’s annual electricity demand, cutting carbon emissions by around 160 tonnes each year.

- **Water** Collected rainwater provides enough water to flush the toilets in the store.
- **Building materials** All building materials selected for their low impact and recyclability, and to create a pleasant indoor environment.
- **Accessibility** Shuttle bus connects the store to surrounding areas, and the site links seamlessly into the cycle network.
- **Transport** Six electric vehicle charging stations powered by 100% renewable electricity.
- **Recycling** Customers can recycle a range of household items at the recycling hub.

#### Healthy and sustainable living

- **Products** Designated area features products that inspire healthy and sustainable living.
- **Healthy living** A playground, basketball court and outdoor gym encourage healthy activities.
- **Better air quality** The use of heat pumps reduces emissions from the store.

#### People and communities

- **Meeting place** Rooftop garden is a green space to meet, relax and socialise.
- **Part of the community** Community hub provides space for local community groups.

*“It’s great to work in this store! It is a perfect platform to live, develop and create ideas around sustainability at IKEA. By doing this we are creating a better, more sustainable life for our customers and co-workers!”*

**Stephan Laufenberg**  
Store Manager, IKEA Kaarst

# CARBON EMISSIONS

We are focused on reducing carbon emissions from our operations by investing in renewable energy and energy efficiency. To help us do this, we are setting a science-based target to ensure that we play our role in cutting our emissions to the level required to keep global warming below the 2°C threshold.

To monitor progress, we track our emissions. This includes:

- Energy related emissions (Scope 1 and 2)
- Indirect emissions at each stage of our value chain (Scope 3).

In FY17, we responded to the CDP climate change questionnaire for FY16 and achieved a leadership score of A-.

## Science-based targets

We are one of more than 300 companies committed to taking science-based climate action through the Science Based Targets Initiative – a collaboration between CDP, the World Resources Institute (WRI), the World Wide Fund for Nature (WWF), and the United Nations Global Compact (UNGC).

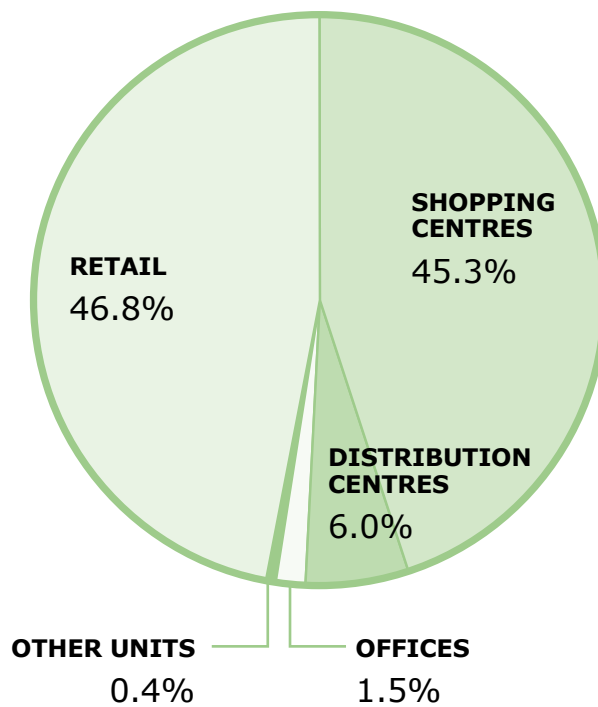
The initiative is one of the commitments of the We Mean Business Coalition (see page 18). It encourages businesses to set targets for reducing greenhouse gas emissions in line with those set out by scientists for limiting global warming to well below 2 degrees Celsius.<sup>17</sup>

Setting ambitious science-based targets will challenge us to grow our business in a low-carbon, future-proof way. We will announce our science-based targets in FY18.

## CARBON FOOTPRINT FY17

	Tonnes CO <sub>2</sub> e	%
Scope 1	135,048	0.56%
Scope 2 <sup>18</sup>	489,950	2.03%
Scope 3	23,487,746	97.41%

## SCOPE 1 AND 2 ENERGY-RELATED EMISSIONS FROM BUILDINGS (TONNES CO<sub>2</sub>e) FY17 (PIE CHART), FY16 AND FY17 (TABLE)



	FY16	FY17
Retail	294,950	292,186
Distribution centres	28,025	37,746
Shopping centres <sup>19</sup>	296,923	283,066
Offices	8,272	9,197
Other units <sup>20</sup>	1,519	2,804
<b>Total</b>	<b>629,689</b>	<b>624,998</b>

## CARBON EFFICIENCY FOR SCOPE 1 AND 2 EMISSIONS (% CHANGE COMPARED TO FY16)

	FY16 kg CO <sub>2</sub> e/m <sup>2</sup>	FY17 kg CO <sub>2</sub> e/m <sup>2</sup>	% change
Retail	27.7	26.9	-2.0
Distribution centres	7.1	9.4	32.4 <sup>21</sup>
Shopping centres <sup>19</sup>	65.1	60.7	-6.8
Offices	32.7	37.3	14.2 <sup>22</sup>
<b>Total</b>	<b>32.3</b>	<b>31.5</b>	<b>-2.3</b>

## LOCATION/MARKET BASED EMISSIONS FROM CONSUMED ELECTRICITY FY17

Consumed electricity (MWh)	2,089,644
Location based emissions (tonnes CO <sub>2</sub> )	854,679
Market based emissions (tonnes CO <sub>2</sub> )	453,326
Footprint reduction from using electricity from renewable sources (%)	47

## SCOPE 3 (INDIRECT) EMISSIONS AT EACH STAGE OF OUR VALUE CHAIN (TONNES CO<sub>2</sub>e)

	FY16	FY17
Purchased goods and services	11,669,035	11,921,564
Capital goods	140,940	162,623
Fuel-and-energy-related activities (not included in Scope 1 or 2)	238,214	237,097
Upstream transportation and distribution	944,086	879,376
Waste generated in operations	42,235	49,007
Business travel	42,910	39,265
Employee commuting	111,915	120,583
Upstream leased assets <sup>23</sup>	N/A	N/A
Downstream transportation and distribution	3,563,086	3,615,095
Processing of sold products	N/A	N/A
Use of sold products	4,982,167	5,506,868
End of life treatment of sold products	786,233	803,707
Downstream leased assets <sup>19</sup>	155,869	152,561
Franchises	N/A	N/A
Investments	N/A	N/A
<b>Total</b>	<b>22,676,691</b>	<b>23,487,746</b>

<sup>17</sup> Targets adopted by companies to reduce greenhouse gas (GHG) emissions are considered 'science-based' if they are in line with the level of decarbonisation required to keep global temperature increase below 2 degrees Celsius compared to pre-industrial temperatures, as described in the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC AR5).

<sup>18</sup> Emissions from electricity consumption are calculated with CO<sub>2</sub> factors only, not CO<sub>2</sub>e.

<sup>19</sup> Scope 1 and 2 emissions relate to energy consumed in landlord common parts and shared services. Scope 3 downstream leased assets relate to landlord-obtained energy sub-metered and consumed in rented tenant areas. Emissions from refrigerant gases (Scope 1) at IKEA Centres are included in FY17 but not in FY16 numbers.

<sup>20</sup> Other units refers to off-site energy investments such as wind farms.

<sup>21</sup> Distribution centres make up a small proportion of our total emissions. In FY17, we opened a new distribution centre in the UAE with low accessibility to renewable energy, meaning total carbon efficiency for distribution centres declined.

<sup>22</sup> In FY17, energy consumption from district heating in offices increased, affecting the total footprint in our offices.

<sup>23</sup> Categories in the GHG protocol Scope 3 inventory marked N/A are not relevant for our operations.

# CUTTING EMISSIONS FROM DELIVERIES AND TRAVEL

Around the world, most people reach our sites by car, and customer and co-worker travel accounts for around 15% of our indirect carbon emissions. We want to get closer to our customers, and become more accessible in low-carbon ways.

One way we're doing this is by increasing online sales. But changing shopping habits mean that deliveries are becoming smaller and more frequent, putting more trucks on the road. And there's no point in replacing emissions from customer travel to our stores with emissions from our own deliveries.

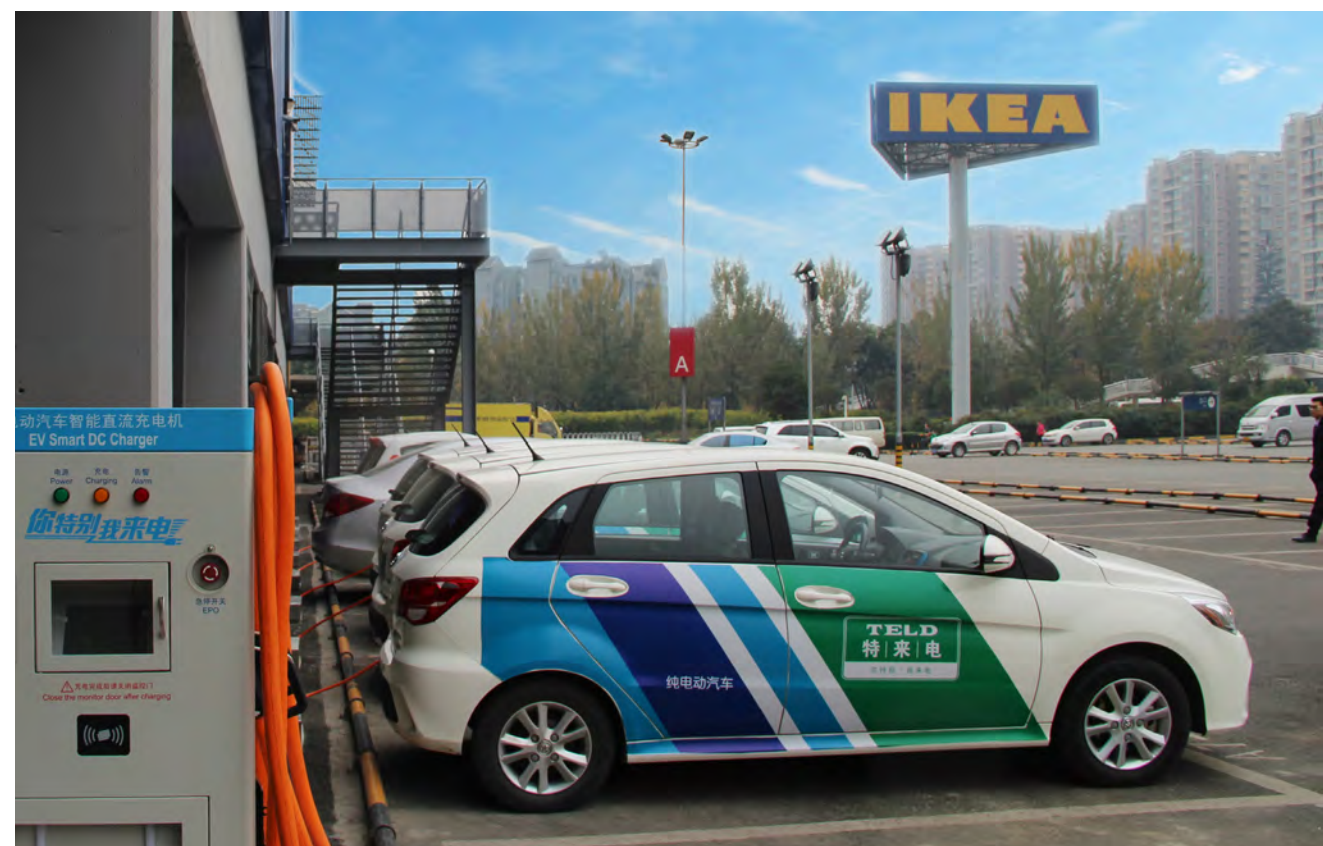
We're following three steps to reduce emissions from customer travel and deliveries: being at the forefront of electrification, promoting and joining sustainable travel networks and choosing locations and store formats that encourage sustainable ways of visiting.

**69%**

of stores and

**42%**

of shopping centres have electric charging points for customers.



## BEING AT THE FOREFRONT OF ELECTRIFICATION

In FY17, 69% of our stores and 42% of our shopping centres had electric vehicle charging points for customers. And we aim to extend this offer, building the infrastructure to enable the shift to electric vehicles for all suppliers, customers and co-workers. We will use renewably generated electricity wherever possible. That way, we can fulfil our desire to become truly accessible in all sales channels – delivering more while polluting less, cutting noise levels and improving air quality in cities.

### Zero emissions home deliveries

We want to make home deliveries by electric vehicles, or other zero emissions options such as bikes, where possible.

In China, we have 53 electric trucks operating in six different cities. From early FY18, 30% of customer deliveries from the Xuhui store will be handled by electric trucks.

At our Hyderabad store,<sup>24</sup> the first in India, 20% of our customer delivery fleet will be electric in the first year, 40% in year two and 60% by year three. And as our presence in India grows, so will our fleet of electric vehicles.

### Contributing to the electric revolution

We want to go beyond converting our own business, to have a wider impact, making zero emission deliveries the new normal. And we are joining together with others to advocate for a transformation to electric vehicles. In September 2017 we became an original member of EV100 – a global initiative committed to accelerating the conversion to 100% electric vehicles.



## An electric tour through Italy

In FY17, IKEA Retail Italy teamed up with the car magazine Quattroruote, to prove that it is possible to travel the length of Italy by electric car, stopping only at IKEA stores to recharge. Over 15 days, the crew drove around 2,000 km from Catania to Villesse and stopped at 12 IKEA stores – making it the longest trip by electric car ever recorded in Italy! IKEA FAMILY members were invited to take part in special activities in the store car parks – with over 2,500 members registering to test drive an electric car.

### ELECTRIC VEHICLE RECHARGING POINTS

at IKEA stores in Chengdu, China (above left) and Ringsaker, Norway (above).

<sup>24</sup> Due to open in 2018.

## PROMOTING AND JOINING SUSTAINABLE TRAVEL NETWORKS

We will inspire and enable visitors to travel to us in sustainable ways, by joining initiatives that support the growing sharing economy in this area. In FY17 we conducted a pre-study to understand the issues of accessibility to our locations. The findings will inform our approach from FY18 onwards. Around the world, we have over 100 initiatives to improve accessibility and encourage sustainable travel to and from our stores and shopping centres:

- **Providing bikes to take products home:** IKEA Groningen, Netherlands, which is located in the bike-friendly city centre, rents cargo bikes to its customers at a low price. This enables the many people, including the huge local student population, to transport their products home in an affordable and environmentally-friendly way.
- **'Green to Work' programme:** during peak weeks, co-workers in the Hengelo store in the Netherlands join the 'Green to Work' programme, travelling to work by bike, bus, car share, skating, running and more. They raise awareness of the impacts of travel, and every green kilometre travelled raises money to buy products for a good cause project in the community.
- **Encouraging vehicle sharing:** many stores around the world, including Sydney, Turin, Vancouver, Krakow and Vienna, have partnerships with car and van sharing programmes and provide designated parking spaces for sharers.
- **Shuttle bus service in Japan:** Osaka in Japan is the city with the second lowest rate of car ownership in the country, and the IKEA store is 5km from the closest train station. The store runs a shuttle bus, and customers are given a coupon to use in store which covers the cost of the bus ride. The

bus has been very popular, and made a good return on investment since launching in FY16.

- **Bike infrastructure in Poland:** many stores and shopping centres in Poland are connected to city bike networks, with sharing stations and bike repair stations. For example, our Lublin store and shopping centre is connected to the city cycle network and sharing scheme, and offers bike parking for customers. And every Polish store features a bicycle repair station, making it practical and convenient for co-workers and customers to visit the store by bike.

## CHOOSING LOCATIONS AND STORE FORMATS THAT ENCOURAGE SUSTAINABLE WAYS OF VISITING

We will explore alternatives to our current model of out-of-town locations, and strive for locations that facilitate walking, cycling and other modes of sustainable travel. For example, we are planning stores in the city centres of Copenhagen, Vienna and other locations.

### Bringing our offer closer to customers

We already have eight different types of pick-up points. These units can be anything from IKEA stores to the local convenience store, and enable customers to order products for pick-up or home delivery in a location that works for them. Now we are launching 24 'Pick-up and Order Points' in a new format in several of our markets. They will bear the recognisable IKEA logo and be located at convenient city-centre sites. In FY18, following our two-year pilot, we will decide whether to introduce this store format in more locations.



## MEETINGS AND BUSINESS TRAVEL

Co-worker meetings are a vital part of IKEA. Our meetings should be as productive and creative as possible, with space for all to contribute. Of course, we want our meetings to be sustainable too. That means using virtual meetings and avoiding travel where possible.

The IKEA Group Meeting & Travel Strategy outlines how we will achieve sustainable meetings and business travel by 2020. This also means working to secure efficiency, quality, health, safety and security.

In FY17, we launched a tool that enables large virtual meetings, and reached our goal for annual growth in the number of virtual meetings to exceed that of trips by the end of FY17. At the end of FY17 there were video meeting facilities at 130 of our sites, and over 50,000 web meetings a month. The number of web meetings increased by 36% between FY16 and FY17, and travel costs as a percentage of yearly sales decreased from 0.42% to 0.35%.



### STOCKHOLM POP-UP

In September 2017 we opened a kitchen pop-up in central Stockholm (top) where customers can easily access our kitchen offer, get kitchen planning support, place orders and get the IKEA range home delivered.

### CARGO BIKES

for rent at some stores enabling customers to take their products home (left).

# ELIMINATING WASTE AND BECOMING CIRCULAR

We believe all resources are too valuable to be wasted. We always aim to make more with less, and eliminate waste at every step. Where there is waste, we view it as a valuable resource for new products and materials. By closing this loop, we can contribute to building a circular economy – a world without waste.

Some of the waste we produce is expected – like the shrink wrap on our pallets – while some is not – like product damage and unnecessary food loss. Each requires a different approach. but in every case we use the waste hierarchy (see diagram): first preventing waste, then reusing or recycling what is left. In the long term, we want to work only at the highest levels of the hierarchy, and stop sending any waste to landfill.

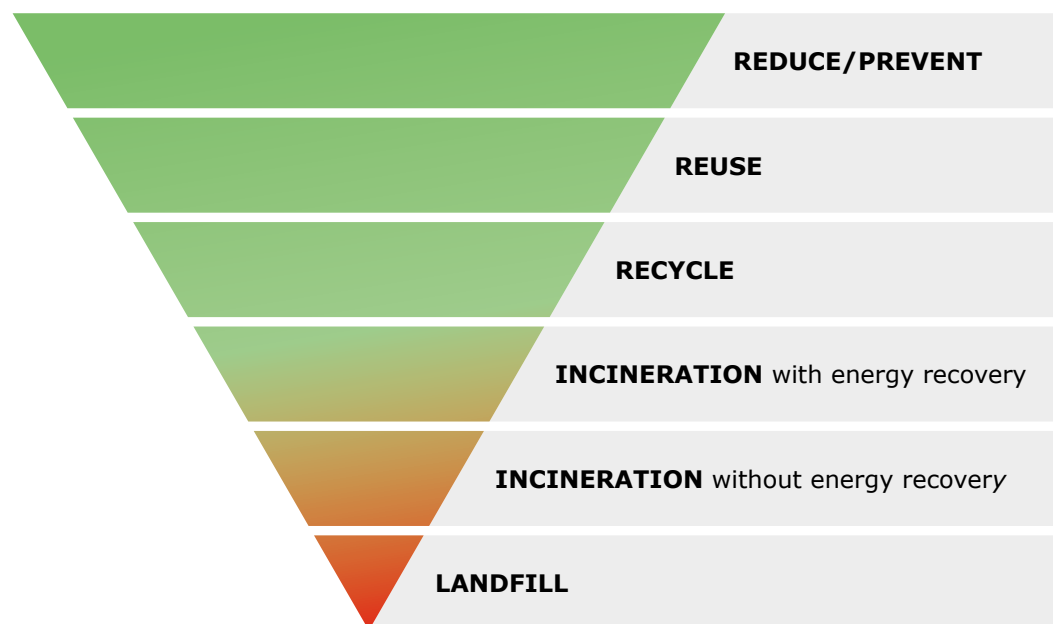
## PREVENTION AND REDUCTION

There are two key sources of avoidable waste that we are working hard to reduce, and eventually eliminate: product waste and food waste.

### Product waste

We are proud of the products we sell, and want them to have a long life in our customers' homes. But some of our products get damaged in transit before they reach the store. We have dedicated 'Recovery' teams in each store and train co-workers in product handling. When products are damaged, we aim to repair and re-pack them to go back on the shelf – in FY17

## WASTE HIERARCHY



Our long-term objective is to eliminate waste across our value chain, through prevention, reduction, reuse and recycling. This way we can reduce costs and negative impacts, and secure resources for the future.

a total of 7.7 million products were repacked. Where this is not possible we try to give them a second chance by selling them in the 'As-Is' area in each store.

In FY17, we improved systems in our Recovery departments by:

- Launching new software to improve our spare parts library, which we will roll out to most stores in FY18. This will enable us to quickly track and locate spare parts to provide better service to our customers with damaged products. And it will enable us to maintain show models and improve repacking possibilities.
- Developing global guidelines to improve the shopping experience in the 'As-Is' areas, to make them more attractive to customers looking for a good deal.

### Food waste

There are IKEA restaurants, bistros and Swedish Food Markets all over the world. This means we can have a big impact in

reducing food waste. Through the Food is Precious initiative (see box) we are working to understand what food is wasted and why. This will enable us to avoid waste by adapting our forecasts for preparing food, and the way we work in our kitchens.

*"Working with food waste reduction makes me feel like my job is worth doing. I'm making a difference not only at work, but to the world, in a way. And it's made me think about what I buy and waste at home too. I'm getting all of my family on-board!"*

**Christy Bradley**  
Food Waste Champion, IKEA Nottingham



## Co-workers working together to prevent food waste

Food is precious. But roughly one-third of food around the world is lost or thrown away every day.<sup>25</sup>

The Food is Precious initiative, launched in 109 of our stores in FY17, focuses on engaging co-workers to reduce food waste using a 'smart scale' solution fitted to the waste bins in our kitchens. It weighs and records food waste, and co-workers log the reasons for waste on a simple touch screen. The data enables us to understand what, why and when we are wasting food, and by reviewing the data daily we can start to change our behaviours around wasting food, and adapt our food waste forecasts.

After just 12 weeks of working with the smart scale, food waste was reduced by 20% on average per store. Over 200,000 kg of food was saved in FY17 – saving over 865 tonnes of carbon emissions and nearly 450,000 meals.<sup>26</sup> It is impacting co-workers' lives at home too. Three out of four co-workers said that using the smart scale makes them more aware of the environmental impact of food waste, and around half said they now waste less food at home.

**FOOD IS PRECIOUS**  
co-workers in Älmhult, Sweden use the smart scale.

<sup>25</sup> <http://www.fao.org/save-food/resources/keyfindings/en/>.

<sup>26</sup> 1kg in weight equivalent to 4.3kg in carbon emissions. We measure this by combining the FAO and WRAP estimates (4.6 and 3.9 respectively). (FAO: [http://www.fao.org/fileadmin/templates/nr/sustainability\\_pathways/docs/FWF\\_and\\_climate\\_change.pdf](http://www.fao.org/fileadmin/templates/nr/sustainability_pathways/docs/FWF_and_climate_change.pdf) WRAP: <http://www.wrap.org.uk/sites/files/wrap/Overview%20of%20Waste%20in%20the%20UK%20Hospitality%20and%20Food%20Service%20Sector%20FINAL.pdf>). We combine the estimates to get a more rounded and reliable view, as there are many variables.



## RECYCLING, REUSE AND CIRCULAR

We are working to improve our recycling processes and partner with waste management suppliers to find new recycling solutions for material that was previously sent to landfill or incinerated. This includes collaborating with Inter IKEA Group, which develops and supplies the range, to look for opportunities to use our own waste to create resources for the IKEA supply chain. In FY17, IKEA Retail France participated in a project which explored how to sort shrink wrap from pallets and turn it into the plastic that is used to make IKEA products. As a result the TOMAT bottle is now made from recycled plastic. In March, this project was awarded the Gold Medal in the large business category at the Nuit de l'Économie Collaborative & Circulaire award, run by the French Circular Economy Institute. We are exploring how to adopt a similar approach with cardboard and wood.

In FY17 we introduced 18 cardboard baling machines, bringing the total to 116. Now 33% of our stores worldwide can compress recyclable materials into neat bales on site, making it easier and more efficient to transport them for processing. This gives us the capacity to bale an additional 9,600 tonnes of cardboard annually. And together with waste management companies we are testing processes for recycling low-grade wood waste, mostly waste from products and showroom rebuilds that would otherwise be incinerated. It is already proving successful in Spain and Italy, and has the potential to save over 20,000 tonnes from incineration, compared with FY16.

We are working to improve systems across all of our sites, not just our stores. In FY17, we completed environmental audits in 14 of our 43 shopping centres, to understand the waste produced by our tenants and explore what a circular model could look like for IKEA Centres.



We know that we cannot achieve our ambitions alone. That's why we work with and engage policy-makers, NGOs and other businesses to build momentum for the circular economy. In FY17, we took part in a number of high-level events and initiatives to discuss issues relating to the circular economy, working with organisations including:

- the OECD
- the World Circular Economy Forum
- the Circular Economy 8 (CE8) – a group of companies committed to a circular economy
- Champions 12.3 – a coalition of leaders from government, business, civil society, research institutions and international organisations
- the China Association of Circular Economy
- the Prince of Wales Corporate Leaders Group (CLG).

In FY17, reported waste generated increased. This is partly because we have grown as a business, but also because of other factors which we are currently investigating. This highlights the importance of identifying the measures needed to prevent waste and continuing to work proactively to reduce it. This will be a priority for us in FY18, supported by a waste reduction strategy.

Recycling rates at our shopping centres are low in comparison to our other sites. This is because we manage large volumes of more variable and lower quality waste streams on behalf of our tenants. We are currently integrating IKEA shopping centres into the new group reporting tool for waste which will help us to focus on improving recycling rates.

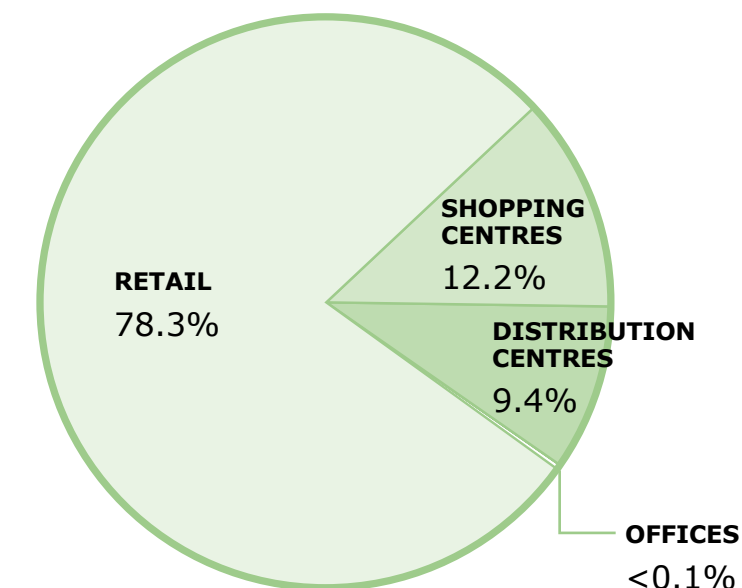
### WASTE DISPOSAL RATES IN FY17 (% OF TOTAL)

	Recycled <sup>27</sup>	Incinerated for energy recovery	Incinerated without energy recovery	Sent to landfill
Retail	73.6	17.9	0.4	8.1
Distribution centres	87.9	9.8	0.1	2.2
Shopping centres	18.6	2.9	0.3	78.2
Offices	31.3	38.4	15.3	15.0
<b>Total (average)</b>	<b>68.2</b>	<b>15.3</b>	<b>0.4</b>	<b>16.1</b>

### WASTE PRODUCED (TONNES) AND % OF TOTAL WASTE RECYCLED OR INCINERATED FOR ENERGY RECOVERY

	FY16	FY17
Retail	432,835 91.6%	462,564 91.4%
Distribution centres	50,594 95.4%	55,641 97.7%
Shopping centres	65,739 17.8%	71,902 21.5%
Offices	165 69.8%	151 69.7%
<b>Total (average)</b>	<b>549,334 83.1</b>	<b>590,258 83.4</b>

### WASTE GENERATION IN FY17



<sup>27</sup> These figures include digestion and composting as recycling methods.

# RESPONSIBLE SOURCING AND PROCUREMENT

We procure goods and services from thousands of suppliers to support our retail operations – from the contractors that build and maintain our stores to the IT systems that connect our co-workers and the racks that display our products.

We aim to create a common approach to procurement, applying the same high standards to everything we source. This includes:

- exploring ways to work with circular procurement models to save materials
- increasing the share of renewable, recyclable or recycled materials in our non-home furnishing range
- working with suppliers to ensure compliance with our supplier code of conduct, IWAY (see [page 31](#))
- developing a sustainable approach for food, including standards on animal welfare (see [page 12](#)).

In FY17, we focused on mapping our sourcing on a local level to understand how we can become more efficient and use our scale as a purchaser to secure more sustainable sources for products and materials.

# BECOMING GOOD WATER STEWARDS

The availability of fresh water is fast becoming one of the biggest problems facing our global community. Today, one-third of our stores, distribution centres and suppliers are located in water-scarce areas.

We are working to improve water management in our stores, shopping centres, distribution centres and offices, and to inspire our co-workers to become water stewards.

In FY17, we conducted a survey of 290 stores to understand the full scope of our water usage and assess what water saving measures are already in place. This enabled us to establish a baseline and set targets for improvement. We developed a water toolbox and IKEA Group Water Manual to be launched in FY18, that provides practical and technical information, and step-by-step guidance to managers to help them implement water strategies on their sites.

We are working towards using harvested, reused or recycled water wherever possible, prioritising our sites in current and future water-stressed areas, using best available techniques and technologies.

We are working in partnership with WWF to become good water stewards. This includes an education programme for around 400 co-workers at management level.



## WATER USE BY UNIT (m<sup>3</sup>)

	FY16	FY17
Retail	5,178,449	5,346,839
Distribution centres	196,922	264,567
Shopping centres	3,445,992	3,559,411
Other units	275,843 <sup>28</sup>	42,109
<b>Total (average)<sup>29</sup></b>	<b>9,097,206</b>	<b>9,212,927</b>

*“In an increasingly water-stressed world, the role of business is more important than ever. Corporate champions, like IKEA, can have a huge impact by working with us to promote water stewardship and help secure sustainable water supplies for people and nature in river basins around the world.”*

**Stuart Orr**  
Practice Lead, Freshwater, WWF

28 The high water use in FY16 was mostly related to a renovation of one of our office buildings.

29 The increase in consumption is related to the expansion of our activities and the opening of new stores, distribution units and shopping centres. Despite the increase of total water use, the average amount of water consumed per visitor decreased from 7.54 to 7.36 litres in FY17 (total water consumption/ number of visitors to our stores and shopping centres).

# PEOPLE AND COMMUNITIES

Around the world, 70% of people live in a country where inequality is growing,<sup>1</sup> and one in five live in extreme poverty.<sup>2</sup> Inequality is a serious problem for communities and these issues also affect our business. The way we operate can play a big role in tackling inequality – both in the places where we are present and further afield.

At the same time, communities are changing. They are no longer constrained by borders or traditional boundaries. Current levels of migration challenge conventional ideas of home. The workplace is evolving to reflect new norms – becoming more digital, flexible and mobile. This brings new ideas, such as the sharing economy, but also presents challenges, with some struggling to find stable work.

We recognise the challenges and rapid change faced by people in the many parts of the world where we are present, particularly where rights and opportunities are far from equal. To contribute to a better life for people and communities, we must grow our business in an inclusive way. This begins with our own co-workers. It extends to our partners and suppliers, as well as the communities where we operate. When those communities thrive, we thrive too. Their challenges are our challenges. By putting people at the heart of our business and playing an active role in our communities, we can play our part in contributing to a fairer, more equal society.

<sup>1</sup> Oxfam 'Even it Up' Report, 2016.

<sup>2</sup> World Bank, <http://www.worldbank.org/en/news/press-release/2013/10/10/report-finds-400-million-children-living-extreme-poverty>.



# BETTER LIVES FOR OUR CO-WORKERS

Nothing we do would be possible without our 149,000 engaged and talented co-workers. We want to be a great place to work, where people are recognised for their unique abilities and contribution: an IKEA for the many, by the many. The IKEA Group People Strategy provides a framework for moving our people and our business forward together.



Everyone has the right to access decent employment that enables them to reach their full potential and supports them and their families in attaining a better life. While recruiting people with the passion and skills we need, we also look for opportunities to enable those experiencing poverty, disadvantage, or other barriers to work to find a fair and stable source of income.

We want to be a unique, meaningful and trusted employer that embraces diversity. And we use learnings from our own operations to establish expectations throughout our value chain.

## FAIR WAGES AND DECENT WORKING CONDITIONS

Whatever job a person holds, they share the same rights to earn enough to meet their basic everyday needs and those of their family.

We are working with the Fair Wage Network to develop an approach to assess and secure fair pay for our own co-workers and the workers within the IKEA Group supply chain. We support the principle of equal pay for jobs of equal value – independent of race, gender, age or other life situation – and we are working to achieve this, including developing an approach to close the gender pay gap.

***In FY17, we adjusted wages in Poland and Russia following assessments based on the Fair Wage Network methodology.***

People in employment should be able to work reasonable hours in good conditions, feel safe and secure, have the freedom to express themselves, and have access to benefits and support appropriate to their stage in life. The IKEA Group Approach to Employment Standards ensures we apply consistent principles to employment relationships and contracts,

scheduling, working hours, equality of treatment and open communication.

Our locations have developed a range of offerings for co-workers at different life stages, including shared or equal parental leave, job sharing, remote working, childcare provision, and providing equal hourly pay and benefits for full and part-time co-workers doing the same job.

We respect the rights of our co-workers to form, to join, or not to join a co-worker association of their choice without fear of reprisal, interference, intimidation or harassment.

## HEALTH AND WELLBEING IN THE WORKPLACE

A safe, ergonomic and inclusive work environment should be one of the hallmarks of any of our units. We want to be an attractive, modern and inclusive workplace where co-workers are physically and mentally healthy, satisfied with their work and have the energy to engage and inspire customers.

We are working on a framework for health and wellbeing in the workplace, which will be introduced in the coming year.

In FY17, the number of reported accidents increased. This partly reflects our efforts to encourage reporting of incidents by co-workers. The incidents were largely caused by human error, and were concentrated in the sales and restaurant areas. Each country will identify steps for improvement, and we will improve and provide global tools and processes including: incident reporting, training packages and benchmarking.

In FY17, there were no fatalities on-site among IKEA Group co-workers. There were on-site contractor fatalities at construction sites and stores in relation to construction and building operations work by suppliers to our units. We deeply regret these incidents and work proactively to avoid such events occurring, including through implementation of IWAY requirements with suppliers – read more on [page 31](#).

### IKEA GROUP OCCUPATIONAL ACCIDENTS: RETAIL AND CUSTOMER FULFILMENT<sup>3</sup>

	FY15	FY16	FY17
Serious accidents (reported as medium or high severity)	754	736	821
Serious accidents/million hours worked	5.8	5.3	5.6

We investigated these fatalities, as well as other major and minor accidents, to learn what we can do to prevent such incidents from occurring again. We re-communicated our health and safety requirements to IKEA construction professionals and third-party contractors around the world, along with examples of good practice. We will continue to focus on communicating and enforcing health and safety requirements for all construction and building operations activities relating to our units.

<sup>3</sup> Co-worker accidents in shopping centres are not analysed due to the very low number of reported lost days in FY17.

## CO-WORKER COMMUNICATION

Open communication is key to sharing points of view, helping us to learn and improve. We use several channels to communicate with and between co-workers, including our intranet IKEA Inside/Outside,<sup>4</sup> and other global and local channels such as social media platform Yammer – currently accessible to more than 70,000 co-workers. We encourage open conversations between co-workers and their managers and seek formal feedback about what it is like to work at IKEA Group through our online VOICE survey for all co-workers.

Our quarterly internal magazine, Readme, is available in 21 languages, online or as one of 65,000 printed copies (using recycled paper and climate neutral printers).

*In FY17, Readme won the Swedish Content Awards and the American Content Awards for best internal communication.*



## CELEBRATING DIVERSITY, CHAMPIONING EQUALITY

All co-workers have the right to be treated fairly and to experience equal opportunities, regardless of their personal background. We want to create an inclusive culture where all people are valued for their unique contribution and where everyone can be themselves. We do not tolerate any kind of differential treatment based on personal background.

We are guided by our code of conduct, our Human Rights and Equality policy and our Equality standards. We host regular Diversity and Inclusion Network meetings with our 70 ambassadors representing all our markets and functions.

We are committed to achieving gender equality in all leadership positions by FY20. In FY17, we held our fifth annual IKEA Group Women’s Open Network (IWON) meeting with 150 leaders from across IKEA Group, to share progress, learnings and challenges for creating a more equal IKEA.

**54%**  
of our co-workers were women, in FY17

**49%**  
of our managers were women, in FY17

We support our LGBT+ (lesbian, gay, bisexual, transgender, and all other sexual orientations and gender identities) co-workers’ right to be themselves. We are a member of the Workplace Pride Foundation – an organisation that strives for greater acceptance of LGBT+ people in the workplace and in society.



<sup>4</sup> IKEA Inside/Outside is available on any device for all co-workers in all countries except Germany.

In FY17, we launched the IKEA Group Standard on Equality and the IKEA Group LGBT+ Plan. Other FY17 highlights:

- We collaborated with the United Nations Human Rights Office of the High Commissioner to develop the Standards of Conduct for Business on Tackling Discrimination Against Lesbian, Gay, Bisexual, Transgender, and Intersex People, and supported the launch.
- IKEA Retail Switzerland CEO Simona Scarpaleggia co-chairs the UN Secretary General’s High-Level Panel on Women’s Economic Empowerment, which produced two reports in FY17.
- Our Global Equality and Leadership Manager, Sari Brody, received the 2016 Birgitta Wistrand prize, which recognises equal leadership and mentorship.

### Project Disha

Our countries led many inspiring initiatives in FY17 to support diversity and equality. For example, IKEA Retail India’s first store in Hyderabad is taking part in the pilot of Project Disha – a three-year partnership between the India Development Foundation (IDF) and UNDP, supported by the IKEA Foundation (read more about the IKEA Foundation on [page 36](#)). The project enables underprivileged women in India to learn employable skills and find work opportunities, so that they, their families, and future generations can have better lives.

IKEA Retail India plans to recruit 150 women via Project Disha for various co-worker positions at IKEA Hyderabad, with the aim of all future IKEA store locations in India participating in this groundbreaking initiative.

## GROWING TALENT, FULFILLING POTENTIAL

We want every co-worker to have the conditions and competence to perform brilliantly and continuously develop themselves and our business. Because when our people grow, our business grows too.

We focus on developing talent in-house, building competencies suited to a changing world, and nurturing leadership. Our online platform, My Learning, provides co-workers with easy access to all IKEA training and learning content. There are currently 3,000 visits to My Learning per day and over 30,000 learning sessions completed per month.

# 45k

**More than 45,000 co-workers participated in our FY17 Talent Focus Week. The theme was 'It's a joint responsibility', where everyone understands the responsibility to develop themselves and IKEA.**



### Children's rights

Every child needs space and support to grow, learn and develop to their full potential.

Everything we do as a business and as individuals can impact children's lives. And we must ensure that impact is positive. That's why we work continuously to integrate the Children's Rights and Business Principles (the Principles) into our daily work. The Principles were launched jointly by Save the Children, the UN Global Compact and UNICEF in 2012. They offer a comprehensive approach to look at every part of our business from a child's point of view. For us, the Principles mean:

- supporting decent work for young workers, parents and caregivers, while eliminating child labour from our supply chain – read more on [page 32](#)
- ensuring our stores and shopping centres are safe spaces for children –

for example by providing Småland crèches at our stores, staffed by co-workers trained in childcare practice and paediatric first aid

- offering products and services for children that are safe, and marketing these appropriately
- contributing to a healthy environment for children to live in, both now and in the future
- reinforcing community and government efforts to support children's rights.

To really make a difference to children's rights in communities all over the world, we cannot act alone. We work to advocate and raise awareness of children's rights.

Read more about our partnership with the IKEA Foundation to enable the world to play more on [page 36](#).

## Respecting and protecting human rights

No matter where we operate in the world, we will actively support human rights and stand up for equality. We have a responsibility to uphold the rights of those closest to us: our co-workers, customers, workers in our supply chain, and the communities around us. By speaking up for what we believe in, we can also contribute to positive change around the world.

We address human rights in many of our strategies, policies and standards, including the IKEA Group Policy on Human Rights and Equality, and update these regularly in line with emerging risks and expectations. When we identify a human rights risk in our supply chain, we strengthen due diligence processes and take action to remedy where needed.<sup>5</sup>

We work with our supplier code of conduct – IWAY – to help prevent human rights violations from occurring at our suppliers. This includes requirements to prevent forced or bonded labour in our supply chain. Read more on [page 31](#).



### Saying thank you to our co-workers

Tack! – 'thank you' in Swedish – is our way of rewarding loyalty and showing appreciation for co-workers who stay and continue working for the success of IKEA. Regardless of position, salary or unit, the same amount is allocated to all co-workers within a country who have worked with us for at least one full fiscal year. Once they reach their five-year anniversary with the company, the accumulated money is paid out to their pension funds. In FY17, we paid EUR 96 million into the Tack! loyalty programme.

The One IKEA Bonus programme is a performance-based bonus system for all our co-workers. It reflects our values of simplicity and togetherness, with everyone in the same unit working towards the same objectives. Sharing goals helps us to work together as one IKEA.

<sup>5</sup> Action to remedy refers to the steps an organisation takes if it finds it has caused or contributed to human rights violations.

# BETTER LIVES FOR WORKERS IN OUR SUPPLY CHAIN

Our stores and shopping centres would be nothing without the people who drive our customer delivery trucks, grow and produce the food for our restaurants, manage our buildings and keep them clean and secure. We work with our suppliers to secure and maintain good social, environmental and working conditions for their many co-workers.



## WORKING WITH OUR SUPPLIERS

The IKEA supplier code of conduct, IWAY, sets out minimum requirements for environmental, social and working conditions when purchasing products, materials and services. IKEA organisations work with IWAY to ensure that a consistent approach to securing the right conditions is applied across the IKEA value chain.

We have worked with IWAY since 2000. At the beginning of FY17, the composition of IKEA Group changed when IKEA range, supply and production activities were transferred from IKEA Group to Inter IKEA Group (see [page 37](#)). As a result, the scope of our supply chain has changed. Inter IKEA Group continues to apply IWAY to its own supply chain, including the suppliers that make IKEA home furnishing products – read more in the [Inter IKEA Group FY17 Sustainability Summary Report](#).

We still operate a significant supply chain. Thousands of suppliers provide the products and services needed to run our business. These include cleaning and security companies, local food suppliers, home delivery service providers and construction suppliers.

IWAY applies primarily to our higher risk suppliers – those we know are more likely to experience challenges with environmental, social and working conditions. Although our supplier base has changed, IWAY continues to set our expectations of suppliers. It is a starting point from which we can build relationships with our suppliers and have open conversations about specific challenges and solutions.

The same IWAY requirements apply to all our suppliers within scope, including a set of fundamental 'IWAY Must' requirements applicable to every supplier. We undertake regular audits with suppliers to determine levels of IWAY approval for different supplier categories.

In FY17, we identified 51 IWAY Must deviations, all of which we followed up with corrective action plans. Lower IWAY approval rates in categories such as food, distribution services and property indicate a later overall start of IWAY auditing activities in those business units.

### New ways of working

We are developing a new way of working with sustainability requirements for all our suppliers, including those that supply IKEA Centres. In FY17, we:

- developed a risk rating tool that will support us to better understand and respond to the challenges in our supply chain – we plan to roll this out in FY18 and FY19
- created a new IWAY Working Method that combines existing methods for IMS, Retail and Retail Food suppliers
- activated a new IWAY Working Method to secure IWAY implementation at suppliers responsible for customer delivery transport, assembly and installation
- developed a strategy for bringing our diverse Retail Food suppliers – ranging from small bakeries to large multinational companies – towards IWAY compliance.

### Construction suppliers

In FY17, we continued a project to work towards implementation of IWAY requirements at all our construction sites. All countries delivered country-specific plans, including action plans to address identified gaps. We are continuing to undertake bi-monthly IWAY checks – performed by an approved IWAY auditor – on all our construction sites in China, to enforce and monitor compliance.

## OUR SUPPLIERS IN FY17

Category	Number of suppliers within IWAY scope <sup>6</sup>	Description	% IWAY approved suppliers
<b>Indirect Materials and Services (IMS)</b>	237	Provide the products and services needed to run our business. This includes equipment in our stores (such as trolleys, racking and lighting), uniforms for our co-workers and services such as facilities management and printing.	70.1
<b>Retail</b>	325	Service providers to our retail organisation: cleaning, security, waste management and customer delivery providers whose contracts are owned by IKEA Retail.	88.0
<b>IKEA Retail Food</b>	785	Provide local food and ingredients in IKEA Bistros and Restaurants.	23.2
<b>Distribution Services</b>	74	Includes external providers operating logistics units and warehouses, forklift maintenance and shunting companies, waste management companies, wooden pallet suppliers, and other types of service providers such as cleaning, security, and labour agencies.  Not all service providers are contracted centrally – see also Retail above.	53.8
<b>Services Business Fulfilment</b>	150	Includes home delivery service providers.	97.3
<b>Property Facility Management</b>	89	Includes cleaning, security, guest services and technical maintenance suppliers to IKEA Centres Russia, and facility management suppliers in the Czech Republic, Sweden, Switzerland and the UK.	39.1

# 480

More than 480 IWAY audits were undertaken at our suppliers in FY17

<sup>6</sup> Number of suppliers with full IWAY implementation scope according to the current IWAY Working Method.

## SUPPORTING YOUNG WORKERS AND PREVENTING CHILD LABOUR

Engaging children in work that deprives them of their right to simply be a child is not acceptable – especially if that work is potentially dangerous or impacts their education and development. We take any suspected cases of child labour within our supply chain very seriously. We investigate and follow up on any suspected case, prioritising the best interests and safety of the child.

In FY17, there were no cases of child labour discovered in the IKEA Group supply chain.

We are committed to eliminating child labour within our entire value chain, but this should not restrict decent opportunities for those under 18 who are legally allowed to work. Suppliers can find it challenging to employ people under the age of 18 because they are worried about accusations of child labour. Suppliers who can offer safe, appropriate work to young people are investing in their own future workforce while providing young workers with essential preparation for ongoing employment.

This is now more important than ever, since youth unemployment is high and increasing in many parts of the world, negatively affecting the life prospects of millions of young people. The IKEA Way on Preventing Child Labour and Supporting Young Workers clarifies our position on child labour, and on enabling young people who are legally able to work to access decent employment opportunities. For example, it explains that young workers should not be given hazardous work, night work, or overtime.

## MIGRANT WORKERS IN OUR SUPPLY CHAIN

More and more people are seeking work away from home – sometimes through choice, and sometimes out of necessity. The recruitment of migrant workers can provide essential income and help fill employers’ skills gaps. But if not undertaken responsibly, it can negatively impact all involved. Workers can be at risk of forced or bonded labour, including potentially becoming indebted by the payment of large recruitment fees, or having to hand their passport to recruiters. And for employers, this can mean high turnover rates and poor skills matching.

We work with our suppliers and service providers to ensure they undertake recruitment responsibly. For example, the supplier operating the distribution centre in Dubai offers two options for passport storage: workers can keep the passport themselves, with the option to use a secure locker on-site, or they can voluntarily give the passport to the supplier for safekeeping and retrieve it at any time.



### DUBAI DISTRIBUTION CENTRE

The team at the distribution centre in Dubai (above right), and a poster in the trust room (left), where workers can securely store their passports.

## Better working conditions for truck drivers

The transport industry, particularly in the EU, has gone through structural changes over the last 10 years. Competition has increased, sub-contracting and complex cross-border chains are common. Transport workers can risk exploitation, for example with respect to wage practices and working conditions.

We recognise the challenges of the transport industry and, despite not directly employing drivers, we have a responsibility to positively influence their working conditions wherever we can.

In collaboration with Inter IKEA Group, we are working to ensure the right conditions for truck drivers are in place when they visit our facilities, such as stores and distribution centres.





## BEING PART OF OUR COMMUNITIES

We want each of the IKEA stores and shopping centres we operate to be a central part of its neighbourhood – a place where people come together to learn, listen, share and have fun. By playing an active role in the communities around our operations, we can have a positive impact on people's livelihoods and contribute to thriving and inclusive local economies.

Our stores, shopping centres and distribution centres already work with their communities in lots of inspiring ways. In FY17, we donated EUR 8 million to local communities. We are learning from current activities, using this knowledge to:

- develop a consistent approach to partnering and engaging with communities and customers wherever we work
- engage as many people as possible in our efforts to contribute to thriving communities.

As a global retailer, we can make a big positive impact on local communities by providing decent and meaningful work. This starts with our co-workers and those working in our supply chain. It extends to improving employment opportunities for those in the local community and beyond, who may be struggling to find work – read more on [pages 34 and 35](#). We sometimes partner with the IKEA Foundation to contribute to positive community change on a global scale – read more on [page 36](#).

### CREATING COMMUNITY PLACES TO CALL HOME

Our stores and shopping centres partner with local communities to transform local spaces. For example, in FY17:

- **IKEA Retail Australia** provided IKEA Living Local Community Grants to enable stores to partner with local NGOs by providing makeovers or gift cards – with a focus on local charities that work with children, homeless people, or those in vulnerable situations. In FY17, volunteer co-workers participated in 31 full makeovers and more than 62 additional organisations received gift cards worth AUD 1,000.
- **IKEA Retail Italy** helped to build and furnish a school in the village of Crognaleto – one of the many places affected by the earthquake in August 2016.
- **IKEA Retail France** and co-workers from the IKEA Villiers store celebrated the inauguration of a new family housing project and day-care centre – the latest project from a 13-year partnership with NGO La Fondation Abbé Pierre, which has so far involved 117 projects with 29 IKEA stores across France, benefiting more than 7,000 people.
- **1,500 IKEA Retail Germany** co-workers helped to support 16,000 refugees in 510 local projects – including emergency activities to provide shelter and food for refugees arriving in the country, furnishing a refugee centre and supporting a food bank.



### Meeting our new neighbours in India

Like any new arrival, it's important we get to know our neighbours. We want to learn about their expectations of us, their hopes and their fears. And we want them to know us as an employer, a place to buy inspiring home furnishing products, and an integral part of the community.

As the opening of our first stores in India gets closer, we've been talking with local stakeholders about the best way to prepare, and learning about the unique character of our new locations. Over the past two years, in Hyderabad and then in Mumbai, we held 'IKEA meets the state' days – each bringing together 100 government officials, industry leaders, opinion formers, suppliers, NGOs, IKEA Group management and potential customers. These days were an opportunity to discuss, explore and learn from each other, and to co-create our entry strategy for each location.

We have visited over 800 homes in India so far and continue to learn about the rich history and cultural changes happening here, the high expectations for quality services at a low cost, and the value placed on family, food, and celebration. IKEA Hyderabad is due to welcome its first customers in spring 2018, followed by Mumbai in early 2019, and we can't wait to meet the first visitors to an IKEA India store!

**"We anticipate about 8 million visitors in our first year – that's a lot of people to get to know!"**

**John Achillea**  
Store Manager,  
IKEA Hyderabad, India

## Experiencing life in a war zone

It can be difficult to grasp the reality of conflicts that happen hundreds of miles away. News reports and photographs do not always convey the immediate, human impact that war has on everyday home life.

That is why IKEA Retail Norway partnered with the Red Cross to create an exact replica of a Syrian home inside an Oslo store. Price tags and shelf numbers were

replaced with personal stories of people caught up in the Syrian war, alongside advice on how to support families affected by the conflict.

More than 40,000 people visited the home – named *25m<sup>2</sup> of Syria* – and the wider Red Cross campaign raised more than EUR 22 million towards Syrian humanitarian relief. Watch a video on *25m<sup>2</sup> of Syria* [here](#).



## REMOVING BARRIERS TO EMPLOYMENT

A person's life circumstances make no difference to their potential to contribute to the workplace. By breaking down the barriers that might prevent someone from seeking, accessing or maintaining work, we gain access to a broader pool of talent.

We are exploring ways to enable people experiencing poverty, disadvantage or other barriers to employment to access jobs with us and in our supply chain, so that we can improve their lives and at the same time create value for our business.

Many of our locations partner with local organisations to enable refugees, young workers and people with disabilities to develop workplace skills and experience, and to access jobs with us. This includes refugee inclusion programmes at stores in 8 markets. For example:

- Through its Refugee Inclusion programme, **IKEA Retail Switzerland** has committed to offer internship opportunities for 110 refugees over three years. IKEA Retail Switzerland has also published the [Refugee Inclusion Toolkit](#), sharing their experience with other companies. Read more [here](#).
- **IKEA Retail Austria** participated in the first job fair for refugees in Vienna, which was visited by more than 3,000 refugees. As a result, there are already 20 new colleagues working in different IKEA stores and distribution centres in Austria.
- See **IKEA Retail Spain** example, right.



### MARIA, A REFUGEE FROM UKRAINE

Maria is learning new skills on an IKEA training programme in Spain

## A new start for refugees in Spain

In 2016 alone, Spain received thousands of applications for asylum from refugees. People arriving in a new country can find it challenging to access work, and to build a new life for themselves and their families.

In response to this growing crisis, IKEA Retail Spain developed the Employability Programme – part of a wider partnership with government and NGOs<sup>7</sup> to create a better everyday life for refugees and their children arriving in the country.

In FY17, at IKEA Ensanche de Vallecas and IKEA Murcia stores, 16 refugees were offered a five-week training programme, designed to give them the tools and resources they need to improve their employability skills and access work in the retail sector. Each week was spent learning about work in a different department, combined with training sessions on writing a CV and preparing for interviews.

At the end of the programme, the vast majority of participants had a job interview and over half of them found a job – including six who became IKEA co-workers. Through first-hand conversations and stories, co-workers at the two stores learned about the life of a refugee and realised the importance of their own role in supporting participants with employability skills. IKEA Retail Spain is rolling the programme out to as many stores as possible, and exploring ways to extend the opportunity to other vulnerable groups.

<sup>7</sup> Partnership between IKEA Retail Spain, ACCEM, ACNUR, CEAR, and the Spanish Ministry of Employment and Social Security.



## BUILDING PARTNERSHIPS WITH SOCIAL ENTREPRENEURS

Our social entrepreneur initiatives enable us to build long-lasting partnerships with small businesses to create sustainable, positive social change in the communities where they work. Many initiatives contribute to women’s economic empowerment by providing employment to women who would otherwise struggle to find financial stability.

Through these partnerships we are creating something a little different for our customers,

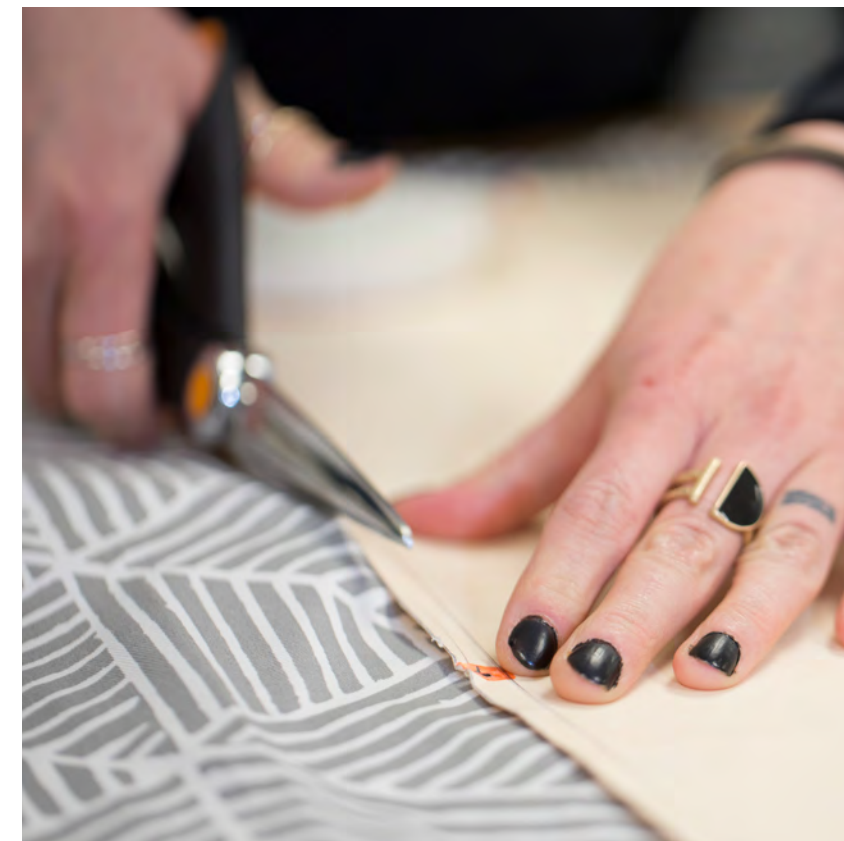
including limited collections of upcycled textile products and services. This is business, not charity.

We are in the beginning of this journey, testing and learning in some stores and markets how to expand and scale up these initiatives. We have developed partnerships with local social enterprises in eight countries. During FY17, we have added new partnerships:

- **IKEA Canada** launched the the ÅTERSTÄLLA collection at the IKEA Etobicoke store in partnership with Setsuné Indigenous Fashion Incubator – a Toronto-based social enterprise that promotes

Indigenous artists, particularly young women and mothers. Read more [here](#).

- **IKEA Belgium** launched another ÅTERSTÄLLA collection at the IKEA Gand store in partnership with De Kringwinkel Ateljee – a social enterprise that deploys a wide range of employment projects and focuses on the assistance and employment of people experiencing difficulties in entering the labour market. Watch more [here](#).



## SOCIAL ENTERPRISE SISTERS IN BUSINESS

partner with IKEA Slependen, Norway, to provide an in-store sewing service, creating opportunities for immigrant women to enter the labour market (far left).

## ÅTERSTÄLLA

is a collaboration with Setsuné Indigenous Fashion Incubator – a group of female Indigenous artists, designers, arts managers and community members, who work in fashion, textiles and crafts (left, above and below).

# GOOD CAUSE CAMPAIGNS

IKEA Group and the IKEA Foundation collaborate on campaigns that engage and empower customers and co-workers in good causes, to create positive impacts for people and communities.

## The IKEA Foundation

The IKEA Foundation (Stichting IKEA Foundation) is the philanthropic arm of INGKA Foundation, the owner of the IKEA Group of companies. The IKEA Foundation aims to improve opportunities for children and youth in some of the world's poorest communities by funding holistic, long-term programmes that can create substantial, lasting change.

The IKEA Foundation works with strong strategic partners applying innovative approaches to achieve large-scale results in four fundamental areas of a child's life: a place to call home; a healthy start in life; a quality education; and a sustainable family income – while helping these communities fight and cope with climate change.

In 2017, the IKEA Foundation gave its partners EUR 144 million in grants, with over EUR 9 million going towards emergencies and disasters such as the conflict in Yemen and the violence around the Rohingya population in Myanmar. The Foundation works with 74 partners, running programmes in 41 countries.

## Let's Play for Change

Everybody should play more! That is the message of Let's Play for Change, a Good Cause campaign launched by IKEA Group and the IKEA Foundation in FY16. The IKEA Foundation awards grants to six programme partners under the umbrella of the campaign: Handicap International, Room to Read, Save the Children, Special Olympics, UNICEF and War Child. The grants fund high impact projects creating safe spaces for children to play and develop in some of the world's most vulnerable communities.

The IKEA Foundation has committed to providing EUR 45 million of grants upfront, based on what the programme partners need to make their initiatives successful over a three-to five-year period. Communications in IKEA stores will focus on highlighting the benefits of play for all ages and raising awareness of children's right to play under the UN Convention on the Rights of the Child.

## Brighter Lives for Refugees

Thanks to the Brighter Lives for Refugees campaign, the IKEA Foundation granted over EUR 30 million to UNHCR, the UN Refugee Agency, to fund renewable energy and education projects in refugee camps. The campaign ran in IKEA stores and was supported by IKEA customers and co-workers. Although the campaign ran for the last time in 2015, its impact continues.

In FY17, the Brighter Lives for Refugees campaign funded a new solar farm at the Azraq refugee camp in Jordan. This brings much needed renewable electricity to 20,000 Syrian refugees living there (approximately a third of the total number who live in the camp), who had previously experienced darkness for nearly half the day.

Construction provided jobs to more than 50 refugees. The plant itself will reduce



carbon emissions by 2,370 tonnes each year, contributing to the Jordan national strategy to achieve a green economy by 2020. Read more [here](#). In the next few years, the solar farm will be extended to provide enough renewable energy to the whole camp, improving the lives of 54,000 refugees. Read more [here](#).

## IWitness

The IKEA Foundation's global citizenship programme gives small groups of IKEA co-workers a chance to visit projects connected to IKEA Good Cause campaigns. The trips are organised in partnership between the IKEA Foundation, IKEA stores and seven of the Foundation's partners: UNICEF, Save the Children, UNHCR, Handicap International, Room to Read, Special Olympics and War Child.

In September 2017, IWitness reached its shared IKEA Foundation and IKEA Group goal of sending 500 co-workers on a trip. Between 2012 and the end of 2017, 542 co-workers from 36 countries<sup>8</sup> will have participated in 82 trips to 24 countries – read first-hand accounts of their experiences [here](#).

## LET'S PLAY FOR CHANGE

The SAGOSKATT collection – designed by kids for kids. All proceeds are donated to support children's rights to play and develop (right).

## IWITNESS

IKEA Retail Switzerland co-workers with children at a school in Cambodia (above).

## BRIGHTER LIVES FOR REFUGEES

Syrian refugees finding time just to be children, at the Azraq refugee camp in Jordan (above right).



<sup>8</sup> Includes co-workers from all 29 IKEA Group countries and from 7 additional IKEA franchisee countries.

# GOVERNANCE AND ETHICS

## ABOUT THE IKEA GROUP<sup>1</sup>

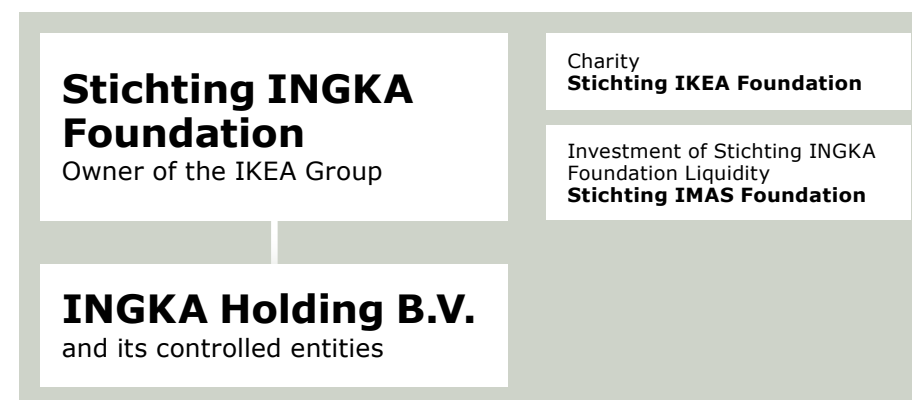
### The IKEA Franchise system

IKEA Group (Ingka Holding B.V. and its controlled entities) is one of 11 franchisees, operating IKEA stores under franchise agreements with Inter IKEA Systems B.V., the owner of the IKEA Concept and the worldwide IKEA franchisor. Inter IKEA Systems B.V. is based in the Netherlands and owned by the Inter IKEA Group. Inter IKEA Group and IKEA Group are two separate groups of companies with different management and different owners.

All IKEA franchisees pay a 3% franchisee fee to Inter IKEA Systems B.V. The franchisee fee gives us, as an IKEA retailer, the right to operate stores under the IKEA Concept and IKEA brand. It grants access to systems, methods and proven solutions as well as staff trainings, manuals and updates of the IKEA Concept such as store layouts, fittings and display concepts.

### Ownership structure

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

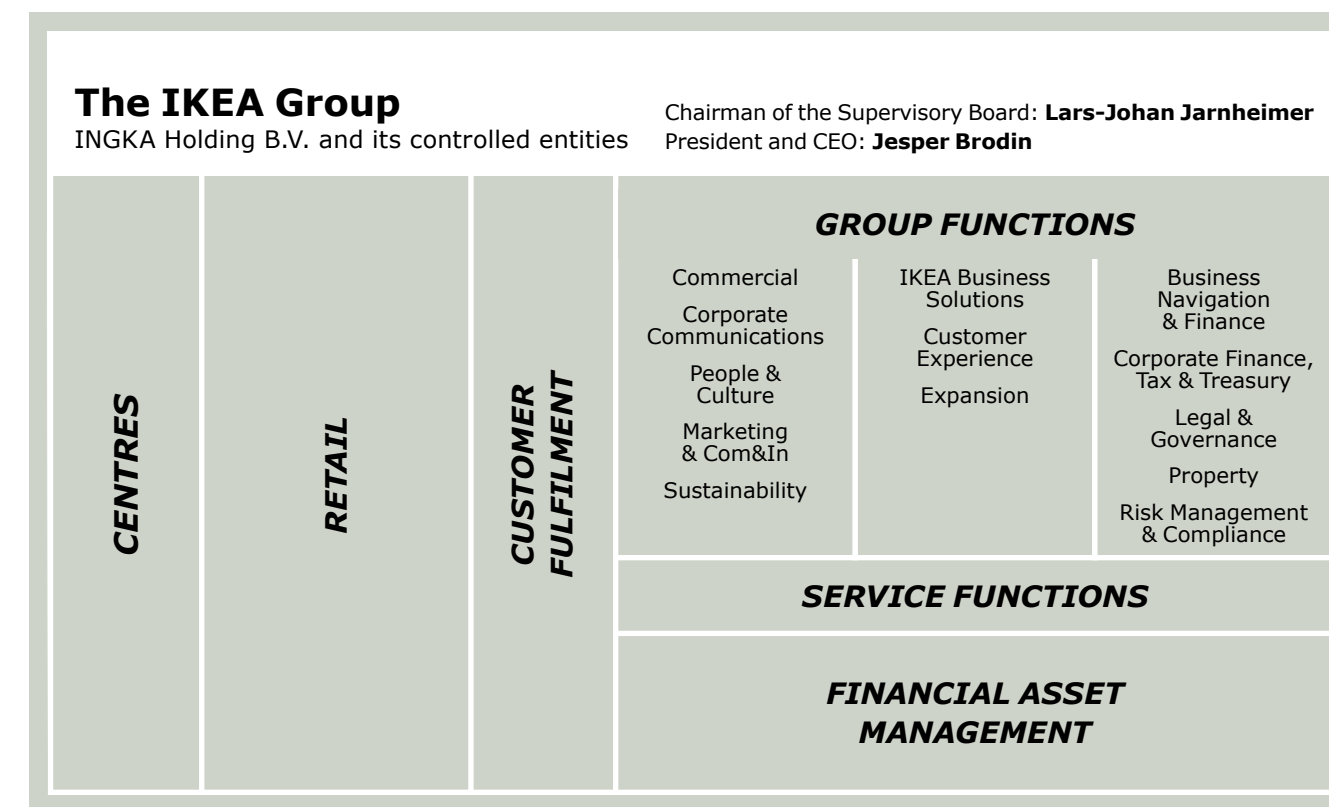


### IKEA group of companies

Ingka Holding B.V. is the parent company of the IKEA Group, located in Leiden, the Netherlands. As per 31 August 2017, its Supervisory Board consisted of: Lars-Johan Jarnheimer (Chairman), Stina Bergfors, Tore Bertilsson, Luisa Delgado, Jonas Kamprad, Göran Lindahl, Mark Newton-Jones (new member of the Supervisory Board from 29 November 2016), Lone Fønss Schrøder and Ian Worling (new member of the Supervisory Board from 29 November 2016).

Ingvar Kamprad, the founder of IKEA, was senior advisor to the Supervisory Board. Jon Abrahamsson Ring left the Supervisory Board on 31 May 2017. In FY17, the IKEA Group was led by Peter Agnefjäll. On 1 September 2017, Jesper Brodin took over as President and CEO, leading the IKEA Group together with the Group Management team.

We are in the process of updating our group governance and structure and will share the outcome of that work during FY19.



<sup>1</sup> To read more about our activities in FY17, please see the [IKEA Group Yearly Summary FY17](#).

## SUSTAINABILITY GOVERNANCE AND MANAGEMENT

The IKEA Group (INGKA Holding B.V. and its controlled entities) sustainability strategy sets the sustainability ambition, focus areas and goals for the IKEA Group and its controlled entities. All our business units integrate overall commitments through business plans and other steering documents.

The updated IKEA Group (INGKA Holding B.V. and its controlled entities) sustainability strategy, to be introduced during 2018, contributes to the sustainability ambitions set by the IKEA franchisor, Inter IKEA Systems B.V., for the IKEA franchise system. For further information about sustainability governance across the IKEA business, see the [Inter IKEA Group FY17 Sustainability Summary Report](#).

The Chief sustainability officer (CSO) oversees our performance against the sustainability commitments of our sustainability strategy. In FY17, the CSO was a member of Group Management and reported directly to the President and CEO.

The CSO chairs the Sustainability Management Team, which brings together sustainability managers from the main business areas. It comprises the IKEA Group CSO, the Heads of Sustainability Integration & Development, Sustainability Policy & Compliance, Sustainability Innovation and Sustainability Communication & Engagement, a Human Resources representative and Sustainability Managers from IKEA Centres, IKEA IMS, Customer Fulfilment and IKEA Property. Together they review performance against our targets and make strategic decisions on sustainability at IKEA Group. Progress towards our goals is reported to Group Management and the Supervisory Board.

Every co-worker is responsible for contributing towards achieving our sustainability objectives and our ambition to become people and planet positive. Our co-workers meet customers every day, learning and understanding their needs. They have the opportunity to inspire and enable people to live a more sustainable life at home, and to improve the way we work.

## Deciding what matters

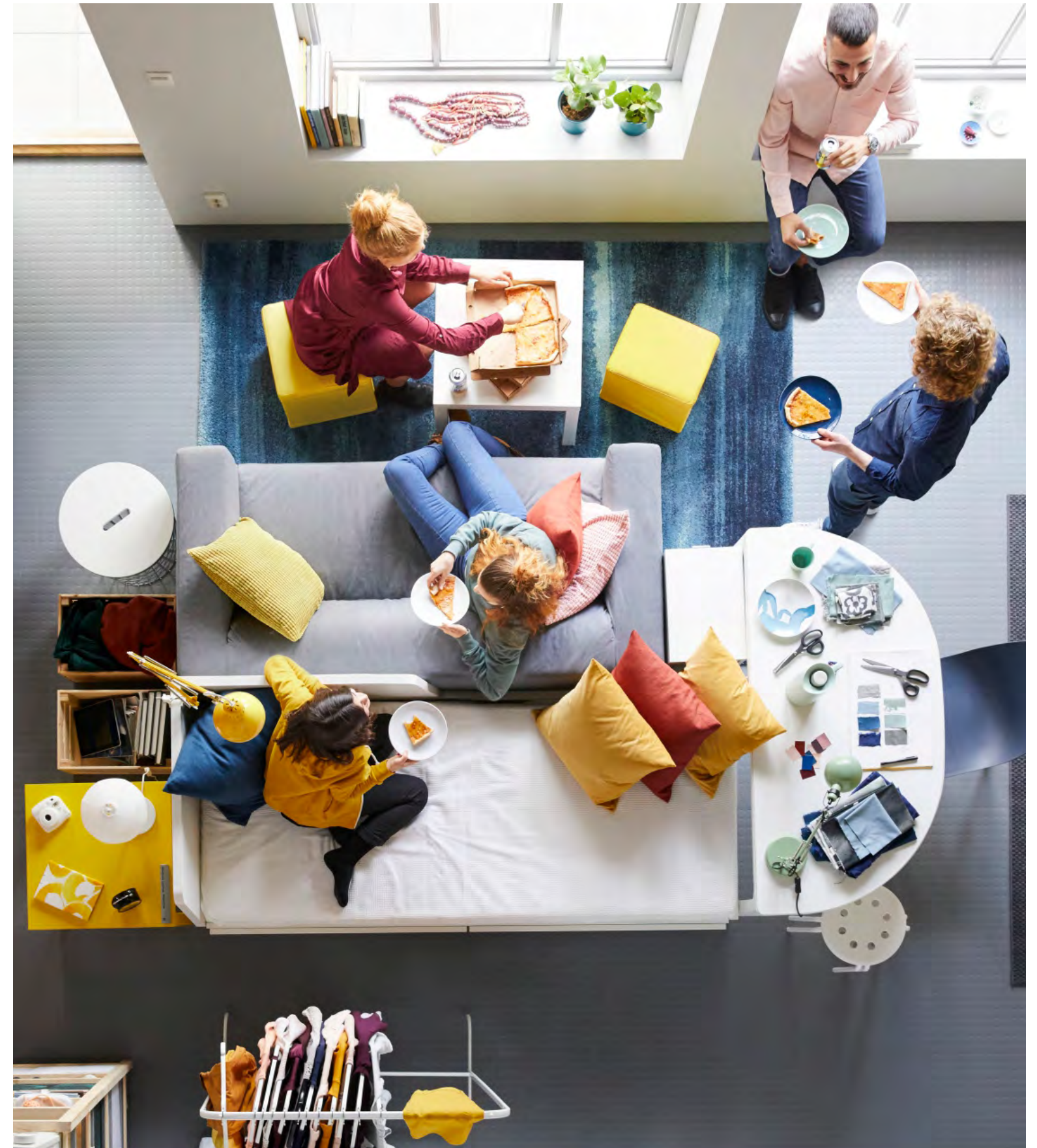
Our sustainability strategy is a response to the global megatrends facing society. It builds on the progress we have made to date, our own in-depth knowledge of our customers and sustainable living, and consultation with our key stakeholders.

Our stakeholders – including co-workers, customers, NGOs and partners, governments, and peers – challenge us to be our best and we learn a lot from them. We work together with the World Economic Forum, World Business Council for Sustainable Development (WBCSD) and the Ellen MacArthur Foundation (CE100), and join with peers in coalitions such as We Mean Business, RE100, EV100 and CE8, to achieve our shared ambitions.

As part of the strategy update, we involved our stakeholders in completing a materiality assessment to identify the issues most critical to our business.

## Sustainability risk management

To remain a successful and growing business, we must work to understand and address the sustainability risks to our business. We undertake annual risk assessments on a global level, and establish plans to minimise the risks. Local IKEA organisations run assessments of operational risks, and we are continually working to secure that sustainability risks are fully integrated into this work, so that we can complement the global sustainability risk assessment with bottom-up risk assessment. This will improve our understanding of how sustainability risks vary and how to manage them in each country where we are present. We will use this local knowledge to take action to prevent risks occurring where possible, and to limit their impacts on the business when they do occur.



## BUSINESS ETHICS

### Ethical conduct and misconduct

Our values guide everything we do. We strive to be honest, respectful and fair, and expect this of our co-workers. This is why our values form an important part of our recruitment process.

All of our co-workers and partners are expected to comply with our Code of Conduct, Good Business with Common Sense, the IKEA Group Standard on Anti-Corruption, the IKEA Group Policy on Anti-Corruption, our Human Rights and Equality Policy and our Equality standards. Business ethics is incorporated into our IWAY code of conduct for suppliers, see [page 31](#). We take a zero-tolerance approach to corruption, harassment, and alcohol or drug abuse.

All co-workers receive training on our Code of Conduct, which includes elements on anti-bribery and corruption. Additional anti-bribery and corruption training is provided to co-workers in specific functions, such as property.

We offer clear guidance on how to manage co-worker misconduct and undertake regular risk assessments, both at a regional and national level. If any policy breaches do occur, we investigate quickly and carefully, using our Rule of Investigation to ensure consistency and accountability.

### Anti-corruption

Corruption is not tolerated in any form. It prevents us from doing good business, and damages our reputation with co-workers, suppliers, customers and other stakeholders. Anyone acting on behalf of IKEA Group must not engage in corrupt practices, which includes accepting or offering kickbacks or loans.

Anti-bribery and corruption is integrated into our risk management approach, and we periodically perform anti-bribery and corruption risk assessments. The Ethics, Governance, Risk & Compliance Committee oversees this topic.

### Raising concerns

We promote an open culture of trust and honest communication. All co-workers are encouraged, and should feel empowered, to raise any work-related concerns that they have.

Concerns are normally raised with the co-workers involved. But if this is not appropriate, they are raised with the respective manager, senior management, human resources or worker representatives.

Where co-workers do not feel able to raise concerns with managers, they can report any concerns of misconduct through our Trust line. The Trust line is available 24/7 online and by phone in local languages across 30 countries. When an issue is raised, Trust line managers evaluate it and report to Human Resources or Risk Managers where appropriate.

The Trust line is provided by a third party which enables co-workers to raise concerns anonymously. In FY17, the Trust line received 150 reported concerns. Every concern was evaluated to ensure that it was handled in the appropriate way.

## TAXES

The IKEA Group pays taxes in accordance with laws and regulations, wherever we are present as a retailer or in any other role. In FY17, corporate income tax amounted to EUR 825 million globally, which equals an effective corporate tax rate of 24.9% (21.6% in FY16). Our total tax bill including other taxes and duties amounted to approximately EUR 1.3 billion. See the [IKEA Group Yearly Summary FY17](#) (page 73) for more information.

# ABOUT OUR REPORTING

## SCOPE

This report covers all wholly owned companies in the IKEA Group (INGKA Holding B.V. and its controlled entities) during FY17. On 31 August 2016 (end of FY16) IKEA range, supply and production activities were transferred from IKEA Group to Inter IKEA Group.

In 2018 we will introduce an updated sustainability strategy, which sets the sustainability ambition, focus areas and goals for the IKEA Group up to 2030. Our ambition will remain to become people and planet positive across everything we do.

In this interim year, this Sustainability Summary Report replaces our annual Sustainability Report. It provides an update on progress towards our ambition to become people and planet positive, and an overview of progress within each of the three change drivers of our strategy. For FY18, we will report against the updated strategy and its goals and targets.

The information in this Summary Report covers the financial year 2017 (FY17) from 1 September 2016 to 31 August 2017, unless otherwise stated.

## 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 MWh. Carbon emissions from our own operations and tier 1 suppliers are typically calculated based on real measured energy and fuel usage, while models and estimations are used to assess value chain impacts.

We calculate our energy and carbon footprint in accordance with the GHG Protocol Corporate Standard using the operational control consolidation approach, and it is externally assured (see [page 44](#)). However, the data may be affected by uncertainties in scientific knowledge or in the contextual data used in calculations, especially for Scope 3. We use emission factors from publicly available sources like DEFRA (2016) and IEA (2016), and from local electricity and heat suppliers. In some cases, data is estimated, which is indicated in the text. Scope 2 emissions are calculated in accordance with the GHG Protocol Scope 2 Guidance, applying both the market and location based approaches.

The following green house gases are included in our reported carbon footprint: carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), Nitrous oxide (N<sub>2</sub>O), Hydrofluorocarbons (HCFs) and Perfluorocarbons (PFCs). Sulphur hexafluoride (SF<sub>6</sub>) is not included in our inventory since we do not have processes where we use a material amount of this green house gas. The GWPs used in the calculation of CO<sub>2</sub>e are based on the IPCC Fourth Assessment Report (AR4) over a 100-year period.

Carbon emissions data previously reported for 2016 has been recalculated in this report to reflect the transfer of IKEA range, supply and production activities to Inter IKEA Group in order to ensure that reporting only covers IKEA Group. This includes the following changes:

- Emissions reported for offices excludes offices now belonging to Inter IKEA Group.
- Emissions related to IKEA Industry and IKEA Components has been removed from Scope 1 and 2 and are now part of our scope 3 reporting.
- Reported scope 3 emissions, such as business travel and employee commuting have been adjusted based on actual staff numbers.
- Emission related to Use of sold products and End of life treatment of sold products have been adjusted to reflect IKEA Group sales only, not those of other IKEA franchisees.

Further, Scope 3 reporting has been regrouped to better align with GHG Protocol categories. Our models for calculation of emissions from Upstream transportation and distribution, Purchased goods and services and Use of sold products have been changed based on updated calculation models.

We aim to ensure all information and data is relevant, transparent, consistent, accurate and complete, and that it provides an objective picture of IKEA Group's operations. Data for IKEA stores not owned by the IKEA Group, but by other franchisees (see [page 37](#)), is not covered within the scope of this report. Any other exclusions are stated in the report.



# THE UN GLOBAL COMPACT INDEX

We are a signatory to the United Nations Global Compact, a set of 10 principles in the areas of human rights, labour, environment and anticorruption. The UN Global Compact reference table (below) shows our progress regarding the 10 principles.





UNITED NATIONS GLOBAL COMPACT (UNGC) PRINCIPLES		LOCATION IN FY17 REPORT
<b>HUMAN RIGHTS</b>		
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and	Respecting and protecting human rights, <a href="#">page 30</a>
Principle 2	make sure that they are not complicit in human rights abuses.	Respecting and protecting human rights, <a href="#">page 30</a> Better lives for workers in our supply chain, <a href="#">page 31</a>
<b>LABOUR</b>		
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Better lives for our co-workers, <a href="#">page 28</a>
Principle 4	the elimination of all forms of forced and compulsory labour;	Better lives for workers in our supply chain, <a href="#">page 31</a>
Principle 5	the effective abolition of child labour; and	Child labour and young workers in our supply chain, <a href="#">page 32</a>
Principle 6	the elimination of discrimination in respect of employment and occupation.	Celebrating diversity, championing equality, <a href="#">page 29</a>
<b>ENVIRONMENT</b>		

UNITED NATIONS GLOBAL COMPACT (UNGC) PRINCIPLES		LOCATION IN FY17 REPORT
Principle 7	Businesses should support a precautionary approach to environmental challenges;	Energy and resources, <a href="#">page 16</a>
Principle 8	undertake initiatives to promote greater environmental responsibility; and	Healthy and sustainable living, <a href="#">page 9</a> Energy and resources, <a href="#">page 16</a>
Principle 9	encourage the development and diffusion of environmentally friendly technologies.	Healthy and sustainable living, <a href="#">page 9</a> Energy and resources, <a href="#">page 16</a>
<b>ANTI-CORRUPTION</b>		
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	Business ethics, <a href="#">page 38</a>

# OUR CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS

We support the United Nations Sustainable Development Goals (SDGs) in their ambition to achieve a better world for all. As a global business, we have a role to play in contributing to achieving the SDGs. Find out how we contribute to each goal in the table below.

SUSTAINABLE DEVELOPMENT GOAL	HOW IKEA GROUP CONTRIBUTES	SUSTAINABLE DEVELOPMENT GOAL	HOW IKEA GROUP CONTRIBUTES
 <p><b>1 NO POVERTY</b></p>	<p>End poverty in all its forms everywhere</p> <p>Contributing to better lives for people and communities throughout our value chain, <a href="#">page 27</a></p> <p>Working with social entrepreneurs to effect social change, <a href="#">page 35</a></p>	 <p><b>6 CLEAN WATER AND SANITATION</b></p>	<p>Ensure availability and sustainable management of water and sanitation for all</p> <p>Striving to become good water stewards, <a href="#">page 26</a></p> <p>Inspiring and enabling customers to save water at home, <a href="#">page 10</a></p>
 <p><b>2 ZERO HUNGER</b></p>	<p>End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p> <p>Offering healthier and more sustainable food products for customers and co-workers, <a href="#">page 12</a></p> <p>Minimising food waste in our operations, <a href="#">page 24</a></p> <p>Providing products and solutions that enable customers to cut food waste, <a href="#">page 10</a></p>	 <p><b>7 AFFORDABLE AND CLEAN ENERGY</b></p>	<p>Ensure access to affordable, reliable, sustainable and modern energy for all</p> <p>Investing in renewable energy, <a href="#">page 17</a></p> <p>Making residential solar affordable and accessible for the many people, <a href="#">pages 10 and 11</a></p>
 <p><b>3 GOOD HEALTH AND WELL-BEING</b></p>	<p>Ensure healthy lives and promote well-being for all at all ages</p> <p>Promoting and enabling healthy and sustainable living for our customers and co-workers, <a href="#">page 9</a></p> <p>Creating a safe and healthy workplace for co-workers, <a href="#">page 28</a></p>	 <p><b>8 DECENT WORK AND ECONOMIC GROWTH</b></p>	<p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p> <p>Creating a great place to work for our co-workers, <a href="#">page 28</a></p> <p>Improving standards in our supply chain through IWAY, our supplier code of conduct, <a href="#">page 31</a></p> <p>Including refugees in our workforce, <a href="#">page 34</a></p> <p>Partnering with social enterprises to create opportunities for marginalised groups in society, <a href="#">page 35</a></p>
 <p><b>4 QUALITY EDUCATION</b></p>	<p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p> <p>Standing up for equality and inclusivity, <a href="#">page 29</a></p> <p>Supporting children's right to play through our Good Cause campaigns, <a href="#">page 36</a></p> <p>We offer our co-workers continuous training and development opportunities, <a href="#">page 30</a></p>	 <p><b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b></p>	<p>Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation</p> <p>Investing in renewable energy and sustainable technology, <a href="#">page 17</a></p> <p>Investigating foods for the future, including alternative proteins, <a href="#">page 12</a></p>
 <p><b>5 GENDER EQUALITY</b></p>	<p>Achieve gender equality and empower all women and girls</p> <p>Working to ensure gender equality across IKEA Group, <a href="#">page 29</a></p> <p>Partnering with social enterprises that employ artisans – mostly women – and empowering them to develop sustainable incomes, <a href="#">page 35</a></p>	 <p><b>10 REDUCED INEQUALITIES</b></p>	<p>Reduce inequality within and among countries</p> <p>Promoting a fair and equal society and respecting human rights, <a href="#">page 27</a></p> <p>Working to ensure children's rights across our value chain, <a href="#">page 30</a></p>

SUSTAINABLE DEVELOPMENT GOAL	HOW IKEA GROUP CONTRIBUTES
 <p><b>11 SUSTAINABLE CITIES AND COMMUNITIES</b></p>	<p>Make cities and human settlements inclusive, safe, resilient and sustainable</p> <p>Becoming more resource efficient, <a href="#">page 24</a></p> <p>Encouraging customers to live more sustainable lives, through IKEA products including our home solar offer, <a href="#">pages 10 and 11</a></p> <p>Contributing to fair and inclusive communities in the neighbourhoods around our stores and shopping centres, <a href="#">page 33</a></p> <p>Encouraging sustainable ways of getting to our stores and promoting electric vehicles, <a href="#">page 22</a></p>
 <p><b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b></p>	<p>Ensure sustainable consumption and production patterns</p> <p>Offering products that enable sustainable living, and inspiring our co-workers and customers to live more sustainable lives at home, <a href="#">page 9</a></p> <p>Eliminating waste and converting to a circular economy, <a href="#">page 13 and 24</a></p> <p>Offering products that are produced using materials, such as cotton and wood, from more sustainable sources, <a href="#">page 11</a></p> <p>Sourcing the goods and services that help to run our business from sustainable sources, <a href="#">page 26</a></p>
 <p><b>13 CLIMATE ACTION</b></p>	<p>Take urgent action to combat climate change and its impacts</p> <p>Going all-in to tackle climate change by transforming our operations and advocating for strong policies, <a href="#">page 17</a></p> <p>Offering products and services that enable our customers to live more sustainable and healthier lives, <a href="#">page 9</a></p>
 <p><b>14 LIFE BELOW WATER</b></p>	<p>Conserve and sustainably use the oceans, seas and marine resources for sustainable development</p> <p>Serving ASC or MSC certified fish and seafood, <a href="#">page 12</a></p>

SUSTAINABLE DEVELOPMENT GOAL	HOW IKEA GROUP CONTRIBUTES
 <p><b>15 LIFE ON LAND</b></p>	<p>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss</p> <p>Sourcing the goods and services that help to run our business from sustainable sources, <a href="#">page 26</a></p> <p>Building and operating more sustainable stores and buildings, <a href="#">page 20</a></p>
 <p><b>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</b></p>	<p>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p> <p>Respecting and supporting human rights, <a href="#">page 30</a></p> <p>Creating a better everyday life for the people and communities we come into contact with, <a href="#">page 27</a></p> <p>Ensuring an ethical approach to the way we do business, through our Code of Conduct, <a href="#">page 39</a></p>
 <p><b>17 PARTNERSHIPS FOR THE GOALS</b></p>	<p>Strengthen the means of implementation and revitalise the global partnership for sustainable development</p> <p>Partnering with others to extend our impact beyond our own business, and taking a stand on the issues we believe in, <a href="#">page 38</a></p>

# ASSURANCE REPORT OF THE INDEPENDENT AUDITOR

To: the Supervisory Board and shareholders of INGKA Holding B.V. and its controlled entities

## Our conclusion

We have undertaken a limited assurance engagement on selected carbon emissions information in the INGKA Holding B.V. Sustainability Summary Report of INGKA Holding B.V. and its controlled entities (hereinafter "INGKA Holding B.V.") for the year ended 31 August 2017, comprising the scope 1, 2 and 3 emissions inventory on [page 21](#) and the explanatory notes on [page 40](#) (hereafter: "Carbon emissions statement").

Based on the procedures we have performed, the evidence we have obtained and with due consideration of the limitation as described in our paragraph *Limitations in our scope*, nothing has come to our attention that causes us to believe that the Carbon emissions statement in the INGKA Holding B.V. Sustainability Summary Report is not prepared, in all material respects, in accordance with the criteria of the Greenhouse Gas Protocol (published by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD)) applied as explained on [page 40](#) on of the INGKA Holding B.V. Sustainability Summary Report.

## Basis for our conclusion

We have performed our limited assurance engagement in accordance with Dutch law, including Dutch Standard 3410 "Assurance Engagement on Greenhouse Gas Statements".

Our responsibilities under this standard are further described in the section "Our responsibilities for the assurance engagement on the Carbon emissions statement".

We are independent of INGKA Holding B.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional

Accountants, a regulation with respect to independence)" and other relevant independence regulations in the Netherlands. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics)".

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

## Limitations to the scope of our assurance engagement

As explained in the About our reporting section of the INGKA Holding B.V. Sustainability Summary Report, quantification of carbon emissions is subject to inherent uncertainty due to the use of variables such as emissions factors that are used in mathematical models to calculate carbon emissions, and the inability of those models to precisely characterize under all circumstances the relationship between various inputs and the resultant emissions because of incomplete scientific knowledge on this topic.

Our assurance engagement is restricted to the Carbon emissions statement. We have not performed assurance procedures on any other information in the INGKA Holding B.V. Sustainability Summary Report in light of this engagement.

## Responsibilities of management

Management is responsible for the preparation of the Carbon emissions statement for the year ending 31 August 2017 in accordance with criteria of the Greenhouse Gas Protocol (published by the WRI/ WBCSD) as explained on [page 40](#) of the INGKA Holding B.V. Sustainability Summary Report.

Management is also responsible for such internal control as management determines is necessary

to enable the preparation of the Carbon emissions statement that is free from material misstatement, whether due to fraud or errors.

## Our responsibilities for the assurance engagement on the Carbon emissions statement

Our responsibility is to plan and perform the limited assurance engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

The procedures performed in a limited assurance engagement are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in a limited assurance engagement is therefore substantially less than the assurance obtained in a reasonable assurance engagement.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the Carbon emissions statement as included in the INGKA Holding B.V. Sustainability Summary Report. The materiality affects the nature, timing and extent of our procedures and the evaluation of the effect of identified misstatements on our conclusion.

We apply the 'Nadere voorschriften kwaliteitssystemen' (Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional skepticism throughout our limited assurance engagement, in accordance with the Dutch Standard 3410, ethical requirements and independence requirements.

Our main procedures consisted of:

- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the Carbon emissions statement, including the reasonableness of estimates made by management;
- Obtaining an understanding of the reporting processes for the Carbon emissions statement, including obtaining a general understanding of internal control relevant to our assurance engagement.
- Identifying areas of the Carbon emissions statement where material misstatements, whether due to fraud or error, are likely to arise, and performing further procedures aimed at determining the plausibility of the Carbon emissions statement responsive to this risk analysis. These procedures consisted amongst others of:
  - Performing analytical reviews of the data and trend explanations;
  - Reconciling the data with underlying data systems;
  - Reviewing relevant internal and external documentation, on a limited test basis, in order to determine the reliability of the carbon emissions data;
  - Site visits to assess the completeness of emissions sources, review the data collection methods, source data and relevant assumptions applicable to the sites by interviewing relevant staff responsible for providing the data for consolidation in the Carbon emissions statement.

Amsterdam, 5 March 2018  
Ernst & Young Accountants LLP

Signed by  
A.E.M. Kamp-Roelands



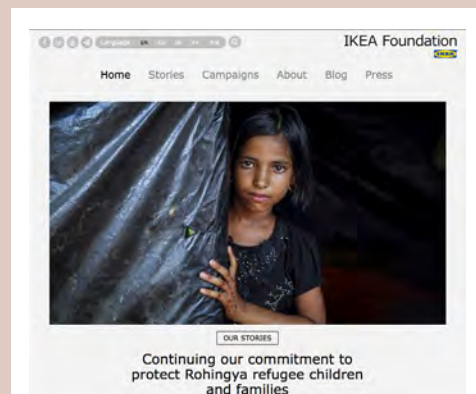
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Find out what happened in FY17 – get facts, read stories and see where we are headed in the future.



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