



**IKEA GROUP**  
**FY15** | **SUSTAINABILITY**  
**REPORT**





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# INTRODUCTION

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*IKEA was founded seven decades ago in the farmlands of Småland, where people had to be thrifty and innovative to make a living. We have come a long way since then, but even as a major global retailer, these values still guide us today. And just as the people of Småland would always find ways to turn challenges into possibilities, so do we. The world is now facing some of the greatest social and environmental challenges of our time, and in this report you will read about how we are working across every part of our business to create a positive impact on people and the planet.*



# IKEA GROUP AT A GLANCE FY15



**54 million**

Visits to the catalogue app

An increase of 17% compared to FY14.



**48%**

Female managers

We want a workplace where 50% of leadership positions are held by women and 50% by men.

Today, more than half of our co-workers are women, as are 48% of our managers and 33% of Group Management.



Operations in 43 countries

In addition to our 328 stores in 28 countries, at the end of FY15 we had 27 Trading Service Offices in 23 countries, 33 Distribution Centres and 15 Customer Distribution Centres in 17 countries, and 43 IKEA Industry production units in 11 countries.

**EUR 3.5 billion**  
Net profit

An increase of 5.5% compared to FY14.



## Bed & Bath

With our focus on "Bed & Bath" we provided the many people with solutions for a better start, and end, to their day.



**1.9 billion**

Visits to IKEA.com

An increase of 21% compared to FY14.

**EUR 1 billion**

Online sales

across 13 countries



**EUR 31.9 billion**

Total sales FY15

Total sales translated into Euro increased by 11.2% to EUR 31.9 billion.

FY05	FY14	FY15
14.9	28.7	31.9

Billions of Euros



**9,500**

Products across the IKEA range

Every year we renew our range, launching approximately 2,500 new products, designed by our in-house and contracted designers.

**771 million**

Store visits

An increase of 7.7% compared to FY14.

**450 million**

Shopping centre visits

to our 65 retail destinations.



**EUR 1.6 billion**

IKEA Food turnover

Sales at our restaurants, bistros, Swedish Food Markets, and co-worker restaurants.

**EUR 1 billion**

For climate action

Made up of an IKEA Group commitment of EUR 600 million for investment in renewable energy, building on the EUR 1.5 billion invested since 2009, and a EUR 400 million commitment from the IKEA Foundation, to support communities most impacted by climate change.

**328**

IKEA Group stores

We opened 13 new stores in 9 countries.

FY05	FY14	FY15
196	315	328

Number of IKEA Group stores<sup>1</sup>

We opened three new pick-up and order points – in Spain, Norway and Finland – and entered a new market: South Korea.

<sup>1</sup>There are also more than 40 IKEA stores operated by franchisees outside the IKEA Group.

**155,000**

Co-workers

RETAIL  
116,500  
INDUSTRY  
20,500  
RANGE & SUPPLY  
18,000



All-in for more sustainable sources

Now all of the cotton we use for our products comes from more sustainable sources.<sup>1</sup>

In FY15, 50% of our wood came from more sustainable sources,<sup>2</sup> and we are aiming for 100% by 2020.

<sup>1</sup> Cotton from more sustainable sources includes cotton grown to the Better Cotton Standard; by farmers working towards Better Cotton; and more sustainable cotton from the USA (such as the 'e3 Cotton Program').  
<sup>2</sup> More sustainable sources for wood are currently defined as FSC™-certified or recycled wood.

**978**

Suppliers

By the end of FY15 we had 978 home furnishing suppliers in 50 countries. We form long-term partnerships with suppliers: on average 11 years.



# PETER'S MESSAGE

IKEA is a company with a vision to create a better everyday life for the many people. As we grow, even more people can create a better life at home. And we can continue to invest in our commitment to making a positive difference to people and the planet.

We know that improving people's lives goes beyond home furnishings. We have a great responsibility and opportunity to make a positive difference and speak up for the many people on the topics that matter most. That's why we want to become completely sustainable by transforming our business and why we're raising our voice on critical issues such as climate change.

We are making long-term investments, like our new commitment this year to invest EUR 600 million in renewable energy, building on the EUR 1.5 billion we've invested in wind and solar since 2009. Moving to a low-carbon economy is critical for the planet and communities, and it can bring exciting opportunities for innovation and growth for us and our partners.

We have been speaking a lot about this, including at the COP21 climate summit in Paris in December 2015. It is essential that governments demonstrate ambition too. Strong policies will provide the clarity and

certainty for business to invest in products and services needed for a sustainable future. This in turn will create more jobs and greater prosperity.

Overall, we are making good progress at putting our sustainability strategy People & Planet Positive to work. In FY15 we achieved our target to source all of our cotton from more sustainable sources. This means that the farmers supplying cotton use less water, chemical fertilisers and pesticides, while increasing their profits. And we have converted our entire lighting range to energy saving LED - a product that uses up to 85% less energy, offers better functionality, and saves customers money.

There are many challenges ahead as we continue to go all-in across our business. We can't do it alone. In forestry we are working with the Forest Stewardship Council, WWF and others to reach and exceed our own targets and help to transform the industry. Partnerships like these, across many areas of our business, will help us make an even bigger impact.

Despite our achievements this year, we know we can do better next year and the year after that. It's the spirit that drives IKEA: striving to create a better everyday life for the many people.

**PETER AGNEFJÄLL**

*President and CEO, IKEA Group*



09 ±1  
7.5 ±1



**STEVE HOWARD**  
Chief Sustainability Officer, IKEA Group

## STEVE'S MESSAGE

This year we're going all-in: all of the cotton we use for our products now comes from more sustainable sources, our entire lighting range is now LED and we are on track to produce as much energy from renewable sources as all of the energy we consume in our buildings, by 2020. All-in to transform our business and have a positive impact on people and the planet. All-in to combat climate change, conserve natural resources and tackle inequality.

You need support from everyone across the business to make and achieve these kinds of big, bold commitments. And the results are exciting – we are making a positive difference and sustainability is becoming a natural part of our everyday work.

We have a huge opportunity to enable people to live more sustainably at home – by offering affordable products and solutions and by demonstrating that they are good for people's wallets and the environment.

People were used to spending good money on lightbulbs that did not last very long and used a lot of electricity. We worked hard to improve our LED bulbs – which use up to 85% less energy than traditional incandescent bulbs – so they are affordable and great quality. We want to make choosing the sustainable option affordable, attractive and easy for people.

But no matter how well our products

perform, our customers want to buy from us with confidence that we have done the right thing on their behalf. We have to make sure that the many people behind our products are treated fairly and can enjoy a good life too. This applies to our co-workers, the people who work for our business partners in our supply chain, and the many people and communities we impact across our value chain.

One of the big issues we have faced is ensuring that the people at our suppliers are not working too many hours in the week. In China, where long hours are very common in some industries, we've required a maximum 60 hour work week, including overtime, but this year we have gone further. Together with our suppliers, we reached working hour limits of 49 hours (including overtime), while maintaining wage levels. This is a major achievement, accomplished in just a few years by working closely with our suppliers. By building long-term partnerships we've taken this and many other important steps towards supporting decent jobs for people in our supply chain.

We are determined to play our part in making a fairer world for the many people. And we still have much to do to extend our impact throughout our value chain. That's why we are determined to keep going all-in.

# THE YEAR IN BRIEF

## WE'RE GOING ALL-IN TO TACKLE CLIMATE CHANGE

IKEA Group and the IKEA Foundation committed a total of EUR 1 billion for climate action, made up of a EUR 600 million commitment by IKEA Group for investment in renewable energy and a EUR 400 million commitment by the IKEA Foundation to support communities most impacted by climate change. Read more on page **9**



## EUR 20.9 MILLION RAISED DURING THE BRIGHTER LIVES FOR REFUGEES AND SOFT TOYS FOR EDUCATION CAMPAIGNS<sup>4</sup>

Donated by the IKEA Foundation, these funds will improve opportunities for children in some of the world's poorest communities. Read more on page **78**

## ALL-IN FOR COTTON FROM MORE SUSTAINABLE SOURCES

Now all of the cotton we use for our products comes from more sustainable sources.<sup>1</sup> This means that the farmers supplying cotton use less water, chemical fertilisers and pesticides, while increasing their profits. Read more on page **28**



## VEGGIE-BALLS – A HEALTHY, LOW-CARBON ALTERNATIVE

We launched the veggieball, a healthy alternative to our famous meatball, with 25% fewer calories and the carbon footprint is 30 times less.

Read more on page **14**



## CERTIFIED SEAFOOD FOR 650 MILLION CUSTOMERS

We achieved our goal for the fish and seafood<sup>3</sup> for our restaurants, Bistros, Swedish Food Markets and co-worker restaurants to be either Aquaculture Stewardship Council (ASC) or Marine Stewardship Council (MSC) certified by FY15.

Read more on page **30**



## 50% OF WOOD FROM MORE SUSTAINABLE SOURCES<sup>2</sup>

We reached our goal two years ahead of schedule. By August 2020, we aim to source 100% of our wood, paper and cardboard from more sustainable sources.

Read more on page **25**



## ENTIRE LIGHTING RANGE NOW LED OR COMPATIBLE WITH LED BULBS

LED bulbs are better for our customers' wallets and the environment. They use up to 85% less energy than traditional incandescent bulbs, and last up to 20 years.

Read more on page **17**



<sup>1</sup> Cotton from more sustainable sources includes cotton grown to the Better Cotton Standard; by farmers working towards Better Cotton; and more sustainable cotton from the USA (such as the 'e3 Cotton Program'). <sup>2</sup> More sustainable sources for wood are currently defined as FSC™-certified or recycled wood. <sup>3</sup> Crayfish is an exception as there are currently no certified fisheries. <sup>4</sup> Figures for the Soft Toys for Education campaign are from November and December 2014, figures for the Brighter lives for refugees campaign are from February and March 2015.

# PEOPLE & PLANET POSITIVE STRATEGY



Our vision is to create a better life for the many people. Our People & Planet Positive strategy is one of the ways we work towards this. It sets out how we are going all-in on the things that really matter, from going 100% for renewable energy to sourcing all of our cotton and wood from sustainable sources. We have made good progress, but we are determined to do even more.

Our strategy focuses on three areas:

- 1. Inspire and enable millions of customers to live a more sustainable life at home.** Take the lead in developing and promoting products and solutions that enable customers to save or generate energy, reduce or sort waste, use less or recycle water: at the lowest possible price.

- 2. Strive for resource and energy independence.** Securing long-term access to sustainable raw materials, having a positive impact on the communities where we source materials and using resources within the limits of the planet. Produce as much renewable energy as the energy we consume and drive energy efficiency throughout our value chain.

- 3. Take a lead in creating a better life for the people and communities impacted by our business.** Extend our supplier Code of Conduct throughout our value chain; be a good neighbour, support human rights and act in the best interest of children.

The People & Planet Positive Strategy defines the areas that are most important to us and where we can have the largest positive impact.

This report is an account of our progress against the targets of our strategy. It is how we share our achievements and challenges.

For an overview of our progress against our targets, [see page 92](#).

**Read the full strategy:**  
People & Planet Positive  
IKEA Group Sustainability  
Strategy for 2020

## GROWING IKEA TOGETHER

Our long-term strategic direction, Growing IKEA Together, outlines our aim to create a better IKEA, and to be the leader in life at home with long-term growth and profitability. Sustainability is one of the four cornerstones of our Group strategy. But we cannot succeed alone.

Our success depends on the people we work with both within our business – our co-workers – and beyond it – suppliers, customers, governments and other organisations. Find out more about our partnerships and how we work with others throughout this report and [on page 84](#).



Read more about the scope of this report on [page 87](#).  
Read more about the IKEA Group on [page 83](#).



## GOING ALL-IN TO TACKLE CLIMATE CHANGE

Climate change is a big, global challenge that needs a big, bold response.

In 2015, a critical year for tackling climate change, IKEA Group and the IKEA Foundation committed a total of EUR 1 billion for climate action by 2020. This includes a EUR 600 million commitment from IKEA Group to invest in renewable energy and a EUR 400 million commitment from the IKEA Foundation to support communities most impacted by climate change.

As a global business, we have a clear responsibility – and a great opportunity – to have a positive impact on people and the planet. The need to tackle climate change is

a driver for innovation and renewal. It is an opportunity to make our business better and meet the needs and expectations of our customers. That is why we are going all-in to transform our business and ensure that it is fit for the future.

We are going for 100% renewable energy – producing as much as the total energy we consume in our operations by 2020. In FY15 we committed to own and operate wind farms that, together with our existing wind farms, solar panels and biomass generators, we expect to produce the equivalent of over 70% of our consumption. We have gone all-in with LED, switching our whole lighting range to the technology that

uses up to 85% less energy than incandescent bulbs. And we have set targets to source 100% of our cotton and wood from more sustainable sources. We reached this target for cotton in FY15 and we are on track to achieve it for wood, paper and cardboard by 2020.

Together with our suppliers, we have achieved an 18% improvement in energy efficiency since FY12<sup>1</sup> and we are encouraging them to switch to renewable energy too.

Going beyond our value chain, the IKEA Foundation's EUR 400 million commitment will support communities most impacted by climate change (read more about the IKEA Foundation on page 78 ▣).

"We're working toward a world where children living in poverty have more opportunities to create a better future for themselves and their families," says Per Heggnes, CEO of the IKEA Foundation. "Tackling climate change is critical to achieving this goal and we aim to help poor communities build resilience and improve lives by adopting renewable energy technologies in homes, schools and businesses."

Going all-in means transforming our business, joining with others to take a stand and call for positive change (see page 86 ▣), and inspiring others, including our customers, to take action. All parts of society have a role to play in tackling

climate change, but policy leadership is crucial to provide the stable, long-term framework needed for business to transform their operations and invest in the products and services for the future. In December 2015, Peter Agnefjäll, our President and CEO, and Steve Howard, our Chief Sustainability Officer, were at the COP21 climate change summit to share the actions we are taking and to emphasise the importance of bold policy measures for IKEA and other businesses.

<sup>1</sup> At tier 1 home furnishing suppliers.

# WE MEAN BUSINESS

**THIS IS THE TURNING POINT**

CONGRATULATIONS, WORLD LEADERS, on securing the Sustainable Development Goals. But we're not going to achieve them unless we take action on CLIMATE CHANGE.

Organizations working with more than

## 6,000,000

COMPANIES AROUND THE WORLD want an ambitious climate deal at COP21 in Paris this December.

**M**ore leading companies are...  
 Simple put, climate action is good for business. For governments and...  
 The transition to the low-carbon economy is inevitable, irreversible and irresistible. An ambitious global agreement at COP21 will catalyze business action to reduce emissions and build climate resilience. Together, we can forge a clean, predictable and transformative path towards a safe and prosperous future.

WE MEAN BUSINESS. DO YOU?  
 WWW.WE-MEAN-BUSINESS-COALITION.ORG/TAKE-ACTION

In 2014, we helped to bring together seven key organisations focused on business and climate change to create We Mean Business, a coalition to push for action on climate change.

During Climate Week NYC in 2014, Tim Cook, CEO of Apple Inc, joined our President and CEO, Peter Agnefjäll, in leading the call for business action on climate change. Since then, the coalition has become a powerful platform – now made up of over 30 organisations – and helped to build momentum for the Paris climate negotiations in December 2015. We Mean Business has helped hundreds of leading companies and investors to step up and make commitments to climate action. In September 2015, the coalition joined with the International Chamber of Commerce and placed a full-page advert in the global edition of the Financial Times, calling for a bold climate agreement at COP21.

Find out more at [wemeanbusinesscoalition.org](http://wemeanbusinesscoalition.org)

# RE100

RE100 is a collaborative initiative of leading influential businesses committed to 100% renewable power, led by The Climate Group in partnership with CDP, and supported by We Mean Business. Together with the reinsurance company, Swiss Re, we were one of the founding partners. Since then, 48 other major businesses from around the world have joined the campaign, sending a strong signal that leading businesses support renewables and are helping to drive the transition to a low-carbon future.

Find out more at [there100.org](http://there100.org)



**MOMENT FOR ACTION** WATCH VIDEO

# 11,138,702

ADVOCATES FOR GLOBAL ACTION

**SHOULD WE TAKE ACTION ON CLIMATE CHANGE?**

YES NO

Is this your country?

United States

Language | Terms | Privacy

**EVERYONE WILL BE AFFECTED**

LEARN MORE

## #GO100PERCENT CAMPAIGN

We are joining millions of people and a diverse mix of companies and organisations to support a campaign to build a brighter future through a transition to 100% clean energy. In the lead up to COP21, we encouraged our co-workers and customers to get involved on [IKEA.com](http://IKEA.com) and

social media by signing a petition at [www.momentforaction.org](http://www.momentforaction.org) to show their support for action on climate change and a 100% clean energy future. The petition was delivered to world leaders during the COP21 summit.

# A MORE SUSTAINABLE LIFE AT HOME

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*We have a great opportunity and a big responsibility to inspire the 771 million visitors to our stores and 1.9 billion visitors to IKEA.com to live more sustainable lives. Everyone should be able to do so without spending more, radically changing the way they live, or compromising on style or quality. Many of our products enable customers to use fewer resources, such as energy and water, reduce waste and save money on bills. By collaborating with our customers, we are learning much more about how we can enable more sustainable living. We keep working to expand our range for a more sustainable life at home, and aim to achieve a fourfold increase in sales of these products by August 2020.*



# PRODUCTS AND SOLUTIONS

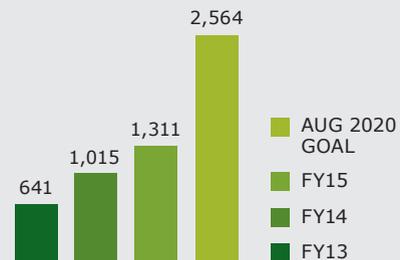


We are committed to enabling more customers to live more sustainably. Our Democratic Design approach combines form, function, quality and sustainability at an affordable price. Every product is developed following this principle. Many enable our customers to save or generate energy, conserve and re-use water, reduce waste and live healthier lives. Small changes, such as replacing a traditional incandescent with an LED light bulb, can have big benefits – saving money and energy.

One way we measure our impact is by tracking the sales of products that we categorise as enabling a more sustainable life at home. The range continues to grow, keeping us on track to achieve our goal of a fourfold increase in the sales of products for a more sustainable life at home by the end of FY20, compared with FY13. In FY15, these sales more than doubled compared to FY13, to

EUR 1,311 million, bringing us half way to achieving our target. This is partly as a result of additional products being classified which has increased the number of products in scope. To learn more about how we classify our products and make them even more sustainable, [see page 32](#) ▢.

**SALES VALUE OF PRODUCTS CLASSIFIED AS "MORE SUSTAINABLE LIFE AT HOME PRODUCTS" (MILLION EUR)**



PEOPLE & PLANET POSITIVE TARGETS	STATUS	PERFORMANCE IN FY15
Take the lead in developing and promoting products and solutions that inspire and enable people to live a more sustainable life at home, and achieve more than a fourfold increase in sales by August 2020, compared to FY13. <sup>1</sup>	○	Sales of products for a more sustainable life at home increased to EUR 1,311 million (EUR 641 million in FY13).
Our energy-consuming products will be, on average, at least 50% more efficient than our range was in 2008 by August 2015.	○	Achieved in FY14. Our measurements give an indication of the progress we have made, but there are uncertainties in the methodology that mean our calculation is not as accurate as we would like. We are now reassessing this target and will identify new goals for the future.
By September 2017, offer the most energy-efficient home appliances at the lowest price.	○	We have made good progress in introducing new energy-efficient appliances to our range, including cookers, dishwashers, fridges, oven hoods and washing machines. However, these are not currently available in all markets. Although we are working hard to extend the availability of the range, it will be challenging to meet this target globally in FY17.
By September 2016, all our electric hobs will be energy-efficient induction hobs. <sup>2</sup>	○	66% of our electric hobs were energy-efficient induction hobs, up from 55% in FY14. Not all homes have the electricity infrastructure required for induction hobs, and we want to stay relevant in all our markets. That is why we will re-assess this target and continue to offer a range of energy-efficient electric hobs, including both radiant and induction, and look into other potential solutions.
By September 2015, our entire lighting range will switch to LED offered at the lowest price.	○	All of our lighting range is now LED or compatible with LED bulbs.
Offer leading water and energy saving solutions in our range of taps, showers, sink accessories and dishwashers by September 2016 – all at the lowest possible price.	○	Our range of dishwashers offers great water and energy savings and value for money. And we are developing a new range of showers and taps with water and energy saving features, though these will be launched outside of the target date. We will therefore not achieve this target on schedule.
Take action in more healthy and sustainable food by enabling and encouraging a more balanced diet.	○	We have developed a tool called the Balanced Meal, which we have used to assess the nutritional value of our core food range (the range available in our restaurants globally). We are now rolling it out to assess food offerings produced in our local markets. We launched our GRÖNSAKSBULLAR veggieballs as an alternative to our traditional meat balls.
<small><sup>1</sup> A fourfold increase corresponds to sales of approximately EUR 2.6 billion per year, as of FY20 with baseline year FY13. <sup>2</sup> Where local conditions allow.</small>	○ Achieved    ○ Ongoing    ○ Not achieved	

## SHARING OUR TOP TIPS FOR A MORE SUSTAINABLE LIFE AT HOME



**VLADIMÍR VISEK**

*Sustainability manager, IKEA Czech Republic, Hungary and Slovakia*

We're on a mission: to create a movement for sustainable living.

As well as showing customers how easy it can be to live a more sustainable life at home, co-workers at IKEA Czech Republic challenged themselves to share this message to a much bigger audience.

"We surveyed 500 households to find out how people live at home and their attitudes to more sustainable living. And we learned a lot. Including that around a third of households still have at least one incandescent bulb and another third wash their dishes under running water.

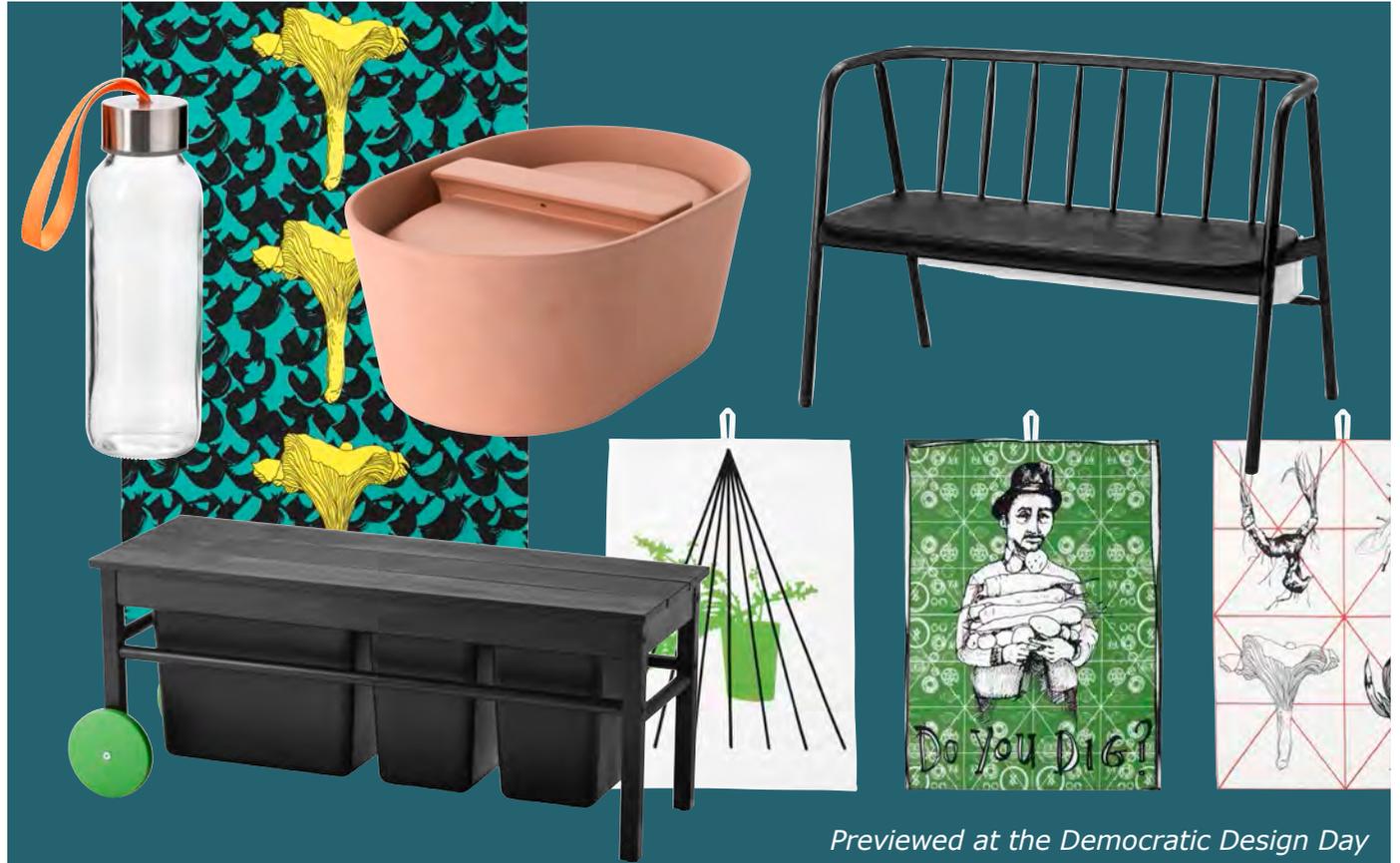
"The next priority was to share what we found out and to show that there are many simple ways to save resources and money. But we

wanted to make it fun!

"We rented a flat in central Prague, fitted it out with our latest products and gadgets, and invited 44 journalists and bloggers round for lunch. As our guests toured the flat, they found tips on how to live more sustainably in every room. In the lounge they saw how much energy they could save by switching to LED lighting. In the kitchen they learned how to keep food fresher for longer and how much water they could save by using a dishwasher instead of washing up by hand. Our professional chef created a delicious meal out of food that would have gone to waste, and we even ran a waste sorting workshop."

And did it work?

"Yes! Our guests enjoyed our event and have been sharing what they learned through articles, interviews and stories in newspapers, radio, TV and online. We want to keep the momentum going and keep coming up with new ways to engage more people in living more sustainably."



*Previewed at the Democratic Design Day*

## SNEAK PEEK: ANVÄNDBAR COLLECTION

ANVÄNDBAR means "useful" in Swedish, and is the name of our upcoming sustainable life at home collection featured at the May 2015 Democratic Design Day.

ANVÄNDBAR products aim to make everyday tasks beautifully simple, while contributing to a more sustainable life at home. From cookware that retains heat and conserves energy to benches

with built-in flower boxes that maximise space and encourage micro-gardening, ANVÄNDBAR products celebrate everyday chores and make it easy to do at least one small thing every day that is good for the planet. The collection will be available in stores globally from April 2016.

IKEA of Sweden hosts Democratic Design Days every year to offer

journalists and bloggers sneak previews of unreleased products that are designed to make everyday life better. Members of the IKEA design teams were there to talk about the thinking behind each collection, and IKEA product designers joined up-and-coming designers in a workshop to design new products to prevent food waste.

## HEALTHY LIVING

We want our products to enable a healthier life for our customers. Since we added this to our strategy in FY14, we have strengthened our efforts to create products that enable healthier living and are improving the food on offer in our restaurants.

For example, our adjustable work desks, such as BEKANT and SKARSTA, support healthy lifestyles by getting people moving and providing the option to stand while working. And our range of indoor gardening products like the FRÖER growing set and SOCKER greenhouse make it easy to grow your own fruits, herbs and vegetables, even in small spaces. We are developing this range to include exciting new solutions to inspire even more people to grow their own at home.

We are offering healthier and more sustainable products that our customers can take home from our Swedish Food Markets or eat in our restaurants and bistros, and that our co-workers can eat at work. These will change throughout the year to reflect seasonal ingredients.

Our new vegetarian, gluten free GRÖNSAKSBULLAR veggieballs are based on a vegan recipe and contain 25% fewer calories than traditional meatballs. They are low in fat and contain vitamins, calcium, iron and 30% of the recommended daily fibre needs. And the carbon footprint is 30 times less than that of a traditional meatball. We also introduced Nordic Fruit Water in FY15, which contains just half the sugar of the sodas they replaced in our range.



FRÖER Growing set



SOCKER Greenhouse



BEKANT Work desks



SKARSTA Work desk

To assess and improve the calories and nutritional values of each meal or product and guide the development of our food range, we have introduced a Balanced Meal standard. We started by assessing our core restaurant meal range in FY15, and will use the findings to improve the range.

We want customers to be able to make informed choices. We have started to make calorie counts and other nutritional information available on menu boards and websites in some of our markets and our goal is to ensure we give our customers in every country the information they need.

To read more on how we aim to source our food ingredients responsibly and make a positive impact for people, animals and the planet – see page 30.



GRÖNSAKSBULLAR Veggieballs

# OUR IDEAS FOR THE KITCHEN OF TOMORROW

By 2025 our relationship with food may be completely different. What will we eat? How will we grow, buy and transport food? How will we prepare it? How and where will we eat? And what does that mean for the design of kitchens in the future?

We partnered with students from the School of Industrial Design at the Ingvar Kamprad Design Centre, Lund University, and the Industrial Design department at Eindhoven University of Technology, along with IDEO – a global design consultancy – to

explore the answers. Together, over 18 months, we identified the key trends for how we will live with food in the future, and developed the Concept Kitchen. We then built and displayed the prototypes at IKEA Temporary during the World EXPO Milan 2015. We will use these insights to help understand our customers' needs, and inspire and inform our product designs, though these prototypes may never make it to our shelves.

Here are some of the innovative ideas:



Our vision for the fridge of the future helps to avoid waste and save money. Unlike traditional fridges, it uses induction cooling that is built into open shelves, so you can always see what food you have. And by reading the RFID (radio-frequency identification) tags on the food packaging, it always stores food at exactly the right temperature, saving energy too.



This smart table is designed to inspire people to be more creative with food and waste less. Not only does it suggest recipes for the ingredients you have - it also cooks the food using induction heating, charges your phone through induction charging and can even be used as an interactive toy! See the [film](#) to find out more.



This sink system collects used water, so that grey water can be recycled to water house plants and for washing up, and badly contaminated (black) water is sent to the sewerage pipes for treatment.

Find out more about the concept kitchen [here](#).



## PLANNING FOR THE FUTURE, TODAY

Our designers spend a lot of time thinking about and planning for the future. How can we create products and solutions that make urban living better and more sustainable? What will the average family look like, and need, in 2050?

To answer these questions, we set up our Living Lab – a 78 m<sup>2</sup> apartment in Malmö, Sweden that is the home of new ideas to improve urban living. We use the Living Lab to test our most innovative products by inviting real families to live, work and play there for two-week periods, so we can assess how they respond to our designs, especially their emotional reactions.

We are partnering with the Massachusetts Institute of

Technology (MIT) Media Lab to draw on cutting-edge technology and methodologies for running our Living Lab. This will help us to learn even more and use the data and insights to develop products and solutions that better meet our customers' needs.

Developed after years of research, including at our Living Lab in Malmö, the Flexible Wall – a movable partition with integrated furniture – enables people to adjust the size of a room and create a new space instantly. By making living spaces much more adaptable, it reduces the need for structural renovations, which can be stressful, expensive and create a lot of waste.

# ENERGY



We are making many of our electrical products more efficient and providing customers with options to better understand and manage their energy use. This contributes to reducing carbon emissions and monthly bills – a win-win for our customers and the planet.

These products include our expanding range of electric induction hobs, steam ovens that cook faster with less energy, and 'cold start' mixer taps that cut energy consumption by around 30% by eliminating unintentional use of hot water. They all combine function and efficiency.

In FY15 we completed an important step in our energy efficiency journey by achieving our target to switch our entire lighting range to LED. We put a lot of effort into producing simple, informative and fun communications to explain the benefits and inspire customers to feel confident about buying LED products. To find out more about why we are excited about LED, see page 17.

We want to make it affordable for as many people as possible to

generate their own power at home from renewable sources. In 2015, an average UK family could halve their electricity bills with a solar installation, which would pay for itself within seven years. In FY15, we expanded affordable home solar to the Netherlands and Switzerland, following the successful roll out in the UK. We are using what we have learnt from these markets to make sure we offer customers

the most value as we roll it out more widely. By FY17, we aim to have a solar offer in nine countries.

While we have made progress with making our products more energy and water efficient, there are three targets in this area that we will not meet and have decided to reassess:

- By September 2016 we aimed for all our electric hobs to be energy-efficient induction hobs. In FY15, 66% of our electric hobs met these criteria. Not all houses in every market have the necessary electrical infrastructure to power induction hobs, and we want to stay relevant in all our markets. We will therefore reassess this target and continue to offer a range of energy-efficient electric hobs to suit our customers' needs, including both radiant and induction, and look into other potential solutions.
- By September 2016 we aimed to offer leading water and energy



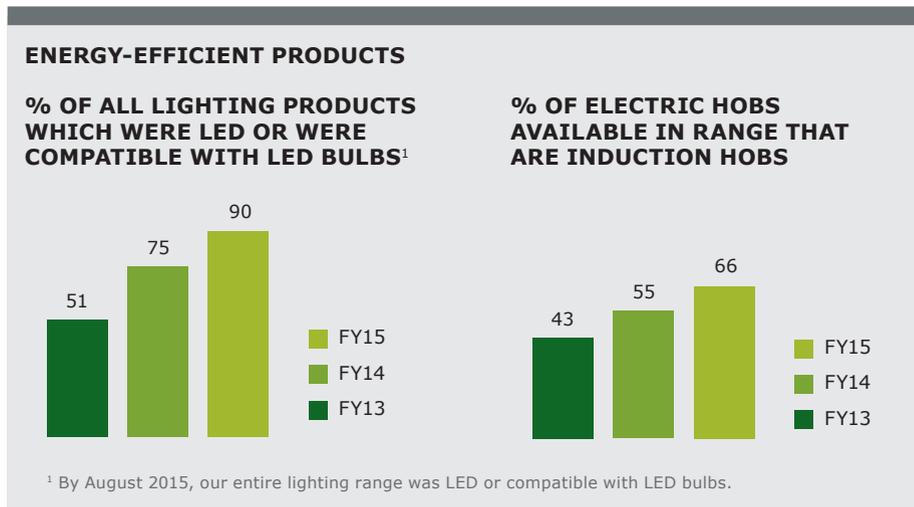
saving solutions in our range of taps, showers, sink accessories and dishwashers – all at the lowest possible price. We will not achieve this by the target date. While our dishwashers offer great efficiency and value for money, and we offer a number of other smart solutions to encourage water and energy savings at home, we have much more to do. We are now developing a new range of showers and taps with water and energy saving features, and we will keep working to develop more solutions and products for a more sustainable life at home.

- By September 2017 we aimed to offer the most energy-efficient home appliances at the lowest price. We have introduced a number of new energy-efficient appliances to our range, including A and A+ classified ovens and hoods, A+++ fridges, A+ and A++ dishwashers, and A++ and A+++ washing machines. However, these are not currently available in all markets, which means we will not meet the target globally in FY17. We have set up a taskforce that is

working on ensuring that we can make sustainable products available more consistently across all our markets.

## Understanding energy usage

We know through our own and others' research, that when people see how much energy they are using, they make steps to use less. Energy meters make this possible. But why should they be so hard to read? That is why we developed the SPARSNÄS easy-to-understand energy display which receives real-time data through a wireless transmitter. It can be installed anywhere in the home, helping make energy efficiency a part of everyday life. We are currently trialling this meter in Sweden.





## GOING ALL-IN WITH LED

We are at the beginning of a lighting revolution! In September 2015, we achieved our goal to convert our entire lighting range to LED – it is one of the ways we are going all-in to tackle climate change.

LED lights are the biggest thing

to hit lighting since the electric light was invented! The bulbs can last up to 20 years and use up to 85% less energy than incandescent lighting, saving customers money on their bills. And, of course, enabling them to live more sustainable lives at

home by using much less energy.

We know LED bulbs are better for people and the planet. Early versions of the technology did not provide the right quality, variety and price for our customers. So we have worked hard with our suppliers

to create a no-compromise solution. Now, our LED bulbs come in a range of shapes, sizes, and tones – all at an affordable price. In fact, we aim to offer the lowest price LED bulbs and built-in LED lamps on the market.

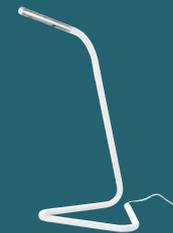
In FY15, 90% of all lighting products sold were LED or compatible with LED bulbs (e.g. lamps which customers can use with an LED bulb). And we have now switched the entire range to LED so in FY16, this will be all lighting products.

The customers buying LED bulbs in our stores are also bringing light to the lives of refugees in Asia, Africa and the Middle East through the **Brighter Lives for Refugees campaign**. For every bulb sold during February and March 2015, the IKEA Foundation donated EUR 1 to the UN refugee agency (UNHCR). This generated EUR 10.8 million to light refugee camps with solar lanterns and other renewable

energy solutions – making them safer for families and better for the environment.

Switching to more efficient lighting is good for IKEA too. In FY15, we converted the lights in over a third of our stores to LED or other more efficient lighting. We aim to invest EUR 100 million in LED and other efficient lighting systems by FY17, saving each store thousands of euros every year. Read more on page 39.

Watch **our video** to find out more about the benefits of LED.



HÄRTE LED work lamp



LEDARE LED bulb



## WATER



**BOHOLMEN** Washing-up bowls

Water is a precious, and in many parts of the world, scarce resource. We want to find new, simple ways to enable our customers to conserve it.

Many of our products are designed to save water. All of our kitchen taps feature a pressure compensating aerator that restricts the flow of water, to reduce water use by up to 40%. Since September 2015, all of our new bathroom taps are equipped with cold start functions that enable customers to save energy. Many of our products, including the GRANSKÄR wash basin taps, combine both pressure compensating aerators and cold start functions, providing both water and energy savings.

Washing dishes inefficiently can waste a lot of water. Our BOHOLMEN washing-up bowls and rinsing

baskets mean customers do not need to keep the tap running – a simple way to save water and energy. And our water-efficient dishwashers save even more water, and time.



**GRANSKÄR** Wash basin tap

## WASTE

We aim to motivate customers to turn waste into resources by offering low price, functional and easy to use solutions for sorting and minimising waste at home.

A quarter of all food produced in the world ends up as waste. In FY15 and FY16 we are focusing on tackling this problem. We undertook research in Munich, Germany, and Shanghai, China, to understand how people store their food at home and their views on food waste. Although the findings varied in the different locations, there were some things in common. For example:

- People do not know how or for how long to store food, and there is no consistent advice.
- Modern homes do not always have space for storing food in the right way and people need better systems for identifying what needs to be eaten before it expires.

We are using our findings to build on our existing food storage solutions,



**SORTERA** Bins

like our FÖRTROLIG containers, and develop more products and inspiring communications that will enable customers to prevent food waste by keeping things fresher for longer.

When it comes to things our customers no longer need, we want to encourage them to see them as a resource for new materials and products, not waste. But we know that sorting and storing them can be frustrating. Products like our stackable and compact SORTERA bins make it simple and convenient, enabling customers to sort paper, cans and plastic for recycling.

Designing products that grow with children is one of the ways we are enabling customers to enjoy and use their IKEA purchases for as long as possible. For example, our STUVA changing tables can be transformed into desks, and our BUSUNGE and MINNEN beds are extendable. Learn more about how we design sustainable and durable products [on page 32](#).



**BUSUNGE** Bed



**FÖRTROLIG** Containers

Our LADDA rechargeable batteries provide a sustainable alternative to disposable batteries. However, rechargeable batteries are often less popular than conventional batteries and are perceived as more expensive and inconvenient to use. We asked our customers what they thought about rechargeable batteries and are developing solutions to meet their needs and eliminate their frustrations. Our new low-cost, easy-to-use chargers are one way we are encouraging more customers to make the switch. We will introduce these along with our expanded range of LADDA batteries in April 2016.

In some markets, when a product is no longer wanted or needed, we give it a second life through our furniture take-back programme. To learn more about how we are putting circular thinking into practice, [see page 47](#).

## STAKEHOLDER CHALLENGE

In a world of limited resources, how can IKEA create a positive impact on the planet while continuing to sell low-cost products that customers can easily discard and replace? Isn't IKEA actually fuelling the problem?



**STEVE HOWARD**

*Chief Sustainability Officer, IKEA Group*

We want our customers everywhere to have access to beautiful, well-made and sustainable home furnishings. And we believe that you can have all of that at a low price.

With billions of visitors to our stores and website every year, we have a huge opportunity to encourage and inspire customers to live a more sustainable life at home.

Take LED. We worked to make these super energy saving, long-lasting light bulbs more affordable and higher quality. Now we've

converted our whole range to LED and we're making sure our customers understand that this is a win-win for their wallets and the planet.

At design and development, every product is scored on quality as part of our Product Sustainability Scorecard. Then we work closely with suppliers to secure consistent quality in bulk so that we can make great quality, durable products available to the many people. Many of our products come with guarantees of up to 25 years.

At the same time, we aim to use fewer resources and ensure the materials we use are produced in a way that is good for people and the planet. We are transforming our supply chain to source all of our wood and cotton from more sustainable sources, and we want to make sustainable sources the norm across the industry.

Used products are a valuable resource, not waste. We're working towards a circular IKEA, where our products last as long as possible, are designed for easy upcycling and recycling, and secondary materials are used instead of virgin raw materials. Our mattress takeback scheme is

now in 20 countries and we're working on some innovative projects to close the loop on certain materials. There is still a long way to go to be a fully circular business, but we are up for the challenge.



**PETER BAKKER**

*President, World Business Council for Sustainable Development*

In the future, all companies will need to work towards a more equitable world that is also increasingly carbon-, water-, and raw material-constrained. Leading companies are integrating this into their business models today: IKEA has already made bold steps in its supply chain and is working to become a global leader in taking climate action. IKEA's expansion into emerging markets means new customers can access responsibly made, high quality products that encourage more

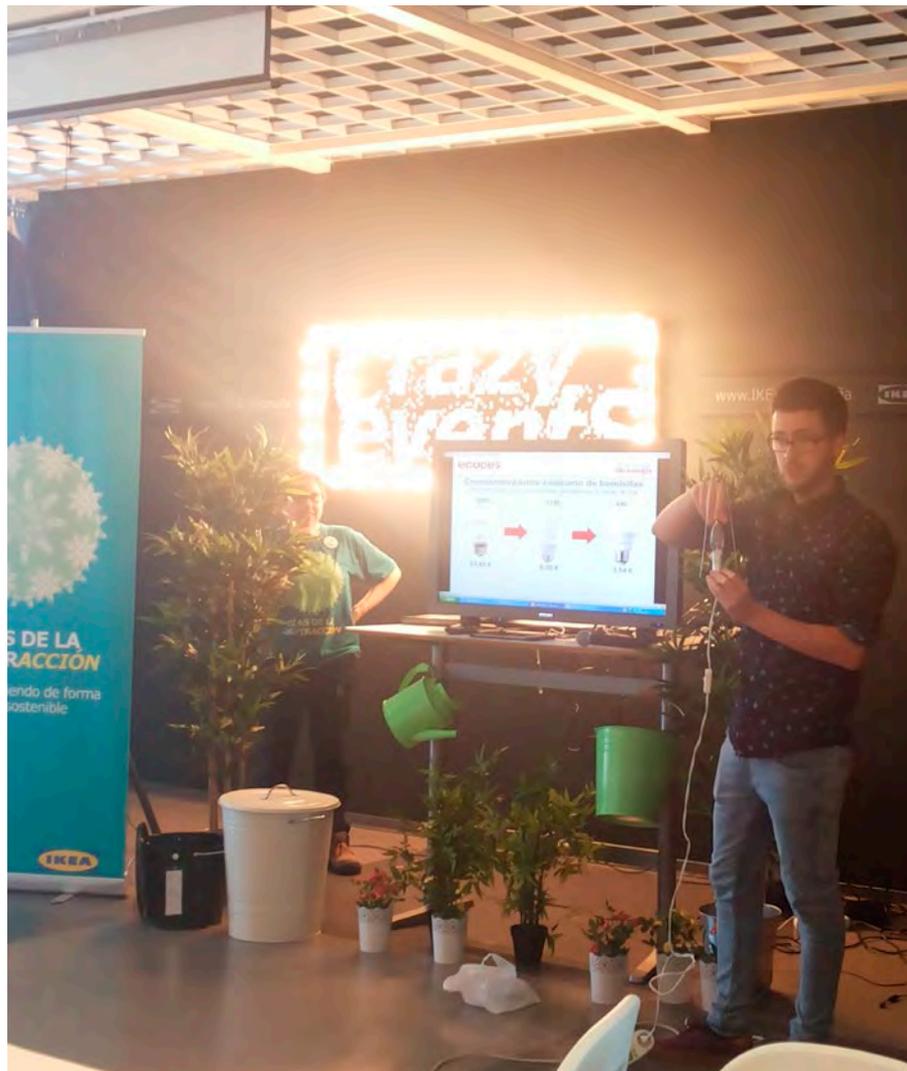
sustainable living. These customers will value IKEA products highly – where there is scarcity, there is no waste.

In developed markets, IKEA should change its furniture's 'temporary' image, whilst maintaining core attributes of good quality, low-cost products, by:

- Making returns as easy and convenient as buying new products.
- Applying its smart engineering and design skills to create solutions for reverse logistics and upcycling or recycling used products.
- Using its brand power to raise consumer awareness, changing attitudes to value and waste, and making sustainable lifestyles more desirable.

Making sustainable living easy requires not just smarter furniture, but also supporting water, energy and waste infrastructure. IKEA should take a visible leadership position beyond home furnishings, inspiring other companies to support its vision of people and planet existing together positively.

# INSPIRING MORE SUSTAINABLE LIVING



We want to use our insights and scale to inspire all 771 million visitors to our stores and 1.9 billion visitors to IKEA.com, and our 155,000 co-workers to lead better and more sustainable

everyday lives. Effective communication is a key part of how we can enable people to benefit from our products and solutions for a more sustainable life at home.

PEOPLE & PLANET POSITIVE TARGETS	STATUS	PERFORMANCE IN FY15
Take a lead, together with our customers and others in society, in re-thinking the nature of future homes and communities to provide examples of attractive, affordable and sustainable living.	<input type="radio"/>	Continued to conduct research into the future home and sustainable living, through our Living Lab and other projects.
Enable our co-workers to live a more sustainable life at home by using our solutions or knowledge for reducing energy, water and waste at home, through a dedicated global project beginning in 2014.	<input type="radio"/>	Number of co-workers participating more than doubled since FY14, to 4,033 across 24 countries (FY14: 1,773 participants from 10 countries). Now extending the project to customers, starting with selected families in France and Switzerland.
		<input type="radio"/> Achieved <input checked="" type="radio"/> Ongoing <input type="radio"/> Not achieved

## ENGAGING OUR CUSTOMERS AND CO-WORKERS



People can learn about the sustainability of our products on our website, through social media, in our catalogue, on many of our price tags and through in-store events and communications. Our co-workers are ambassadors for our products and services. The more they know, the more they can inspire our customers.

### *Inspiring co-workers and customers to take action*

Our More sustainable life at home co-worker engagement project, launched in FY14, aims to enable our co-workers to change the way they live at work and at home. Participants choose and use IKEA products

that enable them to save water and energy or reduce waste. They also receive a handbook with tips on how to live more sustainably and guidance on how to capture and share their results from the project. In FY15, 4,033 participants representing 24 countries took part, more than double that in FY14. Each participant will become a More sustainable life at home ambassador, and by sharing their experiences with more co-workers, they will help to extend the reach of the project.

In FY15, we invited customers to join the project in France and Switzerland, and other countries will follow in FY16. In France and Switzerland, we challenged a total of 256 customers, bloggers and co-workers to adopt a more sustainable life at home for six months. In France, participants were given expert coaching and EUR 500 towards IKEA solutions



that would help them along the way. They learned how to reduce their water and energy use and manage their waste. They could save as much as EUR 150 per household annually.

The project will tell us a lot about the way people live, how they use our products and what they need to enable them to live more sustainably. We will use what we learn to improve the way we engage customers and to develop better products and services that meet their needs.

### **Engaging our IKEA FAMILY**

IKEA FAMILY is our membership club for loyal customers around the world, who receive exclusive benefits like discounts and invitations to events. At the end of FY15 there were 78 million members, making it one of the biggest loyalty schemes in the world. Members are a key focus for our work promoting more sustainable living. For example, we invite IKEA FAMILY members to in-store 'Mega events' – sustainability themed days with special activities and offers on certain products – and home furnishing workshops to share our

sustainability knowledge. Attendees can learn about a variety of topics, including choosing LED lighting, working with textiles, growing and producing food at home, reducing water and energy consumption and managing waste. During FY15, events like these were hosted in Austria, China, France, Japan, Norway, Russia, Sweden and Switzerland. IKEA Belgium ran 18 workshops across six stores, for members to share techniques and tips for repairing damaged products, to encourage participants to value old furniture rather than seeing it as disposable and replaceable. IKEA FAMILY members are also encouraged to take part in our community projects.



# RESOURCE AND ENERGY INDEPENDENCE

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*We want the way we use resources and energy to have a positive impact on people and the planet. That means finding sustainable sources of natural resources and energy, and using them efficiently. This means we can continue to shrink our environmental footprint while making affordable, high quality products. Working with suppliers, governments, businesses and other partners enables us to find new ways to innovate and have a positive influence beyond our operations and products.*



# RESPONSIBLE SOURCING



We use a huge variety of raw materials to make our products and we want to make sure these materials are produced in ways that are good for the environment and society. We strive to always increase our positive impact, including going beyond the needs of our business and working

together to transform markets and protect resources for future generations. To achieve this we must work closely with suppliers and partners to understand where raw materials come from, and support improvements at key stages of the value chain.

PEOPLE & PLANET POSITIVE TARGETS	STATUS	PERFORMANCE IN FY15
By August 2017, at least 50% of our wood will come from more sustainable sources. By August 2020, we aim to source 100% of our wood, paper and cardboard from more sustainable sources. <sup>1</sup>	○	In FY15, 50% of our wood was from more sustainable sources, meaning that we met our 2017 target two years ahead of schedule.
By August 2015, all cotton used in IKEA products will be sourced from more sustainable sources, <sup>2</sup> and we will continuously investigate complementary fibres with improved sustainability performance compared to cotton.	○	We reached our goal at the end of FY15, and all cotton we use for our products now comes from more sustainable sources. During FY15, 94.5% of cotton was from more sustainable sources.
By December 2015, all palm oil, currently used in home furnishing products such as candles or as a food ingredient, will either come from certified segregated sustainable sources or be substituted with more sustainable alternatives.	◐	By August 2015, 87% of our palm oil was from certified, segregated sources. <sup>3</sup> One of our challenges is to map local food supply chains to understand which market-specific food products contain palm oil.
By August 2017, all of the leather we use will have full chain of custody and be produced according to standards that help protect forests and respect human rights and animal welfare. <sup>4</sup>	◐	The leather supply chain has changed and is complicated, so it will only be possible to trace leather to the slaughterhouse by August 2017. Our long-term ambition remains to secure full chain of custody and improve social and environmental standards for the leather we use.
All seafood sourced for the IKEA Restaurants and Swedish Food Markets are certified by August 2015.	○	We reached our goal and now only source and sell ASC or MSC fish and seafood. <sup>5</sup>
<p><sup>1</sup> Defined as FSC™ certified or recycled wood.</p> <p><sup>2</sup> Includes Better Cotton, cotton from farmers working towards Better Cotton Initiative standards, and cotton grown to other regional standards such as e3 Cotton Program in the USA.</p> <p><sup>3</sup> Applies to known sources of palm oil only. See page 29 for more detail.</p> <p><sup>4</sup> Leather production can be linked to deforestation in some areas – see page 30 for more detail.</p> <p><sup>5</sup> Crayfish is an exception as there are currently no certified fisheries.</p>	<p>○ Achieved   ◐ Ongoing   ○ Not achieved</p>	

## BECOMING FOREST AND WATER POSITIVE

We want our business to benefit the world. That is why we have committed to becoming forest and water positive by the end of FY20. Our aim is for responsible forestry and water management to become the norm, beyond our own supply chain. But we cannot do this alone – we need collaboration to make this happen.

To become forest positive, we will contribute to ending deforestation by promoting the adoption of sustainable forestry methods across the whole industry. Through our people and planet positive strategy we commit to use only wood from more sustainable sources (currently defined as FSC™ certified or recycled wood) by 2020, and not to source wood from high conservation value forests, unless they are certified as responsibly managed.

We have been working in partnership with WWF for more than a decade to increase levels of FSC certification globally and fight the illegal timber trade. So far we have increased FSC certified forest by around 35 million hectares, an area roughly the size of Germany and more than double the total area needed to supply IKEA. We continue to work on eight FSC-related projects in 10 countries. We also seek the support of local NGOs, participate in policy discussions, and fund forestry education initiatives. We

fund a conservation study centre in the Maliau Basin, Borneo that shares forestry research with scientists and students worldwide. And investing in our own forest operations means we can roll out our forest positive approach further, and be more confident of securing a sustainable supply of wood (see page 25 ▣).

Being water positive is about considering water stewardship across our whole water footprint, from suppliers to customers. We are exploring ways to improve water efficiency in our operations and supply chain, supporting customers to reduce their water impact, and collaborating with other stakeholders to develop long-term improved water management.

Together with WWF we have been working for many years to support farmers to reduce their water use in cotton production, which is a particularly water intensive crop. Our new projects in India and Pakistan support cotton farmers to address their water impact and many other interconnected challenges. We aim to enable farmers to improve water management practices in order to maintain or restore water resources, increase local collaboration, and ultimately secure long-term livelihoods for people and communities.

## STAKEHOLDER CHALLENGE

Huge volumes of natural resources are needed to make IKEA products. As a growing business, with more stores opening and more products being sold, the demand for these resources can only increase. How can IKEA truly have a positive impact on people and the planet while it has such a large, and growing, environmental footprint?



**JASON CLAY**

*Senior Vice President,  
Food & Markets, WWF US*

The world is more prosperous than ever. This is a good thing. Yet our efforts to improve human well-being have taken a toll on the health of our shared home, planet Earth. Today we have surpassed the planet's carrying capacity – we are using the equivalent of 1.5 Earths every year.

This is everyone's problem, but IKEA can be a key part of the solution.

It should set targets that encourage innovation and it should measure progress on how it restores the planet.

- Set footprint targets for IKEA's operations and reduce total global footprint regardless of growth.
- Set targets per unit of production that would equal 75% footprint

reduction for each product sourced, by 2050.

- Reduce waste throughout value chains by 75%.
- Support pre-competitive approaches and share information.
- Start a conversation with consumers about the impacts of consumption.

IKEA can achieve more by working with others, and communicating what it does, than by itself. Now it's time to influence others.



**LENA PRIPP-KOVAC**

*Sustainability Manager,  
Range & Supply, IKEA of Sweden*

The size of our business means we use a lot of resources to make products that improve our customers' everyday lives. Our size and influence bring a fantastic

opportunity – and responsibility – to contribute to positive change for people and the planet, in particular when it comes to resources.

Our first step is to use materials as efficiently as possible. By using innovative design and lightweight materials we can use fewer resources in our products.

Secondly, we focus on sourcing our key materials, like wood and cotton, from more sustainable sources. In many cases, our work to secure sustainable resources goes beyond the volumes or areas of resources that we need for our own business. We aim to contribute to increasing the supply of more sustainable materials across the industry.

Thirdly, we are changing the way we think about materials. Waste is an outdated concept – we are starting to look at existing products as 'banks of materials' for the future, and we design new products so they can be easily reused, repaired, and recycled. Creating a circular IKEA requires us to change how we work with our supply chain, design products, and interact with our customers. Closing the loop is a big challenge, but one with huge potential for a positive impact.

## WOOD AND PAPER



Wood and paper are essential for our business. Wood is the main material in many IKEA home furnishing products, and we use paper in notebooks, napkins and other paper products, for the IKEA catalogue, and in much of our packaging. These are potentially sustainable resources – renewable, reusable, recyclable and biodegradable – as long as they are managed responsibly. That means ensuring forests and wood supply chains are managed in a way that benefits people and the planet.

Our goal is to become forest positive by the end of FY20 (see page 24). By then, 100% of the wood

and paper we source will be from more sustainable sources, currently defined as FSC certified or recycled material. In priority areas where there is a higher risk of illegal or irresponsible forestry practices, such as China, Russia, South East Asia and South East Europe, we aim to achieve our goal by FY17. By focusing on certification and industry collaboration, we promote responsible forest management, which provides incentives to conserve forests and end deforestation.

We believe using FSC certification is currently the best way to ensure that the wood we use is from more

sustainable sources. Increasing FSC certification has many benefits, such as:

- combating illegal timber trade and promoting responsible trade in forest products
- ensuring long-term economic and social benefits from the forest, particularly for indigenous communities
- halting and reversing forest degradation and deforestation
- protecting the natural environment and its biodiversity
- raising awareness of and implementing responsible forestry management plans.

Our supplier Code of Conduct, IWAY, includes a Forestry Standard based on these principles, designed to ensure the bamboo, board material and solid wood in our products does not come from sources that harm people or the planet. See page 61 for more on how we support suppliers to comply with IWAY.

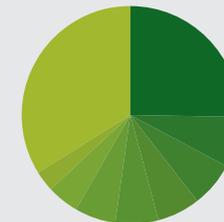
As part of our journey towards resource independence, we are investing in our own forest operations. In FY15 IKEA acquired 33,600 hectares of forest in Romania. In line with our commitment to responsible forest management, all the forests that we invest in will be certified to the FSC forest management standard as soon as possible.

### TOTAL WOOD IN IKEA PRODUCTS (million m<sup>3</sup> rwe)<sup>1</sup>



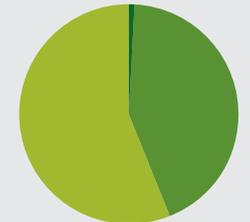
<sup>1</sup> Roundwood equivalent (rwe) is the volume of roundwood (logs) required to produce our products. Data covers all solid wood and wood-based board used in IKEA products, but excludes wood used in packaging and printing and paper used in products such as napkins.

### COUNTRIES WE SOURCED WOOD FROM IN FY15 (% wood sourced)



Poland	25.5
Lithuania	7.3
Russia	6.9
Germany	6.4
Sweden	6.3
Romania	6.1
China	4.6
France	3.1
Other countries <3.0%	33.8

### TYPES OF WOOD SOURCED (%)



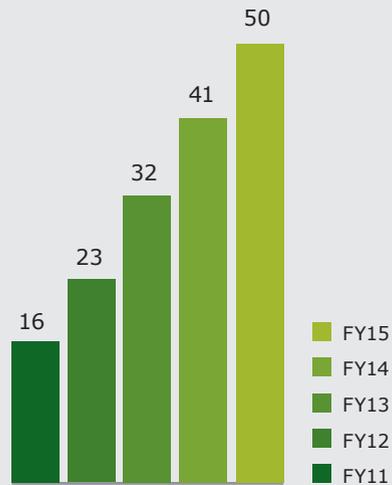
Bamboo	1
Solid wood	43
Wood-based board	56

## Performance

In FY15, we used 16.1 million m<sup>3</sup> of roundwood for the solid wood and wood-based board materials in IKEA products, which is 4% more than in FY14 due to business growth. We sourced 50% of our wood from more sustainable sources, reaching our target for FY17 two years early.

In priority areas,<sup>1</sup> wood from more sustainable sources rose to 40%, compared to 20% in FY14. We trained 80 co-workers globally on IKEA forestry standards, relevant laws and FSC certification. More training, better communication and an updated data entry system mean that responsible forest management is becoming a part of everyday work in these priority areas.

### WOOD FROM MORE SUSTAINABLE SOURCES<sup>1</sup> (% wood sourced)



<sup>1</sup> From forests certified to the FSC Forest Management standard and recycled wood. Includes solid wood and wood-based board.



To scale up sustainable forestry, we need to demonstrate how certification contributes to better management of the world's forests. This will enable businesses and consumers to understand the value of certified timber and create greater demand. We are collaborating with the Dutch Sustainable Trade Initiative (IDH) and other partners on Value and Impact Analysis (VIA), a project coordinated by the ISEAL Alliance to promote the benefits of using legal, responsibly sourced, sustainable timber. VIA aims to develop a methodology to understand the role of FSC

certification in delivering these benefits. Through our long-standing partnership with WWF, we have already increased global levels of FSC certified forest by 35 million hectares. We aim to reach another 10 million hectares by FY20 – see page 24.

Achieving certification can be challenging for smallholders and forest-reliant communities. For some producers, the cost of achieving certification is high compared to their income levels, and meeting our requirements can be very difficult. In June 2015, we announced a project

with the United Nations Food and Agriculture Organization (FAO) that will explore ways to remove these barriers to certification, improve everyday life for people in rural areas and promote sustainable forest management. We will begin by mapping wood from forest-growing communities in northern Vietnam.

We are exploring more ways to source wood sustainably. By FY20 IKEA Industry Malacky, in Slovakia, will source 30% of its wood from its newly purchased short-rotation plantation (SRP). Tree species used in SRPs mature much faster than traditional species, producing wood that is strong and lightweight, enabling us to make products using less material (see page 33). We will obtain FSC certification for the plantations as soon as possible. The 60 hectares planted in 2015 are due to be FSC certified in FY16. By spring 2016, the plantation will cover 800 hectares and eventually reach 4,000 hectares, with the first harvest due in FY20.

Forest management is highly dependent on local regulations and government policy. In April 2015 we contributed to the public review of the EU Timber Regulation (EUTR), which prohibits the sale of illegal wood and requires traders to complete due diligence checks on the wood they sell. We passed an EUTR audit on our German operations in August 2015 with full compliance. We would like to see the EUTR fully and consistently implemented across the EU, and we are lobbying together with other businesses – Kingfisher, Carrefour and Marks & Spencer – to achieve this.

<sup>1</sup> Priority areas are countries where IKEA, along with our partners, have identified high risk of challenges such as illegal or irresponsible forestry practices.

## Paper

We are changing the way we source paper and cardboard. During FY15, we studied our paper supply chain to understand exactly where our paper products currently come from. Currently more than 90% of the supply chain has been mapped.

By 2020, we aim to only use paper and cardboard from more sustainable sources. And since FY14, we have been publishing the IKEA catalogue using only FSC™ Mix Credit certified paper. For more information on the sustainability of the IKEA catalogue, see page 50.





### Auditing and compliance

We encourage suppliers to work towards FSC Chain of Custody (CoC) certification where possible. This

standard verifies that non-certified or potentially illegally logged material is kept out of FSC certified forestry operations at all stages of the value chain.

Our timber supply chain is audited in three ways.

- Independent organisations known as 'FSC accredited certification bodies' perform annual audits of suppliers who have FSC CoC certification.
- IKEA, or occasionally independent auditors acting on our behalf, conducts annual audits of wood suppliers who handle wood not covered by FSC CoC certification.<sup>1</sup>
- IKEA annual audits of higher-risk areas can cover the entire supply chain, including wood processing and transport, back to the forest.

In FY15, 72% of wood suppliers were certified to FSC CoC standards.

<sup>1</sup> A small number of suppliers considered very low-risk because of their location or type of timber are audited every two years.

AUDITS OF OUR WOOD SUPPLY CHAIN	FY11	FY12	FY13	FY14	FY15
IKEA suppliers that are FSC Chain of Custody certified (%)	34.9	42.2	52.5	66.1	72.0
Total wood volume from FSC Chain of Custody certified suppliers (%)	62.0	63.5	84.5	94.8	98.0
Number of IKEA audits — under IWAY Forestry Standard and IKEA wood supply chain audits (number performed by third-party auditors)	139 (5)	116 (5)	149 (11)	143 (4)	108 (6)
Total wood volume from suppliers that underwent an IKEA audit during FY15 (%)	12.3	17.3	12.4	19.7	13.0
Wood volume that underwent an IKEA audit that complies with IKEA minimum forestry requirements (%)	94.0	95.2	99.1	99.0	98.0



## IWAY FORESTRY STANDARD

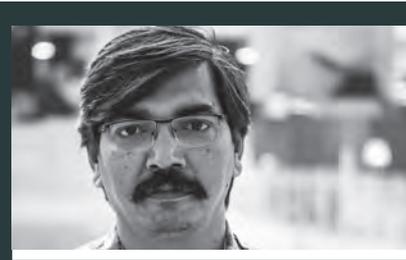
Our supplier Code of Conduct, IWAY, contains specific criteria for wood, bamboo and board suppliers. The IWAY Forestry Standard states that these materials should:

- only come from forests that have been legally harvested
- not come from forestry operations engaged in forest-related social conflicts
- not be harvested in geographically identified intact natural forests (INF) or high conservation value forests, unless they are certified as responsibly managed
- not be harvested from natural forests in the tropical and sub-tropical regions being converted to plantations or for non-forest use

- not come from officially recognised and geographically identified commercial genetically modified tree plantations.

All suppliers must have procedures in place to implement these standards throughout their operations and supply chains, and must be able to track the origin of their wood. For more information on how we monitor compliance with IWAY, see page 61 ■.

# COTTON



**PRAMOD SINGH**  
IKEA Cotton Leader, IKEA of Sweden

This year is the beginning of a new era for cotton at IKEA. Reaching our goal of sourcing 100% of cotton from more sustainable sources is a great achievement, but it also marks the start of our next challenge – to maintain the 100%, and to find even more ways to support cotton producers around the world to be sustainable.

Our hope is that one day, sustainable cotton will replace all conventional cotton farming. That’s why, as one of the founding members of the Better Cotton Initiative, we are working with partners in cotton-producing countries to increase the global supply of sustainable cotton and improve standards across the whole industry – not just in our own supply chain.

levels of the supply chain. We are one of the founding members of the Better Cotton Initiative (BCI), a multi-stakeholder organisation that aims to make cotton production better for the people that grow it, better for the environment where it grows, and better for the future of the entire cotton sector.

Cotton from more sustainable sources includes cotton grown to the



**LISEN WIREN**  
Sustainability Manager, IKEA Netherlands

As one of the biggest global users of cotton, we have a huge opportunity to support cotton farmers and improve the way we work with cotton across our entire value chain. And it’s amazing that we can source all our cotton from more sustainable sources while still reducing prices for our customers.

Whatever cotton products they buy, customers can see our Democratic Design concept in action: a functional product with the same low price and good quality that we have always offered, and now with the added bonus that **100% of the cotton** has been produced by farmers who are working sustainably and profitably. I’m very proud to tell this story.

Better Cotton Standard, by farmers working towards BCI, and more sustainable cotton from the USA (such as the ‘e3 Cotton Program’). This cotton is grown using sustainable farming practices that reduce fertiliser, pesticide and water use, improve working conditions and earnings for farmers, and benefit ecosystem health and biodiversity conservation. To have the

biggest impact, IKEA and our partners are focusing our efforts on major cotton-producing countries, including China, India, Pakistan and Turkey.

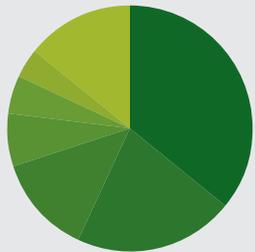
We encourage designers to seek ways of using less material, and to consider alternative materials like cellulose, linen and flax. Read more about how sustainability informs product design on [page 32](#).

## Performance

At the end of FY15, we achieved our target to only source cotton from more sustainable and recycled sources, with 100% of our cotton shipments now meeting these criteria. From FY16 onwards all the cotton we use in our products will be from more sustainable sources.

During FY15 we used 140,000 tonnes of cotton, and 94.5% of this was from more sustainable sources. It is important to note that some

### COUNTRIES WE SOURCED COTTON FROM IN FY15 (% cotton sourced)



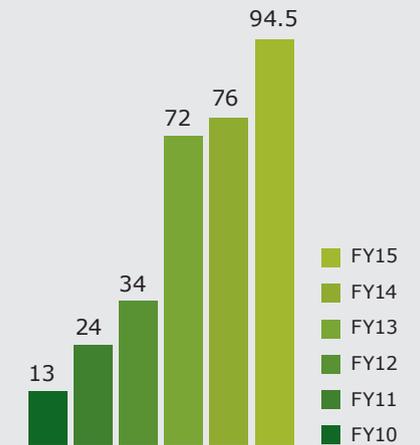
India	36
Pakistan	21
China	13
Turkey	7
USA	5
Brazil	4
Others	14

Cotton is used in IKEA products like soft furnishings, bedding, towels and rugs. As a natural, renewable fibre, cotton is a popular material and its production is an important source of jobs and income for communities around the world.

We use almost 1% of the world’s annual cotton supply and are committed to sourcing all of our cotton from more sustainable sources. We achieved this milestone at the end of FY15. Our reach means we can make a big difference in tackling the challenges that can exist in cotton production, such as child labour, health and financial difficulties for farmers, and damage to local water supplies through the use of agricultural chemicals and high-volume irrigation.

We want sustainable cotton to be the norm for the entire industry, not just IKEA. This can only happen through collaboration across different

### COTTON FROM MORE SUSTAINABLE SOURCES (% cotton sourced)



products already in store were produced prior to meeting our 100% milestone. This constitutes very small volumes of only a handful of products, available only until the products are sold out. The detailed product specifications we introduced in FY14 explain the requirements for cotton from more sustainable sources, and have enabled us to move from thinking about more sustainable cotton as a project to simply business as usual.

Now we have hit the 100% target, a new journey begins. Our next challenge is to put the routines, processes and systems in place to always maintain the 100%. Cotton farms are assessed before being classified as sources of more sustainable cotton, but we want to encourage continuous improvement in our supply chain and work towards even more sustainable cotton. In FY15, we conducted 17 traceability assessments in our supply chain, from product sales to the cotton fibre stage. We will extend these assessments to the farm level in FY16.

As part of achieving the 100% milestone, we are using the opportunity to engage customers on the issue of sustainable cotton. More effective communication with customers will increase their understanding of the benefits of choosing cotton from more sustainable sources. We continue to support our partners in projects to improve cotton production. For example, the Better Cotton Initiative aims to have five million Better Cotton farmers producing 8.2 million metric tonnes of Better Cotton by 2020 – around 30% of global cotton production.

The IKEA Foundation is working to create positive social change in cotton communities – read more on page 78 [■](#).

## PALM OIL



We use relatively small quantities of palm oil, mostly in candles and some food products. Producing palm oil is often associated with environmental damage such as deforestation and biodiversity loss, and social concerns including poor labour rights and dangerous working conditions. But we believe that palm oil has the potential

to be a sustainable raw material.

We support the Roundtable on Sustainable Palm Oil (RSPO), which develops standards and encourages global stakeholder engagement to make sustainable palm oil the norm. Our target is to source 100% of our palm oil from segregated RSPO-certified sources by December 2015.

Our palm oil sourcing strategy includes two additional criteria that go beyond RSPO requirements.

- No deforestation. Forests of high value, for conservation or carbon storage, will be protected. All new palm oil developments should be on land where biodiversity and natural vegetation are already highly degraded.
- No new development on peat, regardless of depth. Peat wetlands are important carbon stores with high biodiversity value.

By December 2015, we have asked IKEA global suppliers to produce a roadmap of how they will meet these additional requirements by December 2017.

### Performance

We used 47,562 tonnes of palm oil in FY15, and 87% of this was from certified, segregated sources. Overall we have made good progress towards reaching our 100% target by December 2015.

We are still working to map exactly which locally sourced food products contain palm oil, and we are not yet able to guarantee that the palm oil comes from certified, segregated sources.

During FY15, all palm oil producers in our candle supply chain (covering around 90% of the palm oil we use) produced a roadmap of how they will meet our new palm oil requirements by December 2017. We expect our food suppliers to do the same by

December 2015. Our next step is to analyse these roadmaps, and support suppliers and their sub-suppliers to strengthen their commitments where necessary.

In 2014 we purchased 44,000 GreenPalm certificates from producers of RSPO-certified palm oil, each representing one tonne of palm oil. These certificates generate a premium for producers that work to RSPO standards, even when the palm oil is not from segregated sources.

We are partnering with the United Nations Development Programme (UNDP), the Government of Indonesia and other global corporations to set up the Sustainable Palm Oil Initiative (SPO). The project's long-term aim is to create a sustainable and responsible Indonesian palm oil industry by reducing deforestation and increasing smallholder income and productivity.



## LEATHER

Leather is used in IKEA products like sofas and rugs. We work closely with stakeholders to minimise the environmental and social problems that can occur in leather supply chains. These include deforestation, violation of indigenous land rights, forced labour and chemical pollution.

The IKEA leather centre in China is responsible for sourcing and producing leather and artificial leather. By working closely with purchasing teams across the Americas, Asia, Europe and Russia, the centre ensures that our standards for leather sourcing are aligned across IKEA.

Our long-term ambition is for the leather we use to have a chain of custody, and be produced according to standards that help protect forests and respect human rights and animal welfare. We had aimed to achieve this by the end of FY17, but our initial work to investigate leather traceability has shown that the supply chain is very complicated.

Our revised strategy is to secure traceability of leather back to all slaughterhouses by August 2017. We will also develop and start to implement animal welfare and working standards at slaughterhouses, and use risk assessments to prioritise farms with the greatest social, environmental and animal welfare issues. This approach will enable us to make a real difference by supporting long-term sustainability in the leather supply chain. We continue to work towards our original goal to secure full chain of custody and to improve standards by addressing issues like deforestation and animal welfare.

### Performance

In FY15, we used 5.1 million m<sup>2</sup> of leather, and 88% of this was chromium-free. By August 2015 100% of the leather we sourced was chromium-free, and from September 2015 onwards all our leather will be produced using 'wet-white' or other alternatives to chromium, which is highly polluting. We have been working with suppliers and a number of chemical companies to find ways to reduce chemical use, carbon and water impacts of the tanning process.

Now that we have met our chromium-free leather target, we are focusing on continuing to improve leather traceability. Pilot projects with a number of our tanneries in Asia and Europe will enable us to track chain of custody all the way to the slaughterhouse. We eventually aim to be able to trace leather from all of the tanneries we use back to the farms.

During 2015, we are updating our leather traceability requirements to strengthen standards in Brazil. They will include instructions on the systems slaughterhouses can use to ensure their suppliers are not linked with deforestation. We are also updating the requirements to ensure full chain of custody to all slaughterhouses globally, and to farm level in high-risk countries. Once we establish traceability, we will provide animal welfare standards for slaughterhouses.

More on animal welfare on page 31 [▶](#).  
More on IWAY on page 61 [▶](#).  
More on how we are supporting communities in the leather supply chain on page 78 [▶](#).

## FOOD



More than 640 million customers a year and the majority of our 155,000 co-workers enjoy IKEA Food products in our restaurants, bistros, Swedish Food Markets and co-worker restaurants. It is important to serve healthy, safe and sustainably-produced food that they enjoy eating.

We are updating our IKEA Food Health & Sustainability Direction for FY17. We used input from more than 150 internal and external stakeholders, including academics, members of the food industry, and opinion leaders, to help us define our key focus areas:

healthy and high-quality ingredients, responsible sourcing, sustainable operations and working with communities. Read more about how we contribute to customers' health and wellbeing on page 14 [▶](#).

We source our food from more than 600 global and local suppliers. Around half of the volume of our food is provided by local suppliers working in individual markets. We are currently reviewing these parts of our food supply chain to help us secure IWAY compliance (see more on page 67 [▶](#)).

### Performance

While we continue to serve tasty food at affordable prices, we are increasing the focus on healthy, sustainable options. In FY15, we introduced GRÖNSAKSBULLAR, our vegetarian meatballs, in all markets, and customers and co-workers love them already. Veggie balls are nutritious and their carbon footprint is 30 times less than meatballs.

We work with internationally recognised third-party certification organisations to source more sustainable raw materials (see examples on following page).



**CHRIS NANNES**

CEO, Aquaculture Stewardship Council (ASC)

"IKEA's global commitment to the ASC programme is a game changer, introducing the ASC to customers in many new markets. Customers can now be assured that all salmon sold at IKEA comes from farms that respect the environment, the rights of workers and the interests of the local community."

- **Fish and seafood:** We now source 23 species of fish and seafood from either Aquaculture Stewardship Council (ASC) or Marine Stewardship Council (MSC) sources for our restaurants and Swedish Food Markets. By selling these certified species, we are bringing responsibly sourced fish and seafood to eight countries that had never previously used ASC labels. Some fisheries have not yet been certified to ASC or MSC levels, and we are supporting many of them through the process. For example, at the moment there are no MSC certified crayfish fisheries in the world, but instead of removing crayfish from our menus, we are partnering with MSC to support the fisheries to become certified.
- **Berry jam:** In FY15, all of the sugar in our jams was certified as organic



by KRAV, a Swedish standard for organic food production that considers people, animals and the environment. In FY14 the lingonberries, blueberries and cloudbberries in our jams became KRAV certified, which means that our jams are now 100% organic.

- **Coffee and cocoa:** Both of these raw materials are covered by UTZ Certification, a standard that focuses on providing better opportunities for farmers and their families. In FY15, 100% of our globally sourced coffee and 100% of cocoa in IKEA-branded chocolate bars was UTZ Certified, and by FY17 all of our globally sourced coffee will also be certified organic.
- **Tea:** We committed to ensuring that all our tea is certified as responsibly sourced, and 35% of all markets sold certified tea in FY15. We are working to overcome supply challenges in some of our markets to achieve this goal.

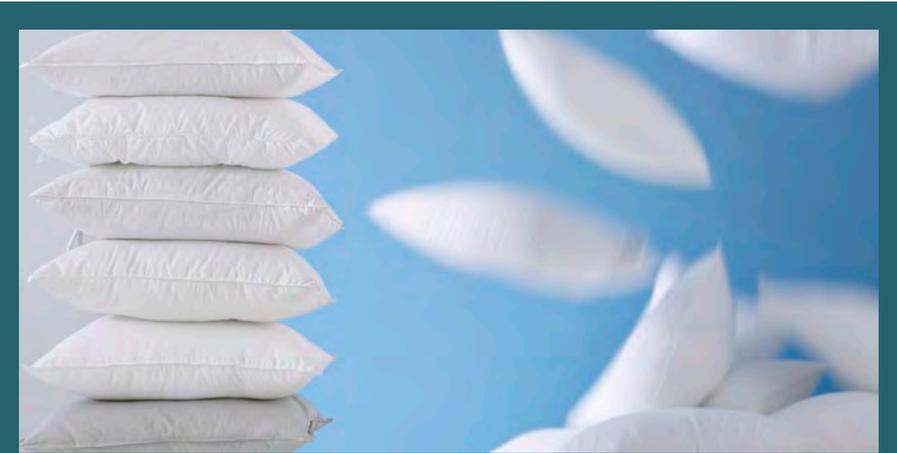
Working closely with suppliers is critical for us to continue to source food responsibly. In FY15 we appointed a full time IWAY leader for IKEA Food, who has developed a specific working method for how we conduct audits at food suppliers' sites.

In FY15 we launched a Supplier Assurance Project that supports IKEA Food suppliers to secure Global Food Safety Initiative (GFSI) and IWAY compliance, and set roadmaps for improvement. For FY15, 98% of our global suppliers were certified according to a GFSI approved scheme, and 93% of in-scope global suppliers had an IWAY Musts verification completed (see page 61 for more on IWAY).

The IKEA Group Animal Welfare policy, adopted in FY14, applies to all animals in our supply chain including hens, pigs, and cows, and a number of our animal welfare goals are relevant for food.

We set ourselves the target for all whole eggs served in IKEA restaurants to come from free range hens with outdoor access by August 2015, and 33% of markets now meet this criterion. We knew this would be a challenging target because free range eggs are not always available. For example, in many countries the supply of free range eggs is very low, and in some places it is illegal to keep chickens outside. In these situations our goal is to source from cage-free systems. Despite this, we decided to challenge our markets to source from as many free range systems as possible, and we will continue to work with producers in different countries to raise awareness and increase the supply of eggs from free range hens.

We have started to develop higher welfare standards for all animals in our supply chain. In FY16 we will start to implement these standards, in partnership with the Food Animal Initiative (FAI), a research and advisory group that develops agricultural systems to enhance the life of people and animals, and protect the environment. We will continue to work with our NGO partner Compassion in World Farming (CIWF). The feature right explains our approach to animal welfare for non-food raw materials.



## ANIMAL WELFARE IN PRODUCING NATURAL FIBRES

Part of our current home furnishing range contains animal-based raw materials, such as wool, sheep skins, leather, cow skins, down and feathers. We support animal husbandry that ensures animal wellbeing at all times, from rearing to slaughter. Although the challenges and risks are different for each type of animal and country of origin, we aim to develop a holistic animal welfare strategy for the whole of IKEA.

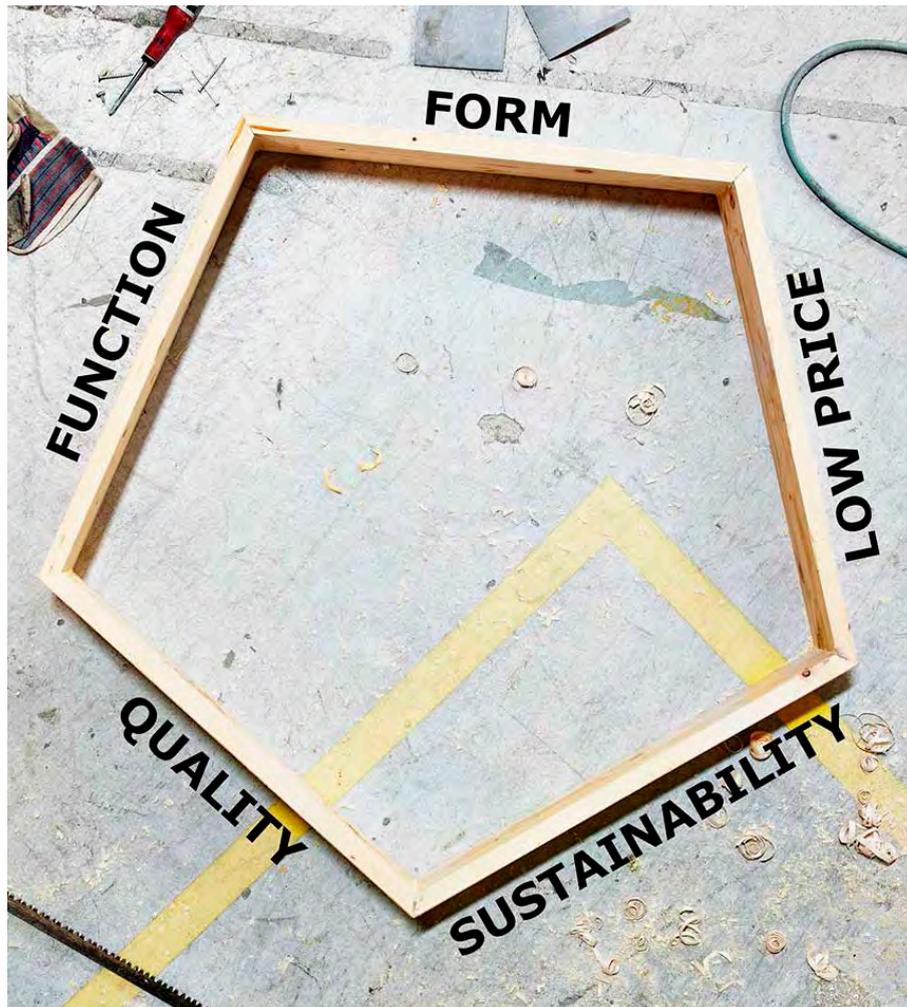
The first step is traceability. Understanding the supply chain for each material is important if we are to set minimum standards for animal welfare. Some chains are more complex than others – for example, tracing wool is more difficult than sheepskins because of the extra steps in making yarn. Auditing farms and manufacturers will be a huge task, and one of our ambitions is to integrate animal

welfare standards into the existing IWAY audit process (see more on page 61), as well as cooperating with industry partners where possible.

External certification already exists for many animal products. We will align IKEA requirements with these programmes wherever possible, and work with stakeholders to strengthen current standards.

Working collaboratively is important. We participate in a number of networks and working groups, including the Leather Working Group and the Animal Welfare Group formed by Svensk Handel (Swedish Trade Federation). Svensk Handel is a knowledge-sharing group of Swedish retailers with a long-term goal to improve animal welfare in global leather and wool supply chains.

# MORE SUSTAINABLE PRODUCTS



There is always more we can do to make great products that satisfy our customers. For us, good design means creating the right combination of form, function, quality, sustainability and a low price. We take these principles into account at every stage

of the product's life cycle – testing, production, customer use and disposal – and finding just the right balance is a unique challenge that keeps us innovative. We call this approach Democratic Design.

PEOPLE & PLANET POSITIVE TARGETS	STATUS	PERFORMANCE IN FY15
By August 2020, 90% of the total sales value will come from home furnishing products classified as more sustainable. <sup>1</sup>	<input checked="" type="radio"/>	54% of total sales value was from more sustainable products, as classified by the Product Sustainability Scorecard.
By August 2015, all our home furnishing materials, including packaging, will be either made from renewable, recyclable <sup>2</sup> or recycled materials.	<input type="radio"/>	98% of home furnishing materials and packaging were either renewable, recyclable or recycled. The remainder is a challenge due to regional legislation and specific requirements for some materials, but we continue to look for ways to improve.
By August 2020, all plastic material used in our home furnishing products will be 100% renewable and/or recycled. <sup>3</sup>	<input checked="" type="radio"/>	We sourced 23% of plastics in our plastics category products from renewable or recycled sources in FY15.
<sup>1</sup> Through the Product Sustainability Scorecard. <sup>2</sup> On an industrial scale in at least one market where we have retail operations. <sup>3</sup> The scope is plastics category products which we sell, textile products, packaging and components for furniture.		<input type="radio"/> Achieved <input checked="" type="radio"/> Ongoing <input type="radio"/> Not achieved

## PRODUCT SUSTAINABILITY SCORECARD

Sustainability is one of the five equally important principles of Democratic Design. The IKEA Product Sustainability Scorecard is an internal tool that allows us to measure, and build the business case for, developing more sustainable products. The Scorecard's 11 criteria (see page 33) take sustainability into account at each stage of the product's life cycle.

A product is classified as 'more sustainable' if it scores above 120. We use this threshold to measure progress towards our FY20 target to make 90% of our total sales from more sustainable home furnishing products. See page 33 for some of our best-scoring products. In theory,

the maximum score is 400, but we cannot always score all products on each of the 11 criteria.

To move from development to production, new products must get a higher score than existing, equivalent products. This means each new product should increase the average score of the IKEA home furnishing range. If products score poorly, a team will suggest ways to improve, for example by choosing different materials or working with different suppliers, and designers must then set out an action plan to increase scores within a year.

### Performance

In FY15, 54% of our sales value came from products classified as more sustainable, compared with 52% in FY14. The average score of products evaluated was 109 in FY15, compared to 107 in FY14, based on assessments of around 90% of our products. It is very difficult to assess 100% of products because our product range is constantly changing and being updated. But we continue to work towards gaining a full understanding of the sustainability of our product range.

The Scorecard is not perfect, and we are continuously looking for ways to improve it. Although it is an

internal tool, some of the criteria relate to suppliers – such as production methods and transport – so during FY15 we sought suppliers' input to the Scorecard. Their expertise has helped us strengthen criteria on energy and raw material use in production.

## OUR PRODUCT SUSTAINABILITY SCORECARD

We assess our products against 11 criteria.

1. More from less (using lightweight materials and applying smart designs that enable us to use fewer resources)
2. Renewable materials
3. Reused and recycled materials
4. Material from more sustainable sources
5. Recyclability at product end-of-life
6. Quality
7. Transport efficient (number of products per container)
8. Energy use in production
9. Renewable energy in production
10. Raw-material utilisation in production
11. Sustainable life at home (products that enable our customers to reduce energy and water use, reduce waste in their homes, and lead a healthier lifestyle)

## PUTTING THE SCORECARD INTO PRACTICE

### Making more from less

Efficient resource use and production methods bring business and environmental benefits. For example, designing products to use fewer resources means we conserve natural resources, cut material and production costs, and reduce end-of-life waste. Of course, producing more from less does not mean we compromise on quality, form and function of IKEA products. The Product Sustainability Scorecard outlines three ways to make more from less.

- Smart design – making the best use of raw materials, for example our NORDEN tables are made of irregular-looking pieces of wood that otherwise may be rejected.
- Production techniques – using materials more efficiently during production, for example altering fabric templates so that more cuttings can be made from the same piece of material.
- Lighter materials – choosing materials that perform well but weigh less, for example by using lighter wood species from short-rotation plantations (SRP) to make board material (see page 26 for more on SRPs).

### Renewable, recycled and recyclable materials<sup>1</sup>

The Scorecard encourages us to look for alternatives to using the planet's finite resources, such as oil. Using materials from renewable sources reduces our dependence on non-renewable virgin material that may be increasingly scarce, expensive and

environmentally damaging to extract and use. For example, in FY15 we began using a new mattress foam made of 15% soy-oil, reducing the amount of petroleum-based, non-renewable foam in mattresses. Our suppliers comply with IWAY, our Code of Conduct, and source soy oil from segregated, traceable sources. We do not source soy beans grown in South America.

In FY15, 98% of the main materials in our products were renewable, recycled or recyclable. This is the same as in FY14. Due to regional legislation and specific requirements for some materials, we may never reach our 100% target, but we continue to look for ways to improve. We sourced 23% of plastics in our plastics category products from renewable or recycled sources in FY15.

Using recycled materials, and ensuring our products are recyclable at end of life, helps us reduce the amount of waste that ends up in landfill or incineration. Wood used by IKEA Industry Division Boards contained 10.7% recycled material. The level of recycled content depends on the quality of locally available recycled materials, availability of machinery to clean wood, and recycling facilities. Some of our facilities such as in Lure, France, produce board that contains up to 55% recycled wood, and we are exploring ways to increase this in our other facilities.

We are exploring new sources of recycled materials for our products. Since many of our products are recyclable, and we encourage customers to recycle them, we thought – why not use this as a source of recycled materials? The

Resource Chain project, which started in 2012, is exploring these opportunities. From FY16, we will assess products returned by customers for recycling, and internal waste from our stores and facilities, with the aim of using these materials to manufacture new IKEA products at lower prices.

Read more about our journey towards a circular economy on page 47.

<sup>1</sup> A material (or combination of materials) is considered recyclable if an industry-scale recycling operation is implemented and available in at least one IKEA retail country, which can reprocess the material into a new raw material resource, for the original or other useful purpose.

## PRODUCT EXAMPLES

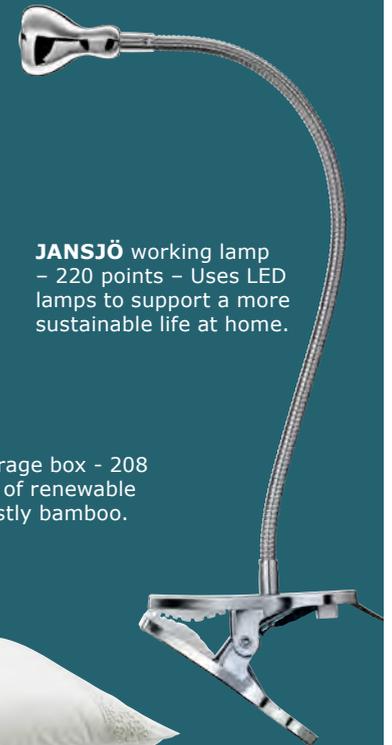
Every year, our designers create wonderful new products that are sustainable, stylish, functional and affordable, and rate many of them using the Product Sustainability Scorecard. Here are some of the leaders in FY15.



**VARIERA** storage box - 208 points – Made of renewable materials, mostly bamboo.



**EMMIE SPETS** bedlinen – 206 points – Made of cotton, a renewable resource. Cotton is from 100% more sustainable sources. Suppliers perform well on energy management and raw material use.



**JANSJÖ** working lamp – 220 points – Uses LED lamps to support a more sustainable life at home.

## Materials from more sustainable sources

Our aim is for all the virgin renewable materials we use to come from responsibly managed sources. For more information on wood, cotton, palm oil and other materials from more sustainable sources, see page 23.

Materials Guides provide product developers with an understanding of the sustainability performance of the materials they choose, for example whether materials are renewable, recyclable or contain recycled

content. We are developing ways to feed material performance into the Product Sustainability Scorecard.

We also look for innovations – and tomorrow’s innovators – outside IKEA. In FY15 we joined forces with NASA, Nike, and the US Agency for International Development for the LAUNCH Nordic Challenge, which encourages participants to share ideas for solutions to reduce chemical and water consumption in material production, use and recycling.



## OTHER CRITERIA ON THE SCORECARD

More on transport efficiency on page 40.

More on energy use in production on page 49 (suppliers) and page 38 (our operations).

More on how our products enable a more sustainable life at home on page 12.

## Quality

We want our customers to love our products. Democratic Design is all about listening to our customers’ needs and expectations. Our new Quality for Life strategy, launched in FY15, outlines how we create durable products with long-lasting value for customers, and we always make sure to consider quality right from the start of the design process. For example, we discovered that assembly time has a big impact on quality perception – so we strive to make products that can be assembled and dis-assembled easily.

Ensuring our products are durable and fit for purpose are key components of quality. Durable products last longer, saving raw materials and energy in production, and we continually innovate and look for new materials, surface treatments or manufacturing processes that maximise durability. Our rigorous product testing techniques ensure that products live up to our customers’ high expectations, and some of our products come with guarantees of up to 25 years.

We work closely with our suppliers to secure consistent quality even in very large quantities. Making millions of products with the same high quality leads to happier customers, fewer returns and less waste throughout the value chain.

## HOW WE IMPROVE PRODUCT SUSTAINABILITY PERFORMANCE

We give our designers the necessary guidance and tools to make our products more sustainable. These include:

**The Product Sustainability Scorecard** – enables developers and technicians to measure products against 11 criteria corresponding to each stage of the life cycle, and set goals to improve sustainability.

**Materials Guides** – explain the sustainability performance of specific materials, to help product teams select the best option.

**The Resource Chain framework** – a working method to increase use of secondary and recycled materials.

**The Material Risk Council** – assesses all potential new materials for safety, quality and sustainability.



## PRODUCT SAFETY

It is essential that all our products are safe to use. Choosing the right materials and making high quality, durable products helps avoid breakages and problems during use. It is vital that customers trust our products, and that they are safe to use.

We have zero tolerance for any safety or health risks. Our product safety standards are based on legislation, compliance requirements and customer needs and expectations across our markets. Before starting production, we thoroughly test the safety of all materials and items made by suppliers. Spot checks and risk assessments help identify issues during product development, production, and after products go on sale. We train and support co-workers to monitor the products in our range and report safety concerns through the Product Safety and Compliance School.

If we are not satisfied with a product's safety, or if a product fails to comply with legal requirements, we issue a product recall, which we communicate to our customers through a number of channels, including country IKEA websites.



### Performance

During FY15, we recalled four products globally – these are listed on our website.

When it comes to creating safer homes, we believe that we and our customers are partners – we call this the 'Safer homes together' concept. In February 2015 we launched the 'Secure it!' campaign in the USA and other markets to address the issue of furniture tipping over, which is estimated to cause the death of two children per week in the USA. Through the campaign we are providing clear instructions for customers to stop using chests of drawers unless they are secured, and we are raising awareness of the importance of following the assembly instructions and safety guidelines we provide, to decrease the number of incidents.

By the end of FY15, IKEA stores around the world saw a twenty-fold increase in the number of tip-over restraints requested by customers. We are exploring the possibility of making Secure it! mandatory for all markets.

For many children, home is their first playground, and it needs to be a safe environment. All co-workers and relevant suppliers who design and produce children's products participate in Children's School, a set of workshops that addresses hazards especially relating to children. We are partnering with world-leading safety expert, Herdis L. Storgaard, on a study to support customers to reduce incidents and accidents in their home, with a special focus on children's safety. Read more about our commitments to children on page 72.

## CHEMICALS



We take a stand for using safer chemicals in materials, surface treatments and production processes. If new evidence emerges to suggest a chemical is considered harmful for people or the environment, we work to eradicate it from products, often in advance of legislation. In most cases, we apply the strictest laws and regulations from across all our markets. And we continue to develop stronger ways to ensure we do not introduce new chemicals without being sure they are safe.

Our ongoing goal, outlined in the IKEA Chemical Strategy, is to substitute hazardous chemicals with safer alternatives across our value chain, and be as transparent as possible about how we work with chemicals. We also aim to work with suppliers that share our values on chemical safety. When necessary, we support suppliers and product

developers to carry out risk assessments for all chemicals.

Increasing awareness of our work on chemicals is also a priority, and our communication plan includes working with customers, governments, NGOs and other stakeholders to build trust and find better ways to share information about harmful chemicals. From 2017, we will publish more information about our work with chemicals throughout our communication channels.

We work to improve industry standards for chemicals and support peer companies to phase out harmful materials. We are members of the business working group of ChemSec, a Swedish NGO that advocates for stricter controls on hazardous chemicals. ChemSec's SIN (Substitute It Now!) list shows which harmful chemicals are likely to become restricted within the EU,

encouraging companies to phase these out in advance of regulation.

### Performance

In countries like the UK and USA, it is mandatory to use flame retardant technology on some furniture to reduce the risk of ignition. Traditional chemical flame retardants can be harmful to people and the environment, so during FY15 we launched SKUMMESLÖV, a flame-retardant layer of fabric that replaces the need to use chemicals. Now being used in products for North America, we are exploring the possibility of rolling this out in Europe and China, and looking into other chemical-free fire safety solutions.

In FY15, we implemented a new production technique for artificial leather, enabling us to cut levels of the solvent dimethylformamide (DMF) by 80% compared to FY14. We are on track to completely phase out DMF by September 2016. We are also working to phase out potentially harmful fluorinated chemicals used to repel water and stains.

Many customers who are parents are especially interested in how we use chemicals in our children's products. Since 2006, when we phased out bisphenol-A from our plastic children's toys, we have continued to place high demands on products used by children. For example, we have analysed all the ingredients in our MÅLA crayons to show they are non-toxic, because we know that children might put the crayons in their mouths. See page 72 for more on our work to protect and support children.

# MORE SUSTAINABLE OPERATIONS



We want to make our operations completely sustainable. By 2020 we are aiming for 100% renewable energy – producing as much as we consume – and we are investing in becoming more energy efficient. This is good for people and the planet and makes good business sense, because it cuts costs and makes us resilient to fluctuating energy prices. We are reducing emissions by making our transport as efficient as possible and by using greener options. And we aim

to manage water efficiently and strive for zero waste to landfill wherever possible.

Some of our greatest impacts lie outside our own operations, so we work together with our suppliers (see page 48) and customers (see page 11) to support them to reduce their impacts. We continue to improve the way we work in our own operations because this is where we have the greatest control and can make a big difference quickly.

PEOPLE & PLANET POSITIVE TARGETS	STATUS	PERFORMANCE IN FY15
By August 2015, produce renewable energy equivalent to at least 70% of our energy consumption and by August 2020, on Group level, produce as much renewable energy as we consume. <sup>1</sup>		In FY15, actual production reached 53% of the consumption in our own operations. Adding all the wind farms that we have committed to own and operate, we will generate renewable energy equivalent to over 70% of our FY15 consumption.
Become 20% more energy efficient in our own operations by August 2015 and 30% by August 2020. <sup>2</sup>		Compared with FY10, energy efficiency increased by 14.6% in stores, 26.8% in distribution centres, 12.6% in IKEA Industry Group Divisions Flatline and Solid Wood, and 4.7% in IKEA Industry Group Division Board.
By August 2016, reduce carbon emissions from the transport of goods by 20% compared to FY11, and by 30% compared to FY12 by August 2020. <sup>3</sup>		Carbon emissions from transport were 27.2% lower than in FY11.
By August 2015, reduce carbon emissions from our own operations by 50%. <sup>4</sup>		We did not achieve this target, with carbon emissions in FY15 29.9% lower than FY10. This is partly because we have opened new facilities in IKEA Industry since FY10, with more energy demanding units in markets with limited access to renewable energy. FY16 will be the first full year when our new wind farm in the US is operational. It produces more energy than we consume in the country and will bring significant reductions in our reported CO <sub>2</sub> emissions. We are in the process of setting a new ambitious climate target.
By August 2020, 90% of the waste from our own operations will be recycled or energy recovered. Of this, 80% of the waste from stores and distribution centres and 90% from IKEA Industry will be material recycled.		In FY15, 88.9% of our waste was recycled or energy recovered. Material recycling was 76.9% at stores, 86.8% at distribution centres, and 75.9% at IKEA Industry.
By August 2020, reduce waste from our store operations by 10%. <sup>5</sup>		Waste from our stores was 18% higher than the FY13 baseline. The increase is mainly due to better data collection. See page 45 for how we are reducing waste from stores.
<p> Achieved     Ongoing     Not achieved</p>		

<sup>1</sup> Own operations relate to distribution centres, stores, offices and IKEA Industry Group factories. <sup>2</sup> Compared to FY10 in relative terms, measured by kWh/m<sup>3</sup> sold goods for retail operations and kWh/m<sup>3</sup> purchased goods for trading operations. <sup>3</sup> Compared in relative terms and measured by m<sup>3</sup> transported goods. <sup>4</sup> Compared to FY10 in relative terms, measured by CO<sub>2</sub>/m<sup>3</sup> products sold, or CO<sub>2</sub>/m<sup>3</sup> goods purchased. <sup>5</sup> Baseline year: 12.5 kg/m<sup>3</sup> in FY13. This is measured as kg/m<sup>3</sup> sold goods.

## INVESTING IN RENEWABLE ENERGY



To become energy independent, we need to be a leader in renewable energy. One of our goals is to produce as much renewable energy as the energy we consume by August 2020. Since FY09 we have invested EUR 1.5 billion into renewable energy, and in June 2015 we committed to invest another EUR 600 million in our own wind and solar power generation equipment. Every new site or building is assessed for its suitability for solar panels. The biomass and solar energy we produce is mostly used in our buildings. Most wind energy we produce is sold to the grid, but increasingly we are finding ways to use the wind power ourselves.

In some markets we purchase renewable electricity to supply stores and other buildings, as well as producing our own. While the renewable

energy we purchase is not included in our energy independence goal (which focuses on production of our own renewable energy), it contributes to reductions in our reported carbon emissions. We are working to update the way we measure and report the renewable energy we purchase, in line with the World Resources Institute's guidance on Scope 2 emissions (emissions resulting from consumption of purchased electricity or heat).

We want to be part of accelerating the transition to a world powered by renewable energy, which is why we are a founding member of RE100, an initiative that encourages companies to commit to using 100% renewable energy. Read more about RE100 and our other climate commitments [on page 10](#).

### Performance

During FY15 we produced 2,412 GWh of renewable energy from wind, solar and biomass (heat). This is 33% more than FY14, and equivalent to 53.4% of total energy consumption in our own operations. We produced 1,094 GWh of renewable electricity, equivalent to 45.2% of our electricity consumption.

We have committed to own and operate 314 wind turbines, and have installed almost 700,000 solar panels on our buildings. This year we signed and took over legal ownership of four new wind farms, with an expected annual production of 873 GWh, and 12.8 GWh worth of solar photovoltaic (PV) panels. Including our committed projects (i.e. under construction but

not yet operational), we will generate renewable energy equivalent to over 70% of our FY15 consumption. We are on track to achieve our goal to reach 100% by 2020.

IKEA Industry, our furniture production business, uses large amounts of heat energy during manufacture, but buys very little gas or oil. This is because 77.9% of its heat energy is generated by biomass, and in FY15, 69% of its total energy consumption came from renewable energy. The new factory in Nantong, China, was the first IKEA Industry facility to install rooftop PV panels, which will generate around 3.5 MW. The factory also uses a system that automatically controls the internal temperature and humidity to use energy as efficiently as possible.

Because our sites do not operate 24 hours a day, they often produce renewable energy at times it cannot be used. We are exploring ways to store energy so that we can use as much as possible of the energy we produce.

We have a global energy independence goal to produce as much energy as we consume, and in some individual markets we already do. IKEA Canada now owns and operates a wind farm that produces more than double its energy consumption. In FY15, all our Nordic operations – in Denmark, Finland, Norway and Sweden – became energy independent. Poland is set to become energy independent by the end of 2015, and our Hoopeston wind farm produces more energy than IKEA USA consumes.

RENEWABLE ENERGY PRODUCED BY TYPE (GWh)	FY12	FY13	FY14	FY15
Wind	290	298	410	985
Solar PV	29	68	90	109
Biomass	899	1,059	1,310	1,319
<b>Total</b>	<b>1,218</b>	<b>1,425</b>	<b>1,810</b>	<b>2,412</b>
<b>Percentage of total energy consumption (%)</b>	<b>34</b>	<b>37</b>	<b>42</b>	<b>53.4</b>

RENEWABLE ENERGY (purchased electricity and on-site generation as % of total consumption) <sup>1</sup>	FY10	FY11	FY12	FY13	FY14	FY15
Stores	32.1	38.5	47.9	51.0	53.7	51.4
Distribution centres	37.7	37.4	47.2	46.4	55.1	55.2
IKEA Industry - Furniture	58.8	61.2	59.8	59.2	55.6	68.6
IKEA Industry - Boards	64.4	63.8	68.1	68.8	69.2	70.3
IKEA Components	0.0	0.0	0.0	48.8	41.8	38.3
<b>Total</b>	<b>46.0</b>	<b>49.6</b>	<b>55.2</b>	<b>57.1</b>	<b>59.8</b>	<b>61.9</b>

<sup>1</sup> Data from all years has been restated due to updated methodology.

## ENERGY EFFICIENT BUILDINGS



Improving energy efficiency reduces running costs and carbon emissions, and we take this into account in every store, office, distribution centre and factory. Our Energy, Emissions and Water Management guidelines set out our Group-level approach for retail and food operations. Sustainability teams in each market are responsible

for turning these guidelines into country-level targets. The targets are translated into action plans by site managers, who work closely with other functions like facilities managers, logistics and other relevant teams.

The guidelines also explain our data gathering process, called the Energy and Water Performance Year

Cycle. Countries collect monthly data from each site and feed it through to IKEA Group level. We gather this to create annual performance reports that measure progress at Group and country levels, and help set targets for the following year. This enables greater learning and collaboration across the Group.

We aim for every new IKEA building to be more sustainable than the last. When designing and updating stores, we use the IKEA Energy Model – a simulation tool that enables building designers to find efficiencies in building heating, cooling, lighting and energy systems. In FY15, we used the tool to help us construct 25 stores in a more sustainable way. Although construction costs can be higher, these are soon recovered through lower running costs.

Examples of our most sustainable sites include:

- IKEA Hubhult is our new meeting place for about a thousand co-workers in Malmö, Sweden. It is also one of the first buildings in the Nordic Region to be rated 'Outstanding' by BREEAM – an independent environmental assessment method for buildings that perform well in areas like energy, responsible construction practices, water use and waste.
- The IKEA Clermont-Ferrand store in France opened in August 2014 with 700m<sup>2</sup> of rooftop solar PV panels, a solar wall that provides naturally heated air when necessary, a rainwater recovery system, and surroundings filled with wildflowers and plants. It has the lowest energy



## BOOSTING OUR WIND POWER

We are hugely excited about the EUR 1.5 billion we have put into renewable energy since FY09, and about our new EUR 600 million commitment. So what is the news from FY15?

- **October 2014:** Our 46 MW Oldman 2 wind farm in Canada became fully operational
- **November 2014:** Committed to purchase the 165 MW Cameron wind farm, which will generate enough electricity to power 59,000 homes - the biggest investment we have made so far in the USA
- **December 2014:** Our 30-turbine Glötesvålen wind farm in Sweden became fully operational
- **December 2014:** In Poland, invested in the 38 MW Wróblew wind farm and committed to invest in Lubartów wind farm – bigger than any of our current projects in Poland
- **March 2015:** Our Hoopeston wind farm became fully operational – it is expected to generate the equivalent of 165% of the electricity consumed by the whole of IKEA USA each year

consumption per m<sup>2</sup> of any IKEA store in France.

- Opened in May 2015, IKEA Marsden Park is the most sustainable IKEA store in Australia with 10,000 LED light bulbs, rooftop solar PV panels and monitoring systems for hot water and recycled water.
- The IKEA Zwolle store in the Netherlands uses geothermal energy for heating and cooling, reducing annual carbon emissions by around 80%. The store was the first IKEA store in the country to install solar PV panels, and it also features urban windmills, movement sensors to control lighting, and high speed sliding doors to prevent draughts.

### Performance

In FY15, energy efficiency improved by 14.6% in stores, 26.8% in distribution centres, 12.6% in IKEA Industry Group Divisions Flatline and Solid Wood, and 4.7% in IKEA Industry Group Division Boards. These measures have saved us more than EUR 133 million since FY10.

During FY15, we identified 70 sites where we plan to install power quality regulators. These units convert power from the grid into a quantity and quality suitable for the equipment that uses it. Regulating the power in this way reduces energy consumption and protects the electrical equipment from power surges, reducing energy bills and replacement costs. In places where energy comes from burning fossil fuels, regulating power also reduces carbon emissions. A pilot in our store in Vantaa, Finland, has already saved almost EUR 20,000 and reduces energy consumption by 5.5%.

By the end of FY16 we aim to install 40 power quality regulators.

Efficient lighting can reduce stores' energy use by up to 15%. We aim to invest EUR 100 million in LED and other efficient lighting systems for stores by FY17. In FY15, 51 stores were fitted with new lighting and 13 new stores were fitted with LED or other energy efficient lighting, bringing the total to 126 stores. We expect annual savings of EUR 15 million. Distribution centres are also retrofitting lighting systems – for example, all Distribution Services units in France are switching to LED. In Tacoma, USA, we use technology to detect daylight levels and motion in the room, so that the light comes on only when needed. This uses 83% less energy than the old system and will save USD 16,000 (EUR 14,700) a year. IKEA Industry Division Board has invested EUR 2.7 million in LED installations in five factories, aiming to replace all lighting systems with LED by FY18. From September 2015, our entire range of lighting products was converted to use LED – read more [on page 16](#).

Energy-efficient kitchen ventilation systems can reduce stores' annual energy use by more than 175 MWh, 25% of which comes from reducing electricity, and 75% from a decrease in heating. Annual savings are almost EUR 9,000, with payback times of around two years. The systems are now installed in 99 stores across 11 countries.

In the EU, large companies are legally required to audit their energy consumption and identify ways to reduce it. IKEA provided input into this methodology, and by December 2015 we aim to roll out the approach across all our markets.



<b>ENERGY EFFICIENCY (% improvement against FY10 baseline)</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY15 GOAL</b>
Stores <sup>1</sup>	4.2	7.1	9.5	15.1	14.6	20
Distribution centres <sup>2</sup>	7.1	17.9	12.5	25	26.8	20
IKEA Industry Divisions Flatline and Solid Wood <sup>3</sup>	7.5	14.0	10.9	17.9	12.6	20
IKEA Industry Division Board	9.6	13.8	3.4	-1.6	4.7	20
IKEA Components <i>Baseline year: 2012</i>	-	-	-	25.9	48.0	20

<sup>1</sup> Figures for FY11 and FY13 restated from FY14 due to changes in the calculation methodology. <sup>2</sup> Figures for FY11-14 restated from FY14 due to changes in the calculation methodology. <sup>3</sup> Figures for FY13-14 restated from FY14 due to changes in the calculation methodology.

# TRANSPORT

We always strive to reduce emissions from transport so we can shrink our carbon footprint. Transporting products represents 2.6% of our carbon emissions, and customer and co-worker travel accounts for 7.0%.

## PRODUCT TRANSPORT

We sell millions of products around the world every day, and each one must make its way from supplier to customer. Efficient transport and distribution systems reduce costs and are better for the environment.

Reducing the number of steps in this journey is important – for example, by sending products straight from suppliers to stores instead of going via distribution centres. We can increase the number of products per shipment and reduce the number of journeys by packaging and loading products more efficiently.

Working closely with transport suppliers and industry partners enables us to explore ideas and test innovations in transport. As part of meeting IWAY requirements, our transport suppliers must use vehicles that comply with strict engine specifications to minimise carbon dioxide and particulate emissions. We regularly assess options for more efficient vehicles and more sustainable fuels across our markets.

We also aim to positively influence working conditions in the transport sector. Even though the drivers who transport our products are not employed by IKEA, it is important for us that they have good and fair working conditions. IWAY, our supplier Code of Conduct, covers transport suppliers and includes clear and strict demands for their drivers' wages, benefits and working conditions. Read more about IWAY on [page 61](#) .

## Performance

In FY15, total carbon emissions from product transport were 975,632 tonnes. Carbon emissions per cubic metre of product transported were 27.2% lower than FY11, which means we have already reached our FY16 target to reduce transport emissions by 20%. We achieved this by making more efficient journeys and adopting new, low-emission transport technology. We will continue to work towards achieving our 30% reduction target by FY20.

We increased the volume of transported goods per shipment by 1.3% to 56.1 m<sup>3</sup>. Products that contributed to this result include SULTAN mattresses, which are now available in a rolled-up package instead of flat in North America; and the FRIHETEN sofa, which can now be transported more efficiently as three components instead of one large article. This means more products per



shipment, fewer journeys, and lower prices for customers. During FY15 we also explored ways to combine heavy and light products in the same shipment, enabling us to increase the volume of transported goods without exceeding weight restrictions.

We always look for new ways to reduce and replace fossil fuels in our product transport. Using fossil fuel alternatives like biogas and electric vehicles can reduce each journey's carbon emissions by up to 90%, and in FY15 we rolled out these new technologies to more countries.

- In China, 14.5% of customer deliveries from our Chengdu store were made using electric vehicles in FY15.
- In Sweden, we have successfully concluded extensive trials with synthetic diesel made from waste products like scrap wood and animal fat residue. Major truck manufacturers have now certified the fuel for use in conventional engines, and it is already being used by two of our suppliers to transport IKEA goods.
- Since January 2015, all IKEA deliveries in the city centre of Paris, France, have been made using biogas vehicles.

Although biogas is not yet available in all markets, we use similar alternative fuels to help pave the way for biogas. Certain fuels such as compressed or liquefied natural gas (CNG and LNG) have lower carbon intensity, nitrogen oxide and particulate emissions than diesel, and use similar vehicles and refuelling infrastructure to biogas. Therefore using CNG and LNG means we can easily switch to biogas once it becomes more readily available. In Italy, more than 50,000 customers in eight cities had their products delivered in CNG-powered vehicles in FY15. Stores in Belgium, China, the Netherlands, Portugal and Spain also deliver using CNG and LNG.

We use shunting trucks to move trailers and containers around our distribution centres, and in FY15 they represented around 15% of total IKEA Distribution Services (DS) carbon emissions. As the rest of DS becomes more efficient, we have set ourselves the challenge of ensuring that these trucks keep up with the pace of innovation. Our distribution centre in California, USA, recently bought its first fully electric shunting truck and dray truck, and we are testing the same technology in Dortmund, Germany. Shunting trucks in Fengxian, China run on LNG, and our two

TRANSPORT OF PRODUCTS	FY12	FY13	FY14	FY15	FY16 GOAL
Increase in cubic metres of product per shipment compared with the previous year (%)	2.5	1.7	1.5	1.3	-
Reduction in CO <sub>2</sub> per cubic metre of products transported compared with FY11 (%)	7.3	10.8	12.8	27.2	20
Products delivered directly from supplier to stores (%)	56	60	58	58	-

TRANSPORT OF PRODUCTS	FY14	FY15
Net cubic metres of transported goods per shipment <sup>1</sup>	55.4	56.1

<sup>1</sup>In FY15, m<sup>3</sup>/shipment replaced the filling rate as the main KPI for product transport.

distribution centres in Sweden use biofuel for their shunting fleet.

We use forklift trucks to move products at our distribution centres and stores. IKEA GreenTech, our wholly owned venture capital company, invested in Alelion, a company that manufactures lithium batteries for forklift trucks. Our goal is that by September 2016, all new forklifts ordered by our stores will use lithium ion batteries instead of traditional lead-acid batteries. Lithium ion batteries are more energy efficient, have a faster charging time, require less maintenance, and because they do not use lead or acid, are better for the environment and pose fewer risks to safety. They are also good for business, with a payback time of less than eight years. Our stores in Belgium and Croatia already use these batteries; IKEA Umeå, Sweden, has ordered a full fleet of lithium-powered forklifts; and IKEA DS is investigating the possibility of switching. Our distribution centre in Lyon, France, became the first site in all of Europe to use hydrogen fuel cells in forklift trucks.

Together with industry partners, we are developing new methodologies

for measuring and reducing carbon emissions from transport. IKEA is a founding member of Green Freight Asia and Green Freight Europe (GFE), initiatives that aim to increase the use of 'green transport' in supply chains. We received a 'green leaf' from GFE, representing the first phase of their new labelling system to recognise efforts to measure, report and reduce carbon in transportation.

### CO-WORKERS' MEETINGS AND TRAVEL

We encourage co-workers to consider the purpose of their meetings, and use the principles of simplicity, efficiency, safety, sustainability, and cost-consciousness to assess whether they really need to travel. Maintaining a work-life balance and spending time with family is important too.

By working closely with travel suppliers we can select options with the lowest environmental impact. Our global system for gathering travel data enables us to track costs, travel patterns and booking behaviour, and identify ways to improve our approach in the future.

### Performance

The 'Let's Go Virtual' initiative was launched in May 2014 to promote awareness of the virtual meeting tools available to co-workers. Improved guides, engaging films and ambassadors in each market inform co-workers about the benefits of using virtual meeting facilities instead of travelling to meetings.

We have invested in video meeting facilities at 265 sites (compared to 134 in FY14). In FY15, hours spent in virtual meetings (combined web and video) increased by 28%. Holding larger virtual meetings with more than 50 participants enables us to cut travel time and emissions even more. During FY15 we held virtual meetings for more than 18,000 participants.

From FY15 we are using a different way of measuring business travel related to sales. We will now track travel costs as a percentage of yearly sales, with a goal to reach 0.35% by 2020. In FY15, business travel costs were 0.41% of yearly sales.

We have reduced the number of companies we use to plan and book travel arrangements from more than

20 to four, so that we can better secure IWAY compliance, collect more accurate carbon emissions data, and support our co-workers to choose more sustainable travel options.

### CUSTOMER TRAVEL

IKEA stores around the world had 771 million visitors in FY15. Most of our stores are outside town centres, and while more than 90% of existing stores and all new stores are accessible by public transport, many of our customers make this journey by car. But car journeys can be expensive and contribute to air pollution and congestion, and car ownership is declining in many countries.

We are making our stores, products and services accessible without needing to rely on private cars, and in this way reducing our carbon footprint. For example, in some markets, like Denmark, we work with municipalities and bus companies to better align timetables with store opening hours. We support customers by displaying bus and train timetables, and provide free shuttle buses between stores and city centres in several markets. Whether customers travel by public transport, by bicycle or on foot, we want to make sure their journeys are cost-efficient, convenient and good for local communities and the environment.

### Performance

We are exploring alternative methods of transport, like car-sharing and providing trailers for hire. In FY16, IKEA Norway will pilot a new home delivery system – taking the customer and their goods home together – which is



cheaper and more sustainable than using two separate vehicles. We are also testing the possibility of using biodiesel shuttle buses in Norway.

More than 120 stores in 22 markets now offer free electric vehicle charging stations. In the UK, the number of customers using these charging points has grown threefold in the past year. In FY15, the chargers delivered enough green electricity to enable vehicles to travel more than 1.5 million zero tailpipe emissions kilometres. From autumn 2016 the profits from IKEA UK and Ireland's solar panel sales will be invested in making stores more accessible to customers and co-workers – for example, through better communication about existing facilities and encouraging walking, cycling and the use of public transport.

BUSINESS TRAVEL	FY10	FY11	FY12	FY13	FY14	FY15
Number of web and phone meetings	82,434	104,920	146,015	189,416	235,121	303,933
Number of hours of video meetings	760	2,800	6,900	12,407	19,081	16,219
IKEA sites with video meeting facilities	-	70	110	130	134	265
Business travel expenditure index (travel costs in relation to sales: FY07 = 100)	67	66	72	63	71	-
Travel costs as a percentage of yearly sales					0.39	0.41

# CARBON EMISSIONS



Tracking our emissions helps us monitor progress towards our goal to tackle climate change (see page 9) and identify the best ways to reduce our carbon footprint.

## Performance

In FY15, absolute carbon emissions from our own operations (Scope 1 and 2) decreased by 7% compared to FY14 to 734,273 tonnes, accounting for 2% of our total carbon footprint in FY15.

Our relative carbon emissions, which measure carbon per cubic metre of products sold, were 30% less than the FY10 baseline, which is a long way from our goal to reduce emissions by 50%. This is partly due to delays in energy efficiency improvements in our retail units. Since FY10 we have opened new IKEA Industry facilities, and many of these more energy intensive operations are in markets

with limited access to renewable energy. We are ramping up efforts to reduce carbon emissions at these units – for example, in our factory in Novgorod, Russia, we are installing a biomass boiler that will be powered by waste wood and will reduce carbon emissions by 30% across IKEA Industry Division Board. As more of our newly purchased windfarms become operational, this will further reduce our carbon emissions – read more on page 37.

As well as tracking absolute emissions from our operations, we measure carbon per product sold to give our carbon efficiency. We aim to grow our business without increasing our impact on the environment, and reducing our carbon per product sold (or improving our carbon efficiency) is one of the ways of measuring our progress. See page 43 for more about carbon emissions in our entire value chain.

IKEA CARBON FOOTPRINT (tonnes CO <sub>2</sub> )	FY15
Scope 1 (IKEA owned energy generation from gas, biomass and oil boilers and diesel generators)	138,106
Scope 2 (purchased electricity and district heat)	596,167
<b>Total scope 1 + 2<sup>1</sup></b>	<b>734,273</b>
Scope 3 (raw materials production, emissions from suppliers, goods transport, business travel, co-worker commuting, customer transportation, product use and product end-of-life)	37,179,145
<b>Total scope 1,2 and 3 emissions</b>	<b>37,913,418</b>

SCOPE 1 AND 2 EMISSIONS - IKEA BUILDINGS (tonnes of CO <sub>2</sub> )	FY10	FY11	FY12	FY13	FY14	FY15
Stores	442,400	420,205	361,838	358,004	333,576	338,720
Distribution centres	47,847	47,393	32,853	33,769	28,251	29,883
IKEA Industry	328,798	366,076	330,753	393,274	422,851	358,444
IKEA Components <sup>2</sup>	-	-	-	819	1,095	1,178
Offices	4,730	4,791	4,641	3,766	3,481	3,346
<b>Total</b>	<b>823,775</b>	<b>838,465</b>	<b>730,085</b>	<b>789,632</b>	<b>789,593</b>	<b>731,571</b>

CARBON EFFICIENCY (carbon footprint per product sold, kg CO <sub>2</sub> /m <sup>3</sup> )	FY10	FY11	FY12	FY13	FY14	FY15
<b>Scope 1 and 2 emissions</b>	<b>34.5</b>	<b>33.5</b>	<b>27.6</b>	<b>28.3</b>	<b>27.3</b>	<b>24.2</b>

CARBON EFFICIENCY (% improvement against FY10 baseline)	FY11	FY12	FY13	FY14	FY15	FY15 GOAL
Stores	9.3	26.3	30.7	37.8	39.6	50
Distribution centres	6.9	35.6	34.6	51.2	54.1	50
IKEA Industry Group Divisions Flatline and Solid Wood	-6.4	16	5.5	18.3	30.9	50
IKEA Industry Group Division Board <i>Base year: FY11</i>	26.3	19.4	-4.0	3.4	19.1	50
IKEA Components <i>Base year: 2012</i>	-	-	-	7.8	33.8	50
<b>Total</b>	<b>2.9</b>	<b>20</b>	<b>18</b>	<b>20.9</b>	<b>29.9</b>	<b>50</b>

<sup>1</sup> This figure includes a small amount of emissions related to purchased electricity at IKEA wind farms, which are not included in the scope 1 and 2 emissions of IKEA buildings below. <sup>2</sup> IKEA Components data is reported for the calendar year.

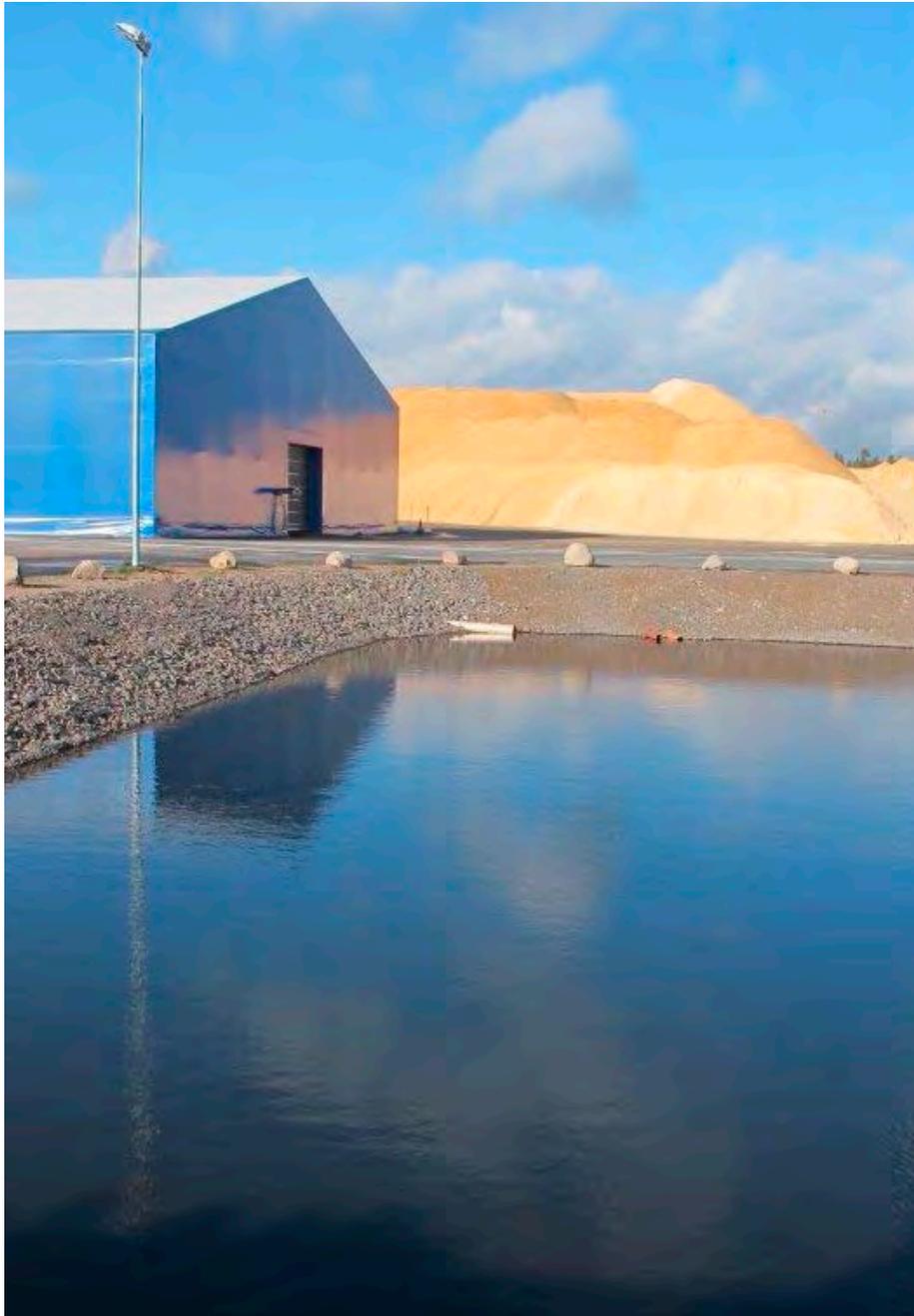
## THE ENTIRE IKEA CARBON FOOTPRINT – FROM RAW MATERIALS TO PRODUCT END-OF-LIFE

Measuring carbon emissions at every step of our value chain – from raw materials to products' end-of-life – enables us to identify the areas that contribute most to our footprint, and where we should focus our efforts to reduce emissions. The

total IKEA carbon footprint was 37,976,243 tonnes in FY15. To read about how we work to reduce our carbon emissions, follow the links in the table below.

IKEA CARBON FOOTPRINT (tonnes CO <sub>2</sub> ) <sup>1</sup>	FY15	Read more about how we work to reduce carbon emissions
Raw materials	17,393,204	Ensuring our raw materials are from more sustainable sources, see page 23 <a href="#">▶</a>
Production and distribution	4,018,914	
Suppliers <i>Home furnishing, catalogue and food suppliers</i>	2,998,089	Finding more sustainable ways to design and make products, see page 32 <a href="#">▶</a> Supporting suppliers to reduce emissions in their operations, see page 48 <a href="#">▶</a>
Goods transport <i>Excludes customer delivery suppliers</i>	975,632	Working with suppliers to reduce transport emissions, see page 40 <a href="#">▶</a>
Business travel	45,193	Providing more sustainable options for co-workers' meetings and travel, see page 41 <a href="#">▶</a>
IKEA	857,479	
Buildings	734,273	Making IKEA buildings more efficient, see page 38 <a href="#">▶</a> Investing in renewable energy, see page 37 <a href="#">▶</a>
Co-worker commuting	123,205	Making business travel and travel to stores more sustainable, see page 41 <a href="#">▶</a>
Customers	14,874,703	
Transportation to stores	2,499,048	Providing more sustainable ways for customers to reach our stores, see page 41 <a href="#">▶</a>
Product use	12,375,655	Developing products that enable customers to reduce their carbon footprint, see page 12 <a href="#">▶</a>
Products' end-of-life	769,119	Creating recycling and reuse solutions for products' end of life, see page 47 <a href="#">▶</a>
<b>Total</b>	<b>37,913,418</b>	

<sup>1</sup> We use reported data for carbon emissions in our operations and tier 1 suppliers, and models and estimations to assess our full value chain.



Becoming water positive means making responsible water management the norm across our value chain, whether on farms or in supplier factories, our stores and distribution centres. We used an estimated 770 million m<sup>3</sup> of water every year in our own operations and across our extended supply chain. Less than 1% of this is used in buildings owned and operated by IKEA.

In our stores we measure water efficiency by comparing the amount of water consumed to the number of visitors. By FY17, we aim to improve water efficiency by 20%, and 30% by FY20, compared to a FY13 baseline. Facility managers collect and share this data with country sustainability managers, who feed it to Group level through the Energy and Water Performance Year Cycle – see page 38 for more detail.

## Performance

Water use in IKEA buildings increased by 2.2% to 6,669,504 million m<sup>3</sup>. IKEA Industry water use increased by 1.8% compared to FY14, to a total of 1,494,951 m<sup>3</sup>. This is partly because we decided to use more water to filter air emissions from factories because of increasingly strict air quality requirements.

We look for ways to minimise the water we use, for example by using rainwater unless drinking water quality is needed. IKEA Distribution Services France invested in rainwater capture for their fire sprinkler systems, with expected water savings of 4,800 m<sup>3</sup> a year.

We created the IKEA Industry water manual based on the results of a water mapping exercise that

analysed volume and quality of water used. It enables us to identify opportunities for recycling water at all our factories, for example, our facility in Kazlu Ruda, Lithuania, reuses waste water in the glue forming process.

We also strive to improve the quality of our waste water, so that it can be reused or safely released to the environment. For example, IKEA Pisa in Italy, uses a membrane bioreactor – a type of water filtration system – to clean waste water so that it can be used for irrigation and sanitation. IKEA Catania, also in Italy, passes its waste water through a number of filtering systems including a basin of pond plants, which help purify the water before it is released back into the environment.

WATER USE BY IKEA UNIT (m <sup>3</sup> )	FY10	FY11	FY12	FY13	FY14	FY15
Stores	3,927,551	4,438,075	4,608,175	4,775,309 <sup>1</sup>	4,853,478	4,945,101
Distribution centres	265,524	228,772	223,292	224,430	197,953	179,981
IKEA Industry	766,373	1,014,603	1,315,821	1,280,350	1,468,498	1,494,951
IKEA Components	-	-	-	4,830	4,711	8,011
<b>Total</b>	<b>4,959,448</b>	<b>5,681,450</b>	<b>6,147,288</b>	<b>6,284,919</b>	<b>6,524,640</b>	<b>6,669,504</b>

<sup>1</sup> Data for stores in FY13 restated from FY13 report (3,853,637) as it was not complete.

More on managing water when we source raw materials on page 24 for more detail.

More on how we encourage suppliers to reduce their water impact on page 49 for more detail.

# WASTE



Our aim is to eliminate waste from our own operations. That means creating less waste and changing our mindset to think of waste as a resource. By FY20, 90% of our waste will be recycled or sent for energy recovery, of which 80% of the waste from stores and distribution centres and 90% from IKEA Industry Group will be material recycled.

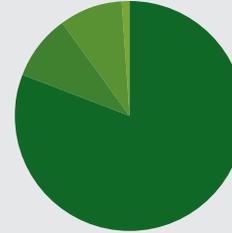
The IKEA waste management

handbook, launched in FY14, outlines a common approach to waste across all our countries. Our waste data reporting system enables us to track performance and identify areas for improvement. At the moment, responsibility for waste management varies by store; by FY18, all facility management teams will be responsible. Being clear about roles and responsibilities will enable more efficient waste

management. We will share detailed guidelines and working methods on waste management by FY16.

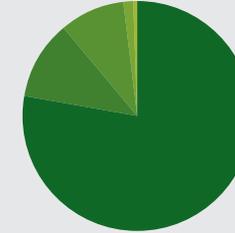
The waste to resources working group brings together co-workers from across IKEA to share information and develop best practices for waste-related initiatives.

## WASTE PRODUCED IN FY15 (%)



Stores	81
IKEA Industry	9
Distribution centres	9
IKEA Components	1

## HOW WASTE IS DISPOSED OF IN FY15 (%)



Recycled	77.8
Incinerated for energy recovery	11.1
Landfill	9.2
Aerobic and anaerobic digestion	1.6
Incinerated without energy generation	0.3

WASTE PRODUCED (tonnes) <sup>1</sup>	FY10	FY11	FY12	FY13	FY14	FY15
Stores	279,778	307,877	335,167	338,463	370,040	435,725
Distribution centres	34,369	41,758	41,933	39,428	39,196	46,710
IKEA Industry <sup>2</sup>	41,191	50,798	48,146	43,054	47,983	49,561
IKEA Components	-	-	-	1,391	20,495	3,013
<b>Total</b>	<b>355,338</b>	<b>400,433</b>	<b>425,246</b>	<b>422,336</b>	<b>477,714</b>	<b>535,009</b>

<sup>1</sup> Excludes waste wood used for energy recovery or reused in products. <sup>2</sup> Figures restated from FY13 due to changes in the methodology used in Division Board, and the integration of Division Board and Divisions Flatline and Solid wood (formerly Swedspan and Swedwood).

## Performance

In FY15, we generated 535,009 tonnes of waste, of which 88.9% was recycled or energy recovered (77.8% and 11.1% respectively).

We have a separate target to reduce waste from stores by 10% by FY20, because this is where the majority of our waste is generated.<sup>1</sup> In FY15 waste from stores increased by 18% compared with FY14, and

76.9% was material recycled. This increase was partly due to better data collection. Once more of our waste saving initiatives start to generate results, we expect this number to decrease.

A large volume of store waste comes from packaging. As well as designing our products to use less packaging, we ensure the packaging

<sup>1</sup> Baseline year: 12.5 kg/m<sup>3</sup> in FY13. This is measured as kg/m<sup>3</sup> sold goods.

we use is easily recyclable. Equipment in our stores, such as baling machines, help us handle waste more efficiently, increase recycling options, and reduce the journeys needed to remove materials from stores. We are always looking for new ways to reduce our impact in these areas.

Recovery Direction, launched in FY14, is a strategy for preventing unnecessary costs due to damaged packaging and products, and increasing our revenue and reducing waste by giving our products a second chance. We do this by:

- identifying and addressing the root causes for damages and returns
- repackaging products with damaged boxes

- using spare parts to repair items if they are damaged either in store or when returned by customers
- offering discounted prices for products that cannot be repackaged or repaired.

Since launching, we have installed repackaging machines in 214 stores – more than two thirds of all our stores globally. This has enabled us to repair and repackage 27% of the damaged items that were returned by customers, or damaged during transport or in-store. In FY15 the volume of products repackaged and sold in FY15 rose by 6.4%, representing a sales value of EUR 25 million. By raising awareness of product damage and how to avoid it, Recovery Direction has also helped

reduce the number of items damaged pre-sale by 4.2%. We now have repackaging machines in 70% of our distribution centres too.

Many of our stores and buildings have customer and co-worker restaurants, and we aim to implement a global programme to deal with food waste. In the UK and the USA, we are exploring ways to use digital technology to track data on food waste to adjust food production and kitchen practices. This has enabled stores to reduce food waste by around a third, with the potential to divert 11 tonnes of food from landfill every year. We plan to roll out the technology globally by FY17. 'Clear your plate', an initiative in our store in Shanghai, China, encouraged co-workers to think about

food waste, and resulted in reductions of 25%.

IKEA Industry uses large quantities of wood to make IKEA products and product parts. In FY15, IKEA Industry produced 1,054,968 tonnes of waste wood, 98.3% of which was reused to make new products, sold on as a raw material, or converted into pellets or briquettes that can be used for fuel. Four of our units in Poland have already achieved the FY20 goal of material recycling more than 90% of their waste.

### Managing chemical use at IKEA Industry

As part of the product manufacturing process, IKEA Industry uses a number

of chemicals including adhesives and surface coating. We take great care not to harm people's health or the environment by having a structured way of working with mandatory manuals for chemicals, waste and water. The manuals outline current legal requirements and future trends at national and regional levels, and include instructions for implementing these requirements. It is important that all relevant co-workers clearly understand the best ways of working with chemicals – both day-to-day and in emergencies – to protect their own health, ensure the safety of others and to avoid accidental release or exposure into the environment.



More on how we're encouraging sustainable consumption on page 19 ►.

WASTE RECYCLING RATE (% total waste recycled or energy recovered) <sup>1</sup>	FY10	FY11	FY12	FY13	FY14	FY15
Stores	84	86	88	89	90	87.6
Distribution centres	91	90	94	95	92	96.5
IKEA Industry <sup>2</sup>	-	-	-	79	77	92
IKEA Components	-	-	-	98	100	99.7
<b>Total</b>	<b>82</b>	<b>85</b>	<b>86</b>	<b>88</b>	<b>89</b>	<b>88.9</b>

HOW WASTE IS DISPOSED OF IN FY15 (%) <sup>3</sup>	Recycled	Incinerated for energy recovery	Sent to land fill	Incinerated without energy recovery
Stores	76.9	10.7	10.1	0.4
Distribution centres	86.8	9.7	2.9	0.1
IKEA Industry	75.9	16.1	8.0	0
IKEA Components	96.7	3	0.2	0

<sup>1</sup> Excludes waste wood used for energy recovery or reused in products. <sup>2</sup> Figures restated from FY13 due to changes in the methodology used in Division Board, and the integration of Division Board and Divisions Flatline and Solid wood (formerly Swedspan and Swedwood). <sup>3</sup> A small amount of waste is disposed of in other ways, including aerobic or anaerobic digestion.



## CONVERTING TO A CIRCULAR ECONOMY

Many of the world's resources are being consumed at an unsustainable rate. If we want to meet the needs and dreams of millions of new customers by making affordable, high quality products, while staying within the limits of our planet, we need to find new ways of working. We are part of the Circular Economy

100 (CE100), a global platform established by the Ellen MacArthur Foundation to encourage companies to move towards a circular economy, where waste is eradicated in a cycle of repair, reuse, refurbishment and recycling. This work has led us to the 'Circular IKEA' concept, which has three elements.

- **Prolonging product life** – Our customers receive clear and simple solutions for repairing and re-using home furnishing products. Options for renting, sharing, and reselling products are provided.
- **Designing for circularity** – Products are designed for easy

up-cycling and recycling possibilities. Used products are seen as 'banks of materials' for the future.

- **Resource chain** – Increasing demand and availability of secondary materials and developing our ability to use more of these types of materials. Stimulating the recycling industry by using recycled materials more.

Although still in the early stages, we are already seeing examples of circular thinking in practice. For example, customers can return unwanted IKEA furniture to many stores to be resold or donated to charity.

- Customers returned used mattresses through our mattress take-back scheme, which was rolled out to 20 countries by the end of FY15. The used mattresses are sent for energy recovery or are material recycled, depending on local infrastructure.
- All IKEA Norway stores are collecting customers' used and unwanted textiles – not just from IKEA products – with the aim of increasing awareness about the value of reusing and recycling home furnishing textiles. In FY15, we collected more than 25 tonnes of used textiles, of which we donated around 80% to charity second hand shops and recycled the rest.
- In Australia, we closed the loop on plastic bottles by working closely with carefully selected suppliers to make high quality, food-grade recycled plastic (PET) for our water, juice and smoothie bottles.

The empty bottles are collected, sorted and used to make resin for new IKEA bottles.

- Some of the plastic film used to package our products is being recycled to make the SKRUTT desk pad, which contains 50% recycled plastic.

These are just a few examples. Creating a truly closed-loop economy will be challenging. It will change the way we select materials, work with our suppliers, make our products, and interact with customers. This is the start of an exciting journey towards a circular IKEA.

# ENERGY AND WATER IN OUR SUPPLY CHAIN



IKEA has 978 home furnishing suppliers, and the success of our business relies on them. As our partners, we can learn a lot from each other, and it is important they share our values and environmental

goals. We constantly work together to find ways to be even more resource and energy efficient. It is good for the planet but it also saves money – for them, for us, and for our customers.

PEOPLE & PLANET POSITIVE TARGETS	STATUS	PERFORMANCE IN FY15
Encourage and enable our direct suppliers to become 20% more energy efficient by August 2017, compared to FY12. <sup>1</sup>	○	Our suppliers are now 17.6% more energy efficient than they were in FY12.
By August 2015, reduce carbon emissions of our suppliers by 20%, compared to FY12. <sup>2</sup>	○	In FY15, suppliers' carbon emissions were 69.9 kg CO <sub>2</sub> /m <sup>3</sup> of goods produced, which is 12% lower than FY12.
<sup>1</sup> Defined as total energy consumed/m <sup>3</sup> of goods. <sup>2</sup> In relative terms, measured by CO <sub>2</sub> /m <sup>3</sup> goods purchased.	○ Achieved   ○ Ongoing   ○ Not achieved	

## WORKING WITH SUPPLIERS

Understanding our suppliers' approach to sustainability is an important starting point. It enables us to learn together and find ways to improve performance. The Supplier Sustainability Index tool enables us to measure progress in three areas: energy management and energy-efficient production, renewable energy and raw materials efficiency. Index scores feed into the Product Sustainability Scorecard (see page 32).

Sharing ideas and good practice is one of the best ways to make progress. We hold annual global supplier days and local and regional meetings through the year to bring suppliers together. The meetings are an opportunity for suppliers to discuss and share their sustainability achievements with pride. In many cases it is them, not us, that can inspire other suppliers to join the sustainability journey and build momentum across the entire industry.

Our regional sustainability developers work with our home furnishing

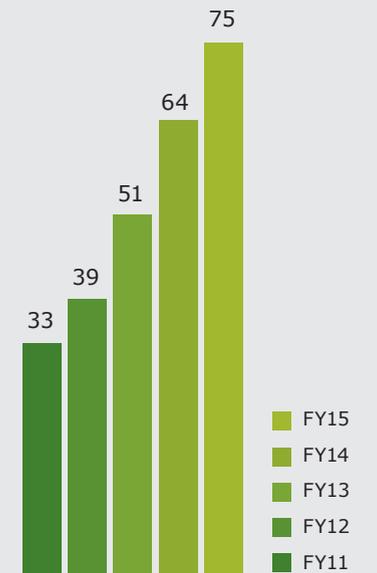
suppliers on energy and water saving projects, and other improvements that are 'beyond IWAY'. Because energy and water management are often closely linked, it almost always makes sense to tackle the two topics at the same time.

### Performance

We aimed to make yearly improvements of 20% on the index score between FY13 and FY15. The Supplier Sustainability Index score is now 75 out of 100, an improvement of 17% compared to FY14. This is thanks to the many new and ongoing energy and water projects in FY15 (see page 49). The score is based on data from suppliers covering 99.2% of our purchasing volumes.

From FY16 we will be using a new version of the Index that looks at additional areas including water, waste and people and community. We worked with suppliers to create the new Index in a way that reflects many of their goals as well as ours.

**SUPPLIER SUSTAINABILITY INDEX (index score out of 100, weighted by production volumes)**



## ENERGY IN OUR SUPPLY CHAIN



Carbon emissions from our tier 1 home furnishing, catalogue and food suppliers accounted for 7.9% of our total carbon footprint in FY15, and it is important to support all our

suppliers in any way we can to make energy and carbon savings. The Suppliers Go Renewable (SGR) project focuses on working with higher impact suppliers on energy- and carbon-saving projects, for example by improving energy efficiency and increasing generation and use of renewable energy.

### Performance

Our tier 1 home furnishing suppliers have achieved a 17.6% increase in energy efficiency since FY12. Although absolute carbon emissions were 5% above the FY12 baseline, emissions relative to the volume of products purchased were 12% lower than in FY12.<sup>1</sup>

We implemented 54 SGR projects in 22 countries, bringing our total to 94 and achieving our goal to complete 90-100 projects during FY14 and FY15. The projects each begin with an

energy audit to find opportunities to increase energy efficiency and the potential share of renewable energy. On average, the changes identified could save suppliers an average of 15% in energy, carbon and costs. Together we will track progress as they implement these changes over the coming years, and we plan to use what we learn from these projects to support and train more suppliers to improve the way they use energy.

Because we want to see a transformation to a low-carbon economy, we are also looking for opportunities to decarbonise our supply chain. Using information about our carbon footprint (see page 43), we can identify the parts of our value chain with the biggest environmental impact, and where we can most effectively work with sub-suppliers to become more efficient.

<sup>1</sup> Measured using GHG emissions intensity (kg CO<sub>2</sub>e/m<sup>3</sup>)

TIER 1 HOME FURNISHING (HF) SUPPLIER ENERGY CONSUMPTION AND CARBON EMISSIONS	FY12	FY13	FY14	FY15
Energy consumed (MWh)	7,852,933	7,132,305	6,743,521	7,726,638
Energy efficiency (kWh/m <sup>3</sup> product purchased)	308.0	274.0	250.0	253.9
Increase in energy efficiency tier 1 HF supplier compared to FY12 (%)	-	10.9	18.8	17.6
Renewable share (%)	24.8	25.3	26.6	28
CO <sub>2</sub> equivalent (tonnes)	2,024,195	2,061,295	1,888,114	2,126,674
CO <sub>2</sub> efficiency (kg CO <sub>2</sub> /m <sup>3</sup> )	79.4	79.2	70.0	69.9
Reduction in relative carbon emissions from our tier 1 HF suppliers compared to FY12 (%)	-	-0.3	11.8	12.0

## WATER IN OUR SUPPLY CHAIN



Our global network of sustainability developers collaborates with suppliers to improve water efficiency and quality, just as they do with energy.

We focus on working where we can have the greatest positive influence. For example, textile and metal suppliers use the most water and have the biggest water impact. This may be because they operate in water scarce areas such as Bangladesh, China and Pakistan, or because their manufacturing processes use a lot of

water. See page 28 for more about our work to source cotton from more sustainable sources.

The 'Water Guidelines for Textile Suppliers' provide a starting point for improving water efficiency. The guidelines focus on practical options for water management, including ways to reduce, reuse, recycle and replenish water. As we gain experience in this area, we will continue to update the guidelines together with our suppliers.

## Performance in FY15

Total water use at tier 1 home furnishing suppliers was 25.7 million m<sup>3</sup> in FY15, 4.8% more than in FY14. But their water efficiency, measured in litres per cubic metre of product produced, improved by 37.3% compared to the FY12 baseline.

We have joined forces with other textile retailers to create the Sweden Textiles Water Initiative (STWI). Some of the members share the same textiles suppliers, and by working together we can develop consistent water guidelines for the textile industry. Since January 2015, we have been working on STWI-led water saving projects with three suppliers in China, and a supplier and four sub-suppliers in India. This is one of the first times we have directly engaged sub-suppliers in

resource efficiency projects. So far, we have identified ways to save 167 million litres a year in China, and 1.4 million litres of water a year in India. As well as saving water, one of STWI's priorities is to find solutions that prevent the release of chemical dyes into water systems.



## IKEA CATALOGUE SUPPLIERS



find ways to reduce carbon emissions early on in the design process. Before we start working with suppliers we ask them to report against a number of environmental KPIs so we can choose ones with the best performance. In October 2015 we made this data available for all suppliers to see, so they can compare their performance to others. We also carry out third-party audits and regular meetings to support catalogue suppliers to improve their environmental performance.

### Performance

The total carbon footprint of our printed catalogue was 156,415 tonnes in FY15, which is 5.1% less than FY14. Carbon emissions per printed copy fell by 2.6%. Total energy use decreased by 11% compared to FY14, but we did not meet our FY15 target to reduce energy use by 10% compared to FY11. More than 32% of the energy used by our catalogue suppliers came from renewable sources.

This environmental data relates to the printed version of the catalogue. To meet our new carbon neutrality target we will need to understand the environmental footprint of the digital versions too. In FY15, we carried out a life cycle analysis (LCA) of the digital catalogue and in FY16 we will use this data to help us work towards our new target with the support of industry leaders and stakeholders.

More about how we support catalogue suppliers to comply with IWAY, our supplier Code of Conduct, on page 61.

Eagerly awaited around the world, the IKEA Catalogue tells the stories behind our products and inspires our customers to furnish their homes with style. Available in print, app and online, in FY15 we printed 211 million copies of the paper catalogue and received 54 million visitors to the digital versions.

In FY14 we reached our goal to print the IKEA Catalogue using only FSC™ Mix Credit certified paper, and it remains the world's largest print run ever to be produced using 100% FSC Mix Credit certified paper. And since FY13, 100% of our suppliers have been ISO 14001 certified. Our focus

will now turn towards reducing carbon emissions, both for the printed and digital catalogues. Each platform has its own sustainability challenges and opportunities. For example, the digital platforms use a lot of energy and most of this comes from non-renewable sources.

We collect suppliers' environmental data and share it on our new online dashboard, similar to the Product Sustainability Scorecard (see page 32.) It supports co-workers who work with the IKEA Catalogue to get a better understanding of the catalogue's environmental impact and

TIER 1 HOME FURNISHING (HF) SUPPLIER WATER USE	FY12	FY13	FY14	FY15
Total water use (m <sup>3</sup> )	34,340,809	35,548,668	24,507,975	25,692,285
Water efficiency (litres/m <sup>3</sup> )	1,346	1,367	908	844
Improvement in water efficiency compared to FY12 (%)	-	-1.6	32.5	37.3

More on how we are working to become water positive on page 24. More on how we manage water in our own operations on page 44.

<b>ENVIRONMENTAL DATA FOR TOTAL CATALOGUE PRINT PRODUCTION</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
Printed number of catalogues (millions)	197	208	212	211	217	211
ISO 14001 certified paper suppliers (%)	89	100	94	100	100	100
Catalogue paper (tonnes)	102,476	108,450	107,373	107,083	102,077	100,390
FSC certified Chain of Custody fibre (% of virgin fibre content)	21	30	23	68	100	100
Recycled fibre content (%)	11	4	2	2.3	0	0
Share of renewable energy (%)	50	48	42	51	44	32.35
Total carbon emissions from production of catalogue (tonnes CO <sub>2</sub> )	95,905	88,916	90,744	92,308	164,843 <sup>1</sup>	156,415
Total energy used from catalogue suppliers (MWh)	584	569	570	587	603	536
Total water use from catalogue suppliers (m <sup>3</sup> )	2,815,209	2,832,017	2,833,300	2,870,188	3,379,956	-
Total delta water consumption (m <sup>3</sup> ) <sup>2</sup>						269,780

<b>ENVIRONMENTAL DATA PER PRINTED CATALOGUE COPY</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
Water consumption (litres/copy)	14.26	13.55	13.39	13.62	15.6	-
Delta water consumption (litres/copy) <sup>2</sup>						1.28
Energy consumption (kWh/copy)	2.96	2.72	2.69	2.79	2.78	2.54
Total carbon emissions from production and transport from forest to paper mill (kg CO <sub>2</sub> /copy)	0.49	0.43	0.43	0.44	0.76	0.74
Emissions to air (g Volatile Organic Compound/copy)	1.12	1.15	1.12	1.01	1.05	0.50
Emissions to waste water (gr Chemical Oxygen Demand/copy)	3.49	3.47	4.29	3.94	1.92	1.18

<sup>1</sup> The significant increase in reported carbon emissions and water use is largely due to improvements to our data collection methodology.

<sup>2</sup> From FY15 we have replaced the 'total water use' KPI with 'total delta water consumption', which is the difference between water withdrawn and water discharged.



# A BETTER LIFE FOR PEOPLE AND COMMUNITIES

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*Our vision is to create a better everyday life for the many people. Across our value chain, from our 155,000 co-workers through to the millions of people who work in our extended supply chain, we can make a big difference to people's lives around the world. We believe that everyone deserves the right to prosper, regardless of their background and situation, and we always strive to promote equality, diversity and respect for human rights in everything we do.*



# BETTER LIVES FOR OUR CO-WORKERS



We believe in people. We want IKEA to be a great place to work, so that co-workers can explore their talents and develop new skills. Every co-worker is a unique individual and we are committed to making IKEA a welcoming workplace for them all, where every person finds a sense of belonging and purpose. When our co-workers grow, so does IKEA.

We know it is important to get the basics right by providing rewarding work in a safe and healthy environment – for our co-workers and people who work for our suppliers.

Since we launched the IKEA Group People Strategy 2020 in FY13, we have continued to evolve our approach to meet the needs of a changing workforce. We expect to

see up to five generations<sup>1</sup> of people in a single team, all with different needs. And as co-workers become increasingly connected through modern technologies at home, they expect an equally modern workplace and a more personalised approach to career progression. In FY15, we updated our People Strategy to reflect these global trends, including a focus on meeting

individual needs in the workplace and taking a consistent approach to diversity and inclusion across every part of our business.

Doing work that is good for people and planet is important to our co-workers. We work to understand and meet their expectations of our sustainability efforts, so that they can be proud to be part of IKEA.

More on working conditions for our co-workers and suppliers on page 72 [▶](#).

More on our approach to health and safety on page 58 [▶](#).

<sup>1</sup> Refers to: Traditionalists, born prior to 1946; Boomers, born between 1946 and 1964; Generation X, born between 1965 and 1980; Millennials, born between 1981 and 1995; and Generation Z, born after 1995.

PEOPLE & PLANET POSITIVE TARGETS	STATUS	PERFORMANCE IN FY15
Following the IKEA Group Diversity and Inclusion Approach (see page 56 <a href="#">▶</a> ), every IKEA unit has defined actions to ensure a diverse co-worker population. Our goal is to reach gender balance in key leadership positions and to reflect the diverse nationalities of our market.		Updated the IKEA Diversity & Inclusion Approach, setting out six steps to guide our leaders in creating a diverse and inclusive workplace. The Supervisory Board of INGKA Holding B.V. (the parent company of the IKEA Group) includes 3 women, compared with 2 in FY14. Group Management includes 3 women (33%), compared with 2 in FY14. Extended Group Management <sup>1</sup> is 41% women, compared with 38% in FY14. 48% of all managers are women, compared with 47% in FY14.
PEOPLE STRATEGY 2020 TARGETS	STATUS	PERFORMANCE IN FY15
Ensure every co-worker has an agreed, individual development plan.		76% <sup>2</sup> of our co-workers have an individual development plan, which includes regular meetings with their managers to review their career aspirations.
By FY20 50% of managers will be women.		48% of managers are women.
By FY20 achieve a Leadership Index result of 75 in our VOICE survey.		Achieved a Leadership Index result of 75 in our VOICE survey.
By FY20 achieve an index of 725 in our VOICE survey.		Achieved an index of 725 in our VOICE survey.
<sup>1</sup> The Extended Group Management list represents our 250 most senior management positions in IKEA. <sup>2</sup> Of the 112,027 co-workers who completed the VOICE survey and answered positively to: "Have you within the past twelve months together with your manager agreed on a development plan for the coming year?"		
Achieved               Ongoing               Not achieved		

## OUR CO-WORKERS

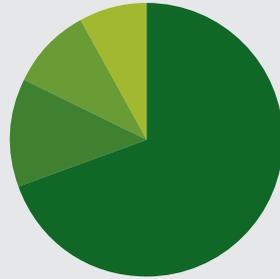
A total of 155,000 co-workers contribute to the everyday running of IKEA operations around the world. In FY15, we have changed our definitions of part time and full time workers to:

- Co-workers who worked 20 hours or less per week (17%)
- Co-workers who worked between 20 hours and 34 hours per week (36%)
- Co-workers who worked 34 hours or more per week (47%).

In FY15, our total co-worker turnover was 19.8%, compared with 19.7% in FY14. We will report the percentage turnover within each revised co-worker category (see above) in future years.

The percentage of all co-workers that are women was 56% in FY15, compared with 54% in FY14. Of all managers, 48% were women in FY15, compared with 47% in FY14.

### CO-WORKERS PER REGION FY15



Europe	107,400
North America	20,000
Asia and Australia	15,200
Russia	12,400

## WHY DO YOU WORK AT IKEA?



**KAREN DOROTHY CHAMBERLAIN**  
Services Team Leader, Peterborough Contact Centre, UK

"It's the people that make me want to stay. The IKEA values and culture are how I like to live my life. I am proud to say I work for IKEA!"



**ELOISE COLLIGNON**  
Home Furnishings Business Co-worker, Thiais Store, France

"I've learned a new way of working at IKEA. I love the way I interact with my co-workers – the relationships are simple, honest and efficient."



**JOHN NILAND**  
Business Support Specialist, Internal Digital Channels, IKEA Group

"IKEA has given me the opportunity to grow as a person in many different ways, and has always offered me a challenging and fun place to work."



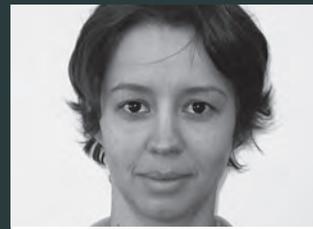
**DASHAWN CLARK**  
LQF Supply Quality Coordinator, California Distribution Centre, United States

"Creating a better everyday life for the many people is what IKEA is all about and I cannot agree more. My employment at IKEA is not just a job, but more of hobby and a journey to be the best human being I can be."



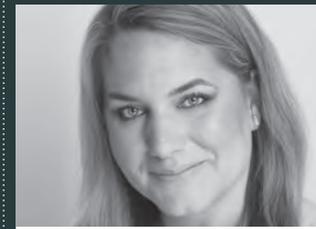
**YIDONG ZHUANG**  
Sales Support Specialist, Canada Service Office

"I love working at IKEA because of the great people and because of the diversity you can take in your career path."



**SOFYA SOKOLOVA**  
Sales Co-worker, Rostov Store, Russia

"IKEA is the place where I change for the better and where I am helping to better the world."



**LENKE SZABÓ**  
Customer Relations Manager, Budaörs Store, Hungary

"We live up to our values in everyday work: how we communicate with each other, the way we work, the solutions we use, the decisions we make."



**ALEXANDRE OLIVEIRA**  
Business Navigator, IKEA of Sweden, Sweden

"What really keeps me at IKEA is the genuine ambition and execution of our people and planet strategy: we care!"

CO-WORKER TURNOVER (%)	FY11	FY12	FY13	FY14	FY15
Part-time	22.3	18.0	15.4	29.9	see above
Full-time	11.5	10.7	11.5	12.2	see above
All	16.1	16.1	12.8	19.7	19.8

GENDER DIVERSITY (% of women) <sup>1</sup>	FY11	FY12	FY13	FY14	FY15	FY20 GOAL
All co-workers	55	52	54	54	56	-
All managers	40	47	47	47	48	50

<sup>1</sup> Data representing 85% of IKEA headcount.

## GIVING CO-WORKERS A VOICE



VOICE is our online survey for all co-workers in the IKEA Group. It helps us to grow IKEA together with our co-workers by understanding their views on three important areas: the individual, the organisation, and leadership. We look at the findings in combination with other information such as customer feedback and financial data, to identify how we can do better. VOICE is conducted by an independent organisation to ensure confidentiality. Each part of the business participates at least once every two years.

In FY15, more than 112,000 out of a total of 155,000 co-workers participated in the VOICE survey.<sup>1</sup> The results of the survey feed into an overall VOICE index and leadership index. These help us to measure progress. In FY15, our overall VOICE index was 725. A result of 700 or more for the overall VOICE index is classified as excellent by the company that conducts the survey, and suggests the organisation is “well equipped to generate business value”. Our VOICE leadership index in FY15 was 75.

The survey showed that 79% of co-workers agree with the statement, “within my department sustainability is a natural part of the everyday work”, 82% agree with the statement, “I am proud of the way that IKEA works with sustainability” and 80% agree with the statement “I feel responsible for minimising the negative impact on the environment in my daily job”.

<sup>1</sup> In FY15, 112,027 co-workers completed the VOICE survey. The results of VOICE are not directly comparable between years as different parts of IKEA and different numbers of people participate.

VOICE RESULTS	FY11	FY12	FY13	FY14	FY15	GOAL
VOICE index	716	712	711	704	725	725 by FY20
Leadership index result	74	74	74	73	75	75 by FY20

## VALUES AND CULTURE



We are one IKEA – a global team sharing the same values: we believe in mutual respect and leading by example, solving problems together and being open to change. This extends across our direct suppliers (see page 60) and wider supply chain (see page 70).

We believe in saying thank you, and it is part of our culture to recognise co-workers for their hard work, through our One IKEA Bonus programme and our loyalty programme for all co-workers – Tack!

Tack means ‘thank you’ in Swedish and is our way of showing appreciation to our co-workers for their contribution and loyalty to IKEA. Through Tack!, co-workers receive an additional contribution to their pension funds. All eligible full-time

co-workers within a country receive the same amount, regardless of unit, position or salary level – read more [here](#). We held the first annual celebration of Tack! in December 2014 and committed an additional EUR 100 million to the programme.

## DIVERSITY AND INCLUSION



We believe in treating people fairly and providing equal opportunities to all of our co-workers, regardless of age, gender identity, sexual orientation, physical ability, ethnicity, race, nationality or any other dimension of their identity. We are one IKEA made up of many unique and valuable individuals. Our uniqueness makes IKEA better.

### Performance

We launched the IKEA Diversity & Inclusion (D&I) Approach in FY13 and updated it in FY15. The updated Approach sets out six steps to guide our leaders in creating a diverse and

inclusive workplace, including developing local action plans and measuring diversity and inclusion. We place a strong emphasis on creating an inclusive work environment that respects our co-workers and encourages them to be themselves. It is part of our culture, and we know that diversity stimulates innovation and enables us to better understand the world in which we operate.

In FY15 we focused on three key areas:

- **IKEA gender agenda.** The IKEA Women's Open Network (IWON) aims to inspire, connect, enable

and empower women in leadership positions at IKEA, while also contributing to a more inclusive work environment and gender balance. In FY15, we conducted the IKEA Women Matter survey. It focused on the current situation in various IKEA organisations and countries and the infrastructure to support gender equality. The survey highlighted a strong foundation for gender equality: the share of women throughout the different levels of IKEA is higher than that of the external benchmark and women are well represented in IKEA leadership generally, but less so in more senior leadership positions – see page 53 for the current figures. The survey showed a strong commitment to equality but revealed the need for us to do more to track progress and ensure co-workers are aware of goals and practices. Our updated Diversity & Inclusion Approach will help us to build on this foundation and make further

progress on tracking performance and raising co-worker awareness. In FY15, IKEA Switzerland became the first company worldwide to reach the highest level of gender equality certification from EDGE (Economic Dividends for Gender Equality).

- **IKEA LGBT project.** In FY14, we formed a workgroup to help us create a plan to support lesbian, gay, bisexual and transgender (LGBT) inclusion at IKEA – see feature on page 57. IKEA US scored 90% in the Human Rights Campaign Foundation Corporate Equality Index 2015.
- **Diversity & Inclusion Network.** During FY15 we formed a network of Diversity & Inclusion ambassadors, representing 48 countries and organisations. They help to ensure that diversity and inclusion are part of our everyday thinking and actions.



**PETER AGNEFJÄLL**  
President and CEO, IKEA Group

“Diversity and inclusion are natural parts of our values and vision; IKEA is a company for the many people but also a company by the many people. Diversity and inclusion are also critical for our business success; both for our growth and for our commitment to truly become a great place to work. It is both common sense and good business sense.”





## EQUALITY AND DIVERSITY – NOT JUST A NUMBERS GAME

Our approach to diversity and inclusion is grounded in the IKEA values and our belief in people. We work hard to respect human rights and equality through our communication and actions, and we know this is a

journey, not a one-off achievement. We were reminded of this in FY14 when, for legal reasons,<sup>1</sup> we could not publish an article featuring a lesbian couple and their child in our customer magazine in Russia. We

included a letter about our commitment to equal rights in the same magazine and we published the article in 24 other countries.

Rather than publish a separate version of the magazine that did

not reflect the diversity of our customers, we decided to stop publishing the IKEA Family magazine in Russia. The incident has highlighted why we must never stop our efforts to share our values on equality. In FY15, we finalised our new guidelines on human rights in communications – see page 71.

In FY14, we formed a workgroup focused on creating an inclusive work environment for lesbian, gay, bisexual and transgender (LGBT) at IKEA, to help us ensure that our LGBT co-workers feel respected, valued and appreciated for who they are. In FY15 we recruited a dedicated project manager to lead this group and launched the LGBT IKEA project. Its aim is to create an inclusive work environment that enables all our co-workers to be themselves, regardless of sexual orientation.

Now we are taking the first steps towards developing a strategy for inclusion. These steps include:

- Analysing the legal, political and social factors in each country and reviewing how we support our LGBT communities across IKEA
- Partnering and working with external global LGBT organisations to learn about best practice
- Benchmarking to better understand our performance relative to other global companies.

Work on LGBT inclusion will continue in FY16. We will also be finalising our Human Rights and Equality Policy and Standards, which will include reference to

sexual orientation and gender identity, as well as guidelines against discrimination. Ultimately, we want to create a truly inclusive work environment in which every co-worker feels welcome, respected, supported and valued.

<sup>1</sup> Related to the Federal Law of Russian Federation No. 436-FZ On Protection of Children from Information Harmful to their Health and Development.



**MIKE WARD**

*Regional manager for USA, Canada and Scandinavia*

“We’ve learnt a great deal about diversity, but now it’s time to start taking more action. That means overcoming the fear of doing or saying the wrong things. It means taking risks that will help us to create greater diversity within IKEA. This isn’t a numbers game.”

## LEARNING AND DEVELOPMENT



At IKEA, every co-worker is seen as a talent. Whether they are with us part-time or full-time, for two weeks or 20 years, we want to nurture their talents and ensure that everyone has the opportunity to flourish during their time at IKEA. We do not all share the same ambitions, so instead of encouraging every co-worker along the same path, we focus on each individual's unique skills, aspirations and potential, and support them to understand their

options and opportunities.

Our co-workers are full of ideas and we encourage them to test and challenge us as we develop new products, services and systems. Co-workers care about our sustainability efforts – our sustainability training package is part of a wide range of on-the-job training and courses, including e-learning relevant to specific functions.

More on the role of our co-workers in communicating the sustainability benefits of our products and services to customers on page 20 [▶](#).

More on our co-workers' involvement in community engagement activities on page 81 [▶](#).

### Performance

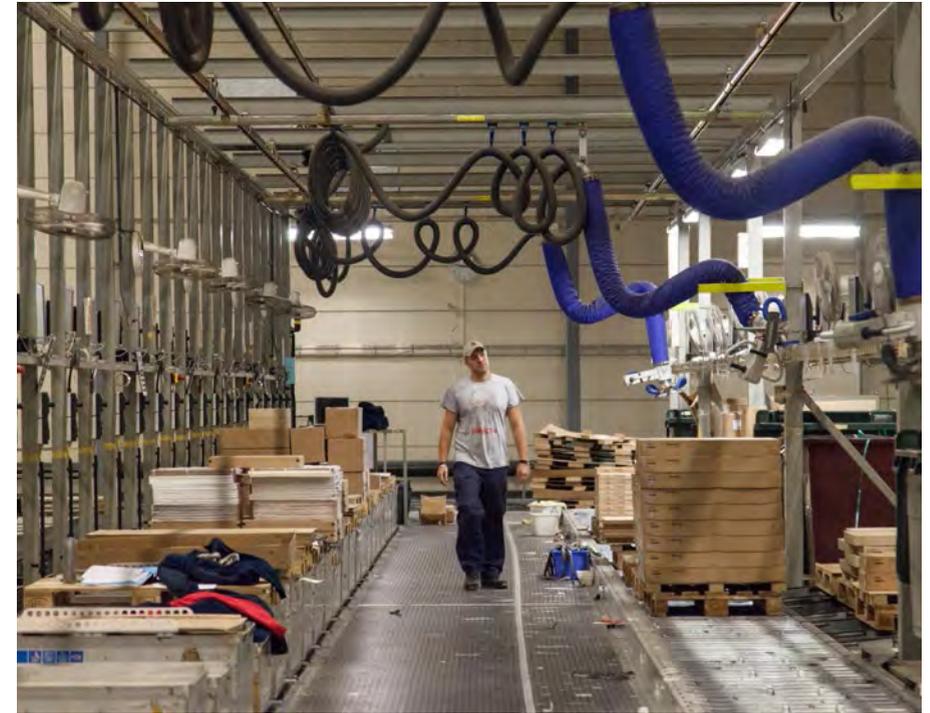
Reaching our goals relies on our most important resource: the talents of our people. We launched the IKEA Group Talent Approach in FY14 as a consistent way of working with talent, succession and learning. We rolled out the approach to all managers in FY14. We will continue to roll it out to all co-workers in FY16, while we develop systematic ways to support the personal development and retention of our co-workers.

In FY15, 76%<sup>1</sup> of our co-workers had an individual development plan, which includes regular meetings with their managers to review their career aspirations and how to achieve them at IKEA. This compares to 71% in FY14.

In FY15 we launched a new learning platform: My Learning. It hosts all IKEA learning and training content for co-workers in one easily accessible place. We also launched a new Masters course in Innovation through Business, Engineering and Design, in collaboration with Linnaeus University, Sweden. Focused on innovation and sustainability, the course opens the door to a career with IKEA product development for a diverse mix of people. Current students are aged 20 to 40 and come from various disciplines and backgrounds (including former IKEA co-workers) in China, Colombia, Iran, Italy, Kyrgyzstan, Sweden and Turkey.

<sup>1</sup> Of the 112,027 co-workers who completed the VOICE survey and answered positively to: "Have you within the past twelve months together with your manager agreed on a development plan for the coming year?" This question was new for FY14.

## HEALTH AND SAFETY



Healthy and happy co-workers help make IKEA a stronger, more successful business. The wellbeing of our co-workers is a top priority. It is an area where we are continually working to improve. A stable income and regular working hours contribute to a sense of belonging and job security. And it enables us to build long-term relationships with our co-workers so that we can work on improving health and safety together.

Food is the fuel for our everyday work at IKEA, and it is something we can all enjoy together. We make sure our co-workers have healthy, tasty options available throughout the day. Read more about our food sourcing on page 30 [▶](#).

We are committed to providing a healthy and safe environment for our co-workers, customers and visitors at all times. We encourage co-workers to take everyday actions to contribute to this environment, guided by formal structures as well as ongoing training, tools and awareness activities. IKEA Blue is a risk tool used to identify fire, evacuation and life safety issues where we are not meeting standards.

### Performance

In FY15, occupational accidents at our stores decreased from 1,363 to 1,116 – largely as a result of increased training and incident analysis. In our distribution centres occupational

accidents increased from 149 to 151 – here, we have seen a greater level of diligence in reporting, but also an increase in the number of reported cycling accidents to and from work. We are considering specific actions to remedy this. At IKEA Industry, total occupational accidents increased from 1,739 to 2,360. This is due to increased reporting of less serious accidents, which is an important part of the journey towards a well-developed safety culture. In comparison, lost time accidents (those requiring time off work) decreased from 159 to 153.

There were no fatalities on-site among IKEA Group co-workers in FY15.

We introduced some new ways of working with safety in FY15, to improve the consistency of our approach and develop a shared sense of responsibility. These include:

- **New standards in the IKEA Group Risk Manual.** The manual provides direction on safety and security routines and standards for IKEA units (including stores, distribution and shopping centres).
- **SecCheck process.** Certified SecCheck reviewers conduct an annual review at units within their countries, analysing compliance with IKEA requirements and identifying areas for improvement. Each unit must address any critical issues right away and agree a 12 week action plan to follow up on less urgent matters. The process also helps to raise awareness of health, safety and security, risks among co-workers.
- **Safety in goods handling.** This continuous improvement project aims to make sure that no co-worker, customer or third-party

operator will be hurt when handling IKEA products. We are assessing current ways of working to feed this learning into the development of new standards and training. Currently we are focusing on unit loads, warehouse racking and procedures for forklift operators.

- **Training of safety champions.** IKEA Industry trained around 200 champions through a five-day training course. Each champion has the task of encouraging a safety culture at their own unit, including running training sessions for all colleagues focused on behaviour and accidents.

## COMMUNICATING WITH CO-WORKERS



fear of reprisal, interference, intimidation or harassment.

We use a wide range of channels to reach co-workers globally, such as our intranet – IKEA Inside, newsletters, meetings, notice boards and video screens. Our internal quarterly magazine, Readme, is designed for all co-workers, whatever their role – to inform, engage and inspire pride. We print 65,000 copies in 20 languages for worldwide distribution and make it available online. Features include in-depth articles alongside co-worker profiles from around the world.

### Performance

Our co-workers are many and diverse. We need to be able to communicate with every person who works with us, to share news and ideas, understand expectations and stay focused on common goals. Our co-workers have high expectations of IKEA, particularly when it comes to our approach to people and planet. Communicating openly with them helps us to make sure we are meeting their expectations and taking forward their ideas. We expect all IKEA managers to prioritise good communication with co-workers and to lead by example. We support them with tools and training, and we actively encourage open dialogue between co-workers and their managers.

Co-workers can use our trust line to report any concerns they feel unable to raise through their manager or human resources – see page 85 [📄](#). We respect the rights of co-workers to join, form or not to join a co-worker association of their choice without

Our co-workers expect the technology available to them at the workplace to match their experience at home. In FY15 we merged the news sections of our existing co-worker intranet and extranet into a single website, and made this available on all devices, anywhere at any time for all co-workers.<sup>1</sup> We launched a new manager channel on our intranet with the aim of preparing, engaging and inspiring our leaders to build a better IKEA. It also gives us a means of reaching all managers with important IKEA news.

Many co-workers have not previously had their own IKEA email address, so in FY15 we started rolling out e-mail for all co-workers. This will enable us to use creative and engaging ways of communicating with co-workers so that we feel more connected and informed, and work together as one IKEA.

<sup>1</sup> Except in Germany where co-workers cannot access it from private devices.

<b>IKEA STORES AND SUPPLY OCCUPATIONAL ACCIDENTS (number of accidents requiring three days or more absenteeism)<sup>1</sup></b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
Stores – total number	1,398	1,363 <sup>2</sup>	1,116
Supply (distribution centres) – total number	143	149 <sup>3</sup>	151

<sup>1</sup> Reporting methods vary between IKEA Industry and stores & supply, so we currently report different metrics for occupational accidents. <sup>2</sup> Figure restated from FY14 (1,287) as figures reported were preliminary. <sup>3</sup> Figure restated from FY14 (146) as figures reported were preliminary.

<b>IKEA INDUSTRY OCCUPATIONAL ACCIDENTS<sup>4</sup></b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
Total number	1,472	1,739	2,360
Lost time accidents (accidents requiring one day or more absenteeism)	205	159	153
Lost time accident rate (per million hours worked)	6.6	4.6	4.3

<sup>4</sup> FY13 and FY14 figures corrected from FY14 report.

# BETTER LIVES FOR WORKERS IN OUR SUPPLY CHAIN



Our supply chain is a diverse, global network. Over 600,000 people in more than 50 countries work for our tier 1 home furnishing suppliers alone.<sup>1</sup> Our suppliers' own suppliers – our sub-suppliers – in turn employ millions of other people.

Our suppliers are the story behind every IKEA product. We work side by side with them throughout the design and production phases. With their help, we are able to use the most efficient, cost-effective and creative ways to bring our designs to life. We are constantly learning from them, and we strive to meet their expectations as much as they meet ours.

We are committed to working together with our suppliers to develop decent jobs, support human rights

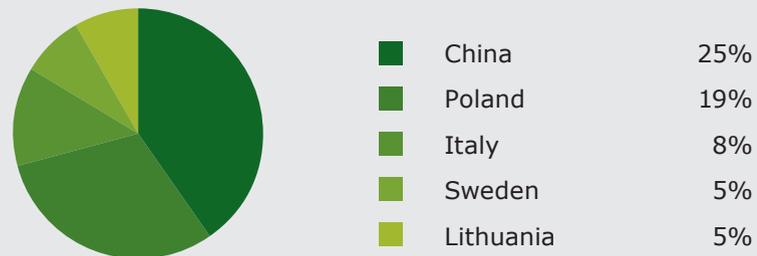
and have a positive impact on the lives of the many people in our supply chain. The starting point for this is our supplier Code of Conduct: IWAY.

IWAY sets out our minimum requirements for suppliers on environment, social and working conditions, while supporting the development good management systems to aid continual compliance (see page 62 [▶](#)). This helps us to develop long-term relationships with our suppliers so that we can grow together with shared values and understanding – the average length of our supplier relationship is more than 11 years and we have worked with some suppliers for several decades.

<sup>1</sup> Our tier 1 suppliers work directly with IKEA, providing goods and services specified by us, without an intermediary.

PEOPLE & PLANET POSITIVE TARGETS	STATUS	PERFORMANCE IN FY15
Maintain the social and environmental improvements reached through the 100% IWAY approval of all suppliers of home furnishing and other key products and services. <sup>1</sup>	○	98.9% of home furnishing suppliers IWAY approved, with the remaining 1.1% being phased out. 96% of transportation suppliers, 55% of global food suppliers and 99.2% of IKEA Components suppliers IWAY approved.
By August 2015, expand the reach of our supplier Code of Conduct, IWAY, by securing approval at local IKEA Food, Indirect Material and Services and retail suppliers within the scope of IWAY. <sup>2</sup>	○	All Indirect Materials and Services suppliers IWAY approved (87%), pending a scheduled audit or being phased out. 85% of retail suppliers IWAY approved. We are changing the way we work with our food suppliers. In FY15, we continued to map our local food supply chain – the results, including levels of IWAY compliance, will be available in FY16.
By August 2017, go further into our supply chain by securing compliance to IWAY Musts <sup>3</sup> at all sub-suppliers of critical materials and processes. <sup>4</sup>	◐	92% of critical home furnishing sub-suppliers comply with IWAY Musts – based on the 1,897 sub-suppliers we have identified as critical.
<p><sup>1</sup> Suppliers related to Home Furnishing, IKEA Components, Transport &amp; Services, and Global Food.</p> <p><sup>2</sup> For the retail operations, the current IWAY focus is on cleaning, home delivery, security and waste management suppliers. IKEA Industry also now has a set of phased goals for the application of IWAY – see page 69 <a href="#">▶</a>.</p> <p><sup>3</sup> IWAY Musts are the immediate requirements that IKEA suppliers must meet before a contract can be signed.</p> <p><sup>4</sup> Covers material and processes which have an increased risk of sustainability concerns associated with the raw material or how it is sourced. For example cotton, leather, wood, down &amp; feathers, palm oil, natural fibres and plants.</p>	<p>○ Achieved    ◐ Ongoing    ○ Not achieved</p>	

## TOP 5 HOME FURNISHING PURCHASING COUNTRIES (% OF TOTAL FY15)



More on our approach to preventing child labour, supporting vulnerable groups in our supply chain and ensuring decent work across our supply chain on page 70 [▶](#).

More on our suppliers' environmental performance on page 48 [▶](#).

More on the IWAY Forestry Standard on page 27 [▶](#).

## OUR SUPPLIERS<sup>1</sup>

CATEGORY	NUMBER OF SUPPLIERS IN IWAY SCOPE FOR FY15	DESCRIPTION
Home furnishing	978 <sup>2</sup>	Make our home furnishing products. These were the first suppliers to work with IWAY when we launched it in 2000.
Transport and Services providers – land and ocean	236	Transport our products to stores and distribution centres by road, rail, river and sea. No airplanes are used in our goods supply chain. <sup>3</sup>
Transport & Services providers – customer delivery and customer services	66	Deliver directly to our customers and provide product picking in-store, assembly and installation services. Not all service providers are contracted centrally – see also Retail service providers below.
IKEA Catalogue	31	Provide the pulp, paper and print services for our printed catalogue. <sup>4</sup>
IKEA Food (global suppliers)	93	Provide the food and ingredients for the core range in our restaurants and in our Swedish Food Markets.
Indirect Material and Services (IMS)	147	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.
Retail cleaning, security, waste management and customer delivery service providers	389	Service providers to our retail organisation: cleaning, security, waste management and customer delivery (separate to the customer delivery providers centrally contracted through our Transport & Services function).
IKEA Components	252	These companies provide components and materials to IKEA suppliers and sub-suppliers that are used in IKEA home furnishing products. <sup>5</sup>
IKEA Industry	319 <sup>6</sup>	IKEA Industry supplies solid wood, board on frame and board-based furniture to IKEA and companies in the IKEA supply chain.

<sup>1</sup> Includes tier 1 suppliers within the scope of IWAY. <sup>2</sup> 978 suppliers includes IKEA Group's own production operations. <sup>3</sup> Except in exceptional circumstances. <sup>4</sup> Does not include digital suppliers. <sup>5</sup> Does not include some suppliers delivering to packaging units.

<sup>6</sup> Includes material suppliers and on-site service providers.

## AN INTRODUCTION TO THE IKEA WAY ON PURCHASING – IWAY

### What is IWAY?

**IWAY** – the IKEA Way on purchasing products, materials and services – is our supplier Code of Conduct. It sets out our minimum requirements on environment, social and working conditions, and is a pre-condition for doing business with us. It helps to ensure we only work with suppliers that share our values. Watch the [video](#) and [read the full IWAY standard online](#). The IWAY Standard is available in 31 languages. Supporting documents such as the IKEA Way on Preventing Child Labour and IWAY Working Methods explain in more detail how the requirements should be applied in relation to different types of suppliers and in different circumstances.

Our work does not stop once a supplier achieves IWAY approval. We keep working together with our

suppliers to maintain compliance, and we look for opportunities to support further economic, environmental and social development in our supply chain.

**IWAY Musts:** A minimum set of requirements all new suppliers must comply with before we sign a contract with them and maintain at all times during collaboration with IKEA. These cover areas such as child labour, forced and bonded labour, business ethics, severe environmental and health and safety issues, minimum wages and accident insurance.

**IWAY60:** An interim step towards IWAY relating to working hours. It required that suppliers' employees work a maximum of 60 hours per week, including overtime. At the end of FY15 we achieved our goal of 100% IWAY approval in China, including legislated working hours ([see page 65](#)), so we no longer work with IWAY60.

#### 2005 additions include:

- Continuous health and safety improvements
- Benefits
- Written employment contracts

#### 2008 additions include:

- Energy reduction
- Health and Safety committees
- Preventing harassment and abuse

#### 2012 additions include:

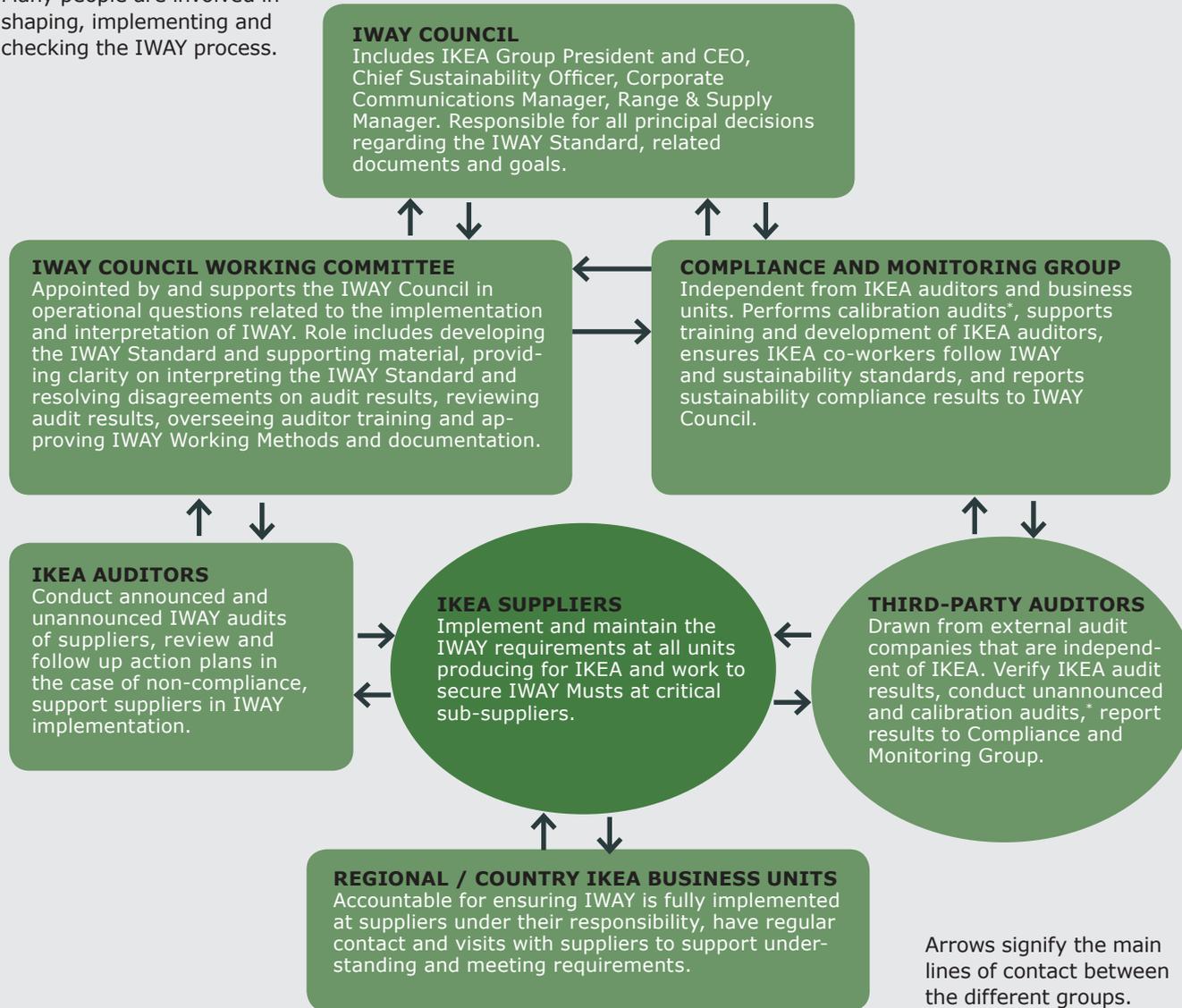
- Business ethics
- Recruitment processes for migrant workers
- Environmental performance reporting



(Based on: ILO Declaration 1998 – Fundamental Principles and Rights at Work; The Ten Principles of the UN Global Compact Framework 2000; UN Universal Declaration of Human Rights 1948; UN Convention on the Rights of the Child 1989; ILO Convention on Occupational Safety and Health 1983)

## Who is involved?

Many people are involved in shaping, implementing and checking the IWAY process.



<sup>1</sup> Audits undertaken by the Compliance and Monitoring Group and third-party companies to verify and assess the work done by IWAY auditors and business teams, ensuring a common implementation and judgment level.

## How do we deal with some of the challenges of implementing IWAY?

**1. Allocating resources to ensure we focus on higher risk suppliers.** Some suppliers are categorised as “IWAY Well Developed” – a group of our best performing suppliers. Following initial IWAY approval and proof of consistent performance, these suppliers do not receive scheduled IWAY audits. This allows us to focus our attention on higher risk suppliers and countries where suppliers are likely to need more support in reaching IWAY compliance. Well Developed suppliers do still receive random unannounced audits to ensure ongoing compliance, as well as undertaking self-audits.

**2. Maintaining compliance between audits.** Our analysis shows that between audits IWAY compliance tends to fluctuate, which means that suppliers need to make corrective actions within 90 days after each audit to maintain IWAY approval. Suppliers that are in the process of implementing corrective actions remain “IWAY approved” which means that while the overall supplier approval rate is 100%, the actual compliance rate can be lower and changes over time. This is an ongoing challenge, as we want to ensure everyday compliance – read more on page 66.

**3. Working with many different types of supplier.** IWAY working methods are tailored for each type of supplier. We also have various goals for different supplier types – see page 60.

**4. Extending IWAY to sub-suppliers.** An ongoing challenge is securing and tracking compliance with IWAY Musts at sub-suppliers. We have established a process of monitoring and developing sub-supplier compliance in our home furnishings supply chain and we will work on a more consistent approach with our other sub-suppliers.

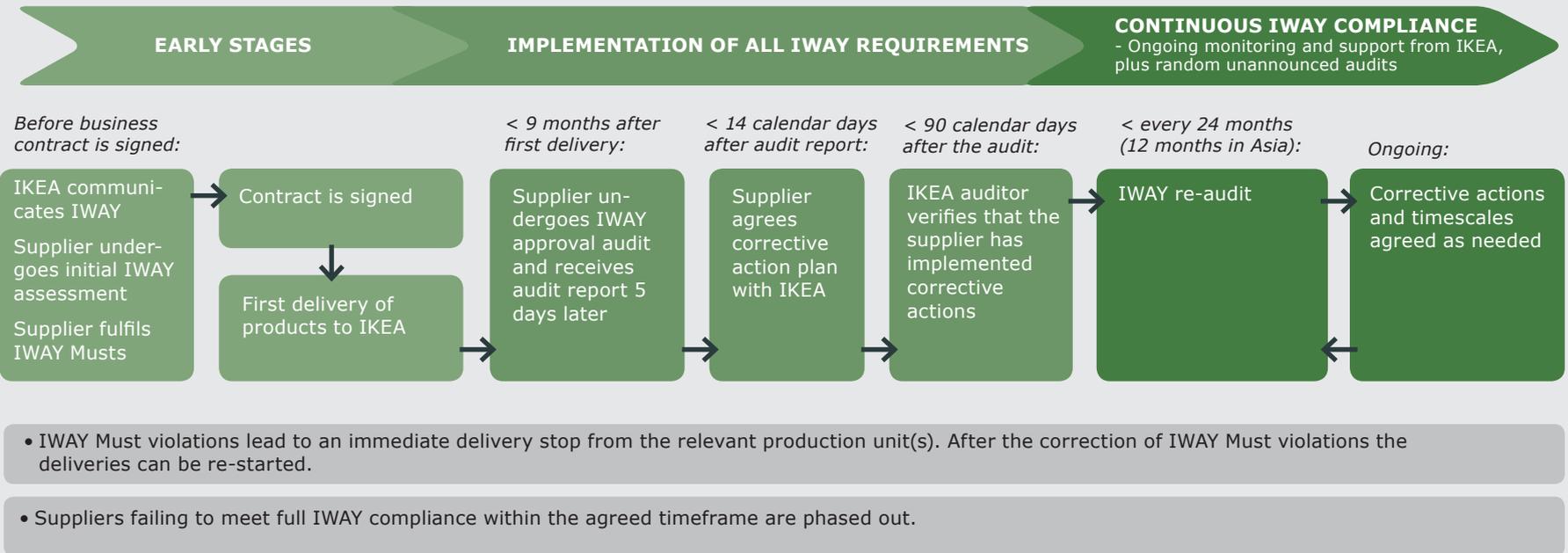
## Learning about IWAY

IWAY training is available to all IKEA co-workers. It is based on four different levels: basic, medium and advanced – step 1 and step 2. Each level is tailored to different needs. For example, IWAY auditors receive extended training and ongoing support through the advanced level training, while basic training might be more suitable for an IKEA store manager or co-worker.

## A SUPPLIER JOURNEY WITH IWAY

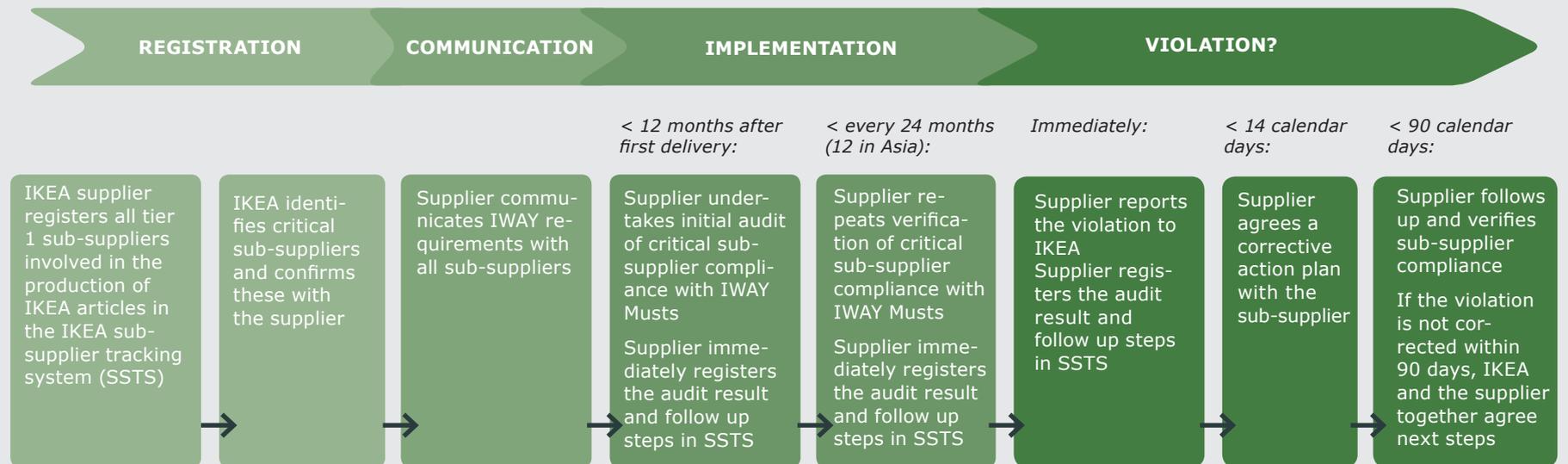
IWAY applies firstly to our tier 1 suppliers, with each IKEA organisation defining its own scope and implementation. It also covers some sub-suppliers (such as those that are permanently present on-site) and all on-site contracted labour directly involved in production. See below for more on how we use IWAY with other sub-suppliers.

The IWAY journey varies depending on the type of supplier. Here is a typical journey for a home furnishing supplier.

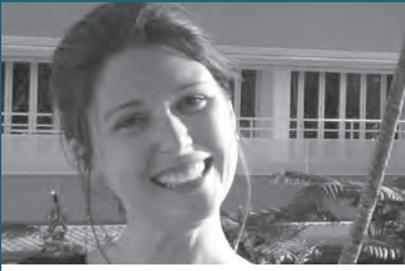


## IWAY AT SUB-SUPPLIERS

We can have a big impact on people, communities and the environment by working together with the companies that supply us directly to expand IWAY to their suppliers. Our suppliers are responsible for communicating IWAY Must requirements with "critical offsite sub-suppliers" and ensuring their compliance. Sub-suppliers are defined as critical if processes performed are considered to be potentially highly harmful to the environment, health or safety of the workers, or are in an industry or supply setup that is prone to child labour or forced and bonded labour.



## BOX-TICKERS NEED NOT APPLY



"I'm not a box ticker!" says Sophie Montavon – an IKEA IWAY auditor of seven years. "I learned more in my first year as an auditor than in my first year at school. Box-tickers couldn't do this job – you need to have a passion for learning."

Auditors are sometimes seen as working at arm's length, focusing on checklists rather than collaborating to achieve positive results. But our auditors are far more than that. They are the human link between our supplier Code of Conduct – IWAY – and our suppliers.

Our 87 full time auditors are IKEA co-workers, so their knowledge stays with us and helps us to learn and change. Each IKEA auditor is constantly learning about our suppliers and thinking about how we can work with IWAY to improve environmental and social performance across our supply chain.

Sophie explains: "When we do an audit we have to see things from the supplier's perspective. Our role is to understand how they are working, to assess them of course, but also to explain why we are asking things and to help them

understand the benefit to them. I know we have done our job well when a supplier doesn't need me anymore – they are aware of their weaknesses and they already have a plan in place to improve when I visit them."

Our auditors face new challenges every day. They have to adapt quickly to working with many different types of suppliers – including transport companies, factories and service providers at IKEA stores – in many situations. And this also gives them opportunities to learn about new systems and solutions. Sophie is always happy to share advice and ideas with suppliers. She also shares her knowledge with new IKEA auditors.

"Through our IWAY training programme, we encourage our auditors to be open-minded and curious," says Sophie. "Showing an interest in the supplier and how they work is the most crucial quality an auditor should have. You need to look behind the wall and understand what is going on in people's heads."

Auditors help people live better lives, and this is why Sophie loves it.

"We are doing this for the health and safety of people working at our suppliers, their families and the environment. It is so rewarding when we see real change and investment. It's not just a paper exercise – we are really making a difference."

## WHERE NEXT FOR IWAY?

We always look for ways to improve our work with suppliers so that we understand each other better and work together to create positive changes. In FY15 we conducted a hands-on evaluation of worker rights in our supply chain to help improve our ways of working and guide the development of IWAY.

The IKEA Compliance and Monitoring Group (CMG) visited Vietnam, accompanied by team members from the IKEA Purchasing Office of South Asia and South East Asia, and the Ethical Trade Manager from Oxfam, Rachel Wilshaw. During their three day visit, the group looked at how IKEA handles issues of worker rights such as collective bargaining, disciplinary actions, discrimination and harassment. Factory visits, workshops and interviews with workers and suppliers all informed the discussions about problems and possible solutions.

We will use the evaluation findings to help shape auditing and IWAY standard development in the future. One thing that became really clear to us was the importance of involving workers in the process of addressing labour issues, to ensure we act in their best interest and create working conditions that genuinely have a positive impact on their lives.



**RACHEL WILSHAW**

*Ethical Trade Manager, Oxfam*

"Many companies are still in denial about the deep flaws in social audits. In light of this, an invitation by IKEA to spend three days with their team talking about workers' rights was very welcome. Together, we explored why so few concerns are raised by workers about issues known to be prevalent, and came up with a range of suggestions on what could be done to improve practices, including improving worker-management dialogue and rewarding suppliers. Given the 'can-do' attitudes the team showed, I left feeling optimistic that positive change in IKEA's processes would follow."



**JOHN PEMBERTON**

*Business Development Manager - Synthetic Textiles, IKEA*

"This experience has focused me on working with our suppliers' management teams to help them get closer to their factory floors, and we've already seen good results. I think it also highlights the importance of consumers being aware of the impact of their decisions on the many people involved in the supply chain, so they can make informed choices."

## PERFORMANCE BY SUPPLIER CATEGORY

In FY15, there were 2,083 IWAY audits, of which 710 were unannounced. This included 1,178 IWAY audits at home furnishing suppliers, of which 627 were unannounced (see table

below). The number of home furnishing supplier calibration audits carried out by the IKEA Compliance and Monitoring Group (CMG) decreased to 28 (from 31 in FY14), corresponding

with an increase in third-party unannounced audits to 156 (from 123 in FY14) – see page 62 for more detail on the other roles of the CMG.

IWAY AUDIT DATA FOR HOME FURNISHING SUPPLIERS	FY11	FY12	FY13	FY14	FY15
<b>Number of IWAY audits/of which are unannounced</b>					
Europe	341/144	348/198	337/55	485/87	448/238
Americas	26/12	31/15	31/5	53/8	48/26
Asia	626/55	607/517	549/434	617/501	682/363
<b>Total</b>	<b>993/711</b>	<b>986/730</b>	<b>917/494</b>	<b>1155/596</b>	<b>1,178/627</b>
<b>Number of IKEA Compliance and Monitoring Group calibration audits<sup>1</sup></b>					
Europe	24	19	19	7	4
Americas	3	2	2	2	2
Asia	25	29	19	22	22
<b>Total</b>	<b>52</b>	<b>50</b>	<b>40</b>	<b>31</b>	<b>28</b>
<b>Number of third-party audits (unannounced)</b>					
Europe	12	9	23	32	63
Americas	0	2	2	3	10
Asia	32	45	66	88	83
<b>Total</b>	<b>47</b>	<b>56</b>	<b>91</b>	<b>123</b>	<b>156</b>
<b>Terminated businesses, number of suppliers<sup>2</sup></b>					
Exited due to IWAY non-compliance	8	47	26	18	12
<b>Number of third-party child labour audits</b>					
<b>Total</b>	<b>370</b>	<b>365</b>	<b>416</b>	<b>305</b>	<b>350</b>

<sup>1</sup> Audits undertaken by the Compliance and Monitoring Group and third-party companies to verify and assess the work done by IWAY auditors and business teams, ensuring a common implementation and judgment level. <sup>2</sup> Before FY15, terminations were categorised as “due to non-compliance” and “due to non-compliance and other reasons”. We have replaced these categories with a single category for FY15 to aid clarity. This means figures for FY15 are not directly comparable to previous years.

## HOME FURNISHING SUPPLIERS

### Supplier performance



At the end of FY15, 98.9% of home furnishing suppliers were IWAY approved, including 0.8% pending a scheduled audit. The remaining 1.1% have not been able to meet our requirements and are in the process of being phased out. We faced two specific issues in FY15: the charging of recruitment fees to migrant workers at some suppliers in Taiwan (see page 66) and difficulties in meeting working hour requirements at one of our larger suppliers. Both of these issues are now resolved.

Compliance with IWAY working hour requirements has been a focus for us in China for many years, and included an interim goal of IWAY60 (see page 61) as a step towards full IWAY approval. In FY15, we reached our goal of achieving 100% IWAY approval at suppliers in China, compared with 24% in FY14.<sup>1</sup> This means that all suppliers in China have either complied with IWAY working hour limits or are being phased out (approximately 10% of the total<sup>2</sup>). Meeting this target on time is a significant achievement for us, but we know that this is just one step of our journey with suppliers in China. We will continue to work with them to maintain IWAY compliance and make progress on key issues.

<sup>1</sup> In FY14, 98.8% of suppliers in China were approved to IWAY60 and 24% were IWAY approved. <sup>2</sup> A total of 39 suppliers are being phased out. This represents approximately 10% of our total supplier base in China for Home Furnishing and IKEA Components.



**THOMAS SCHAEFER**  
Sustainability Manager,  
Purchasing, IKEA of Sweden

“This is a groundbreaking achievement. It is a great example of what is possible when we work together with suppliers that share our values. And it puts us in a good position to face the next challenge of maintaining IWAY compliance in China next year and beyond.”

## Challenges

An ongoing challenge for us and our suppliers is the continuous implementation of IWAY between audits and approval. Data analysis over the past five years shows us that:

- New suppliers have an average compliance rate of 78% when they start with us (although they must show the potential to reach 100% at this stage<sup>1</sup>)
- Suppliers reach 100% (approved) in the first 12 months
- At consecutive audits the compliance rate averages 87%
- After each audit suppliers have 90 days to get back to 100% (at which point they are approved).

This means that a supplier can remain IWAY approved but still show fluctua-

tions in compliance between audits (except where a serious or IWAY Must violation is found). For example, we know that wages and working hours tend to be the areas where it is most challenging for suppliers to maintain continual compliance, whereas health and safety is an area where they can maintain standards after making initial changes. Our goal is to work together with suppliers to maintain continual compliance with all IWAY requirements. To help us measure and manage our improvement in this area, we plan to introduce compliance rate as a performance indicator alongside overall approval from FY16 onwards.

We work with our suppliers to embed IWAY into everyday business processes and maintain IWAY performance. In South East Asia, we have seen a lack of integration of IWAY into management systems, which has con-

tributed to unstable IWAY compliance rates. In FY15 we introduced the 'IWAY Independent Program'. This helps us collaborate with suppliers to integrate IWAY into their everyday work. We have seen an increase in the average IWAY compliance rate as a result of measures such as standardising working methods, improving staff engagement and internal communications. Currently nine suppliers are taking part in the programme.

In South Asia we introduced a new induction process for suppliers, which highlighted the relevance of IWAY to everyone within a suppliers' organisation, from the shop floor through to senior management.

In China and East Asia we identified several IWAY Must violations in relation to working hours as a result of falsification of records. In all cases the violation led to an immediate halt in deliveries from the relevant production units until the issue was resolved, and in some cases we terminated business with the supplier completely. In FY16, we aim to develop a more structured supplier development programme in China to further enable suppliers to share ideas and best practices for achieving continual IWAY compliance. As part of our efforts to ensure the responsible recruitment of migrant workers (see page 74 ) , we have been working together with home furnishings suppliers in Taiwan to ensure jobseekers do not have to bear the cost of recruitment fees.

## Opportunities

We always look for opportunities to tackle key issues such as fair wages and working conditions in higher risk areas of our supply chain.

For example, carpet weaving is



Tier 2 home furnishing (HF) suppliers	FY13	FY14	FY15
Total number of HF tier 2 suppliers	14,000	16,561	18,954
Total number of HF tier 2 suppliers with identified critical materials and processes	2,200	1,691	1,897
Share of HF tier 2 suppliers with identified critical materials and processes compliant with 'IWAY Musts', %	20	91	92

historically associated with poor working conditions, child labour and exploitation by middlemen. In 2010, we started working with carefully selected suppliers and sub-suppliers in India and Bangladesh to produce high quality handmade IKEA rugs, while ensuring

decent working conditions and fair pay in IWAY compliant factories close to the homes of the weavers. Five years on, approximately 10,000 weavers

<sup>1</sup> In some areas, such as South East Asia and East Asia, we do not start business with a supplier if the initial compliance rate is below 90%.

IWAY approval at home furnishing suppliers, % <sup>1</sup>	FY11	FY12	FY13	FY14	FY15
Europe	90	100	100	99.5	100
Americas	94	100	100	96.2	98
Asia, total	41	92	97.8	97.8	98
China	30	90	99.2	98.8	98
South Asia	65	93	92.2	95.9	95
South East Asia	56 <sup>2</sup>	97	96.7	94.7	99
All regions	67	96	99	98.6	98.9

<sup>1</sup> Data for home furnishing suppliers includes IKEA Industry factories. Excludes new suppliers that have up to 12 months to be approved. Suppliers that have a non-compliance identified and are still within the 90-day period allowed to correct it, are categorised as approved. Suppliers pending a scheduled audit are categorised as approved as long as the previous audit has not expired (applies to 0.8% of the total in FY15). In FY15, the remaining 1.1% applies to suppliers being phased out.

<sup>2</sup> Figure restated from FY14 (65%).

and other workers are involved in this initiative. We have trained more than 600 people in two dedicated weaving schools, where trainees are paid at least the local minimum wage while they learn. Read more about our efforts to ensure decent working conditions within our own operations and supply chain [on page 72](#).

Suppliers now have even more hands-on support following the restructure of our sustainability compliance and sustainability development functions. This enables us to focus our efforts on working together with suppliers to meet IWAY requirements and tackle wider sustainability challenges. Instead of repeating the Global Sustainability Days held in FY14, we integrated the theme of sustainability into our annual IKEA supplier days – read more [on page 48](#).

### Sub-supplier performance

Approval with IWAY Musts at our critical tier 2 home furnishing sub-suppliers in FY15 was 92% globally (see table [on page 66](#)). In South East Asia all critical sub-suppliers are IWAY Must approved and in other regions we have continued to work with suppliers to increase this figure.

For example, in South Asia we have continued to build the capacity of our suppliers to undertake sub-supplier audits by offering training and providing more focused support where it is needed. In China, as well as continuing to work to secure IWAY Musts at tier 1 sub-suppliers, we are encouraging some well performing sub-suppliers to progress to full IWAY compliance.

## TRANSPORT & SERVICES SUPPLIERS

In FY15, IWAY approval rate for suppliers that transport our products to stores and distribution centres was 100% for ocean transport providers and 99.5% for land transport providers. IWAY approval for centrally contracted transport suppliers who deliver directly to customers, was 86%, compared with 100% in FY14. This decrease is due to a change of scope – we included parcel carriers for the first time in FY15 and are working with them to reach IWAY compliance.

We approve of the principle of free trade within the European Union (EU). But we recognise that it also brings challenges. For example, some suppliers pay their drivers the minimum wage of their country of origin, which is often lower than local wages where the drivers predominantly work.

IKEA always requires suppliers to comply with laws and regulations, as well as IWAY requirements. We welcome the development of the EU directive aiming to improve working

conditions for drivers of international transport companies – including paying workers at least the minimum wage in the country where they are working. We engage in dialogue with the transport unions so that together we can find ways to contribute to the positive development of the transport industry. Through IWAY we are working closely with our service providers to secure good working conditions for drivers. In FY16, we will also begin spot checks at our distribution centres and stores of the conditions under which contract truck drivers work.

IWAY approval of transport and service suppliers (% IWAY approved)	FY11	FY12	FY13	FY14	FY15
Customer delivery suppliers, % of centrally contracted suppliers approved	53	91	93	100	86
Ocean transport providers, % approved	95	100	100	100	100
Land transport providers, % approved	82	100	100	100	99.5

## FOOD SUPPLIERS



FY15 was a year of change for our food business. We hired a Sustainability & Health Manager, who is leading the development of a new global health and sustainability direction – read more [on page 30](#). We are also working towards setting a framework for our entire food business in a more centralised way, which presents opportunities to develop closer relationships with our global suppliers, build a better understanding of our local food supply chain and achieve more sustainable outcomes.

We developed a new IWAY working method and started to implement IWAY at our food suppliers according to a roadmap for food in FY15. High

volume products and wholesalers fell within scope. IWAY Must verifications have been carried out with 93% of these 'in-scope' suppliers. A total of 55% of suppliers of our core global food range were approved following a full audit and we will continue to work with our suppliers to increase compliance rates to 100% over the next two years. Figures are therefore not comparable to previous years.

We continued work to map our local food supply chain in FY15, and will provide a more complete map of our local food suppliers and their level of IWAY compliance once this work is complete in FY16.

## IKEA INDIRECT MATERIALS AND SERVICES (IMS) SUPPLIERS



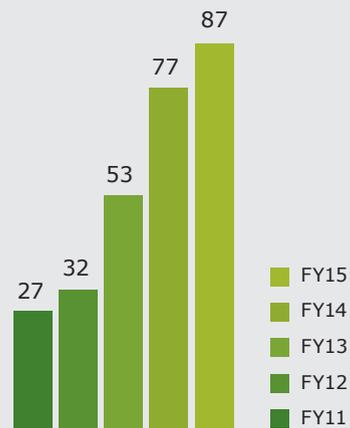
At the end of FY15, all IMS suppliers under the IWAY scope were IWAY approved (87%), pending a scheduled audit or being phased out. This is an important milestone, but we need to work together with suppliers to maintain compliance – especially in the more complex service sector,

where our next step will be to go further into the supply chain and secure IWAY compliance with selected sub-suppliers.

Our wider work with IKEA IMS suppliers in FY15 continued to focus on creating business value in three key ways:

- Consolidation. Having fewer suppliers means we can develop stronger relationships and get better value for products and services.
- Standardisation. We can reduce our environmental and social impacts and ensure quality by offering a carefully selected, streamlined selection of products and services.
- Relevance. To make sure we get the most benefit from consolidation and standardisation, we work to understand the needs of IKEA stores and co-workers so that IKEA IMS solutions are useful and well-used.

**IWAY APPROVAL OF INDIRECT MATERIALS AND SERVICE (IMS) SUPPLIERS (% approved)**



## RETAIL SUPPLIERS



In FY15, we continued to focus on auditing higher risk supplier categories: cleaning, security, waste management and customer delivery service providers – the customer delivery service providers managed by our retail operations are in addition to those managed by our Transport & Services business. The IWAY approval rate for these four categories of

supplier in FY15 was 85%, compared with 40% in FY14.

In FY15 we tested a new way of working in three countries – transferring responsibility for IWAY implementation to IMS (while retaining ultimate accountability within Retail). The results were positive, so we plan to roll out this approach more widely in FY16.

**IWAY approval of retail cleaning, security, waste management and customer delivery service suppliers**

	FY13	FY14	FY15
Total number of IWAY audits conducted at retail suppliers	136	179	314
Total number of retail cleaning, security, waste management and customer delivery service providers	539	448	389
Retail cleaning, security, waste management and customer delivery service providers, % approved	19	40	85

## IKEA CATALOGUE SUPPLIERS



suppliers to implement their corrective action plans. We undertook 30 audits in FY15 and plan a further 40 in FY16, keeping us on track to audit all catalogue suppliers by the end of FY16.

All suppliers continue to undertake self-assessments twice a year, based on IWAY and industry-specific requirements for pulp, paper, print and digital. In FY15, we commissioned more third-party audits to increase the reliability of the industry-specific environmental data gathered from our supply chain, going beyond IWAY. They enable us to score suppliers, discuss corrective action plans with them and assess how to improve energy efficiency, renewable energy content, waste and water use. Read more about the environmental performance of our catalogue suppliers [on page 50](#) .

IWAY approval for our catalogue suppliers at the end of FY15 was 70%, compared with 55% in FY14. We achieved this increase by completing IWAY audits with more suppliers and supporting previously non-compliant

IWAY and industry specific approval at IKEA catalogue suppliers	FY11	FY12	FY13	FY14 <sup>1</sup>	FY15
Share of catalogue paper and print suppliers that are IWAY approved (%)	90	89	82	55	70
Share of catalogue paper and print suppliers that are approved according to the industry specific requirements (%)	72	70	66	68	46

<sup>1</sup> The decrease from FY13 to FY14 is partly as a result of more accurate data – specifically an increase in IWAY audits rather than supplier self-assessments.

## IKEA COMPONENTS SUPPLIERS

IWAY approval at IKEA Components and suppliers	FY13	FY14	FY15
IKEA Components units, % approved	100	100	100
Total number of IKEA Components suppliers	226	242	252
Total number of audits conducted at IKEA Components suppliers	146	187	195
IWAY Components suppliers, % approved	100	99.2 *	99.2

\* Figure corrected from FY14 (100%).

In FY15, 99.2% of IKEA Components units and their suppliers achieved IWAY approval or had a scheduled audit pending. During FY16 we will extend the scope to include more suppliers delivering to our own packaging units. The suppliers will be IWAY approved during FY16. In China we achieved the target of 100% IWAY approval for IKEA Components suppliers.

## IKEA INDUSTRY SUPPLIERS

IKEA Industry's Division Purchase function was formed in September 2014 to develop a centralised and standardised approach to IKEA Industry purchasing. In FY15, we focused on getting the basics in place, such as performance indicators, governance and new processes. In FY16 we will continue to strengthen purchasing processes and supplier development. We are taking a phased approach to IWAY compliance with our suppliers, which includes the following goals:

- By the end of FY15 all direct material suppliers will have IWAY Musts verified, and all critical direct material suppliers will have implemented IWAY 5.1<sup>1</sup> and be ready for auditing.
- By the end of FY17 all critical direct material suppliers will be IWAY audited and approved.
- By the end of FY18 all direct material suppliers will have implemented IWAY 5.1 and be ready for auditing.
- By the end of FY18, 50% of all direct material suppliers will be

IWAY audited and approved.

- By the end of FY20 all direct material suppliers will be IWAY audited and approved.

In FY15 we achieved our goal of verifying IWAY Musts at all direct suppliers in FY15. We achieved our goal of all critical direct suppliers being ready for audit by the end of FY15. We focused a lot on improving our sourcing of wood from more sustainable sources – read more [on page 25](#) .

In FY16 we will form a Division Purchase Sustainability Team to

support with IWAY expertise and IWAY standard training of business teams and suppliers. This team will also support the implementation of IWAY at our suppliers, starting with critical suppliers.

In FY15 IKEA Industry audited all of its permanent on-site service providers, supported by step-by-step guidelines and audit training for human resources and sustainability managers at each unit. The focus was on social conditions, although environmental and safety findings were also corrected within 90 days of the audits.

<sup>1</sup> IWAY 5.1 is the latest version of the IWAY Standard.

IWAY approval at IKEA Industry and suppliers <sup>1</sup>	FY15
Total number of suppliers	960
Number of suppliers within IWAY scope	319
Number of audits conducted	261
IWAY approved suppliers	207 <sup>2</sup>

<sup>1</sup> Includes material suppliers and on-site service providers. Figures are not comparable with previous years as a result of the formation of a new organisation with a new fully defined supplier base.

<sup>2</sup> 64.9% of suppliers within IWAY scope.

# SUPPORTING HUMAN RIGHTS



We want to empower people to create a better everyday life for themselves. For many, this is becoming increasingly difficult because of conflict in their homelands and the disruptive pressures of climate change. Respect for human rights is at the centre of

everything we do. We always work to protect the rights of the most important people in the world: children. And we focus on supporting specific groups in our extended supply chain, such as migrant workers, home workers and social entrepreneurs.

PEOPLE & PLANET POSITIVE TARGETS	STATUS	PERFORMANCE IN FY15
Develop and implement a transparent and reliable system for the responsible recruitment of migrant workers at first-tier suppliers in identified critical areas by August 2017.	○	Began a project in South East Asia with the International Organization for Migration to learn more about the processes and challenges of recruiting migrant workers, with the aim of developing action plans and goals to support ethical recruitment throughout our supply chain.
Continuously identify and develop setups for home-based workers to improve working conditions, protect labour rights and prevent child labour. By August 2020, all home-based workers are transitioned into improved setups and part of our handmade development programme.	○	Focused on improving working conditions in our supply chain in South East Asia, including audits and improvements at weaving centres in Indonesia and Vietnam, and collaboration with the International Labour Organization in Indonesia to analyse working conditions in our rattan supply chain.
Advocate for children's rights by influencing policy development, raising awareness and supporting families in vulnerable communities.	○	Took part in a range of external advocacy activities, including contributing to UNICEF training programmes for business, speaking at Global Compact meetings and supporting country launches of the Children's Rights and Business Principles. Updated the IKEA Way on Preventing Child Labour and Supporting Young Workers. The work of the IKEA Foundation centres on the rights of children and their families – see page 77 ▸.
Support the development of small-scale social entrepreneurs into IKEA suppliers leading to demonstrable social benefits, such as tackling poverty and empowering women. Sewing service and five new limited edition collections from the IKEA Social Entrepreneur initiative launched in three countries before February 2015.	○	Launched five new collections through local and international partnerships with social entrepreneurs, bringing the total to nine collections launched since FY13. Launched in-store sewing service with local partnerships.
		<input type="radio"/> Achieved <input checked="" type="radio"/> Ongoing <input type="radio"/> Not achieved

Read more about our efforts to contribute to a better everyday life at work for our co-workers on page 53 ▸ and for our first tier supply chain on page 60 ▸.



## HUMAN RIGHTS GOVERNANCE

We communicate the importance of respecting human rights to our co-workers and suppliers through a number of codes, policies and standards. These are all approved by Group Management and include:

- The IKEA Way on Preventing Child Labour and Supporting Young Workers
- The IKEA Way on Purchasing Products and Services (IWAY), our supplier Code of Conduct
- IKEA Group Code of Conduct
- IKEA Group Standard on Human Rights
- IKEA Group Policy on People
- IKEA Group Standard on People
- IKEA Group Policy on Sustainability

We strive to prevent any negative human rights impacts associated

with our business by focusing our attention on areas where we have the greatest potential impact within our supply chain – see page 62 ■ – and by keeping our policies and standards up to date with emerging risks and expectations.

In FY15, we developed new guidelines on human rights in communications to make sure our commitment to human rights is clear in all we say and do. In FY16, we will finalise our updated human rights standard: the IKEA Group Policy on Human Rights and Equality. This reflects the value we place on equality for all those who work with IKEA – as co-workers (see page 53 ■) or suppliers (see page 60 ■).

Where human rights risks are identified, we strengthen our due diligence processes and, when necessary, provide access to a remedy.<sup>1</sup>

### Example – child labour

We take a “prevent and protect” approach to decent work for young workers<sup>2</sup> through the application of our supplier Code of Conduct – IWAY. Our aim is to prevent child labour at suppliers, while protecting young workers by making sure suppliers provide them with suitable positions and decent work – this enables learning and skills development through quality work experience.

Our procedure for handling and following up on suspected child labour violations within our supply chain is set out in our IWAY working methods. It involves a step-by-step process from fact collection through to confirming the consequences for the suppliers’ future business with IKEA, while ensuring that all actions are taken in the best interest of the child.

In FY15 there were five suspected cases of child labour, all of which were confirmed. Using the IWAY Working Methods, we worked with the supplier in each case to resolve the situation while making sure the child’s wellbeing was protected. Specific actions included ensuring that every child had to access education, providing support to their families and putting follow up reviews in place.

Read more about our work on children’s rights on page 72 ■.

<sup>1</sup> The steps an organisation takes if it finds it has caused or contributed to human rights violations.

<sup>2</sup> Definition of a young worker according to the Children’s Rights and Business Principles: A child (below the age of 18) who is above the minimum legal working age and engaged in economic activity. It is an age group that is subject to designation as child labour if the work or working conditions are hazardous.

## OUR HUMAN RIGHTS JOURNEY



“Respecting human rights has always been key to how we work, although we may not always have called it that. It’s about having a positive impact on people and communities,” says Greg Priest, Head of Sustainability Policy, IKEA Group.

The IKEA supplier Code of Conduct – IWAY – is central to our human rights approach. It enables us to identify risks in the supply chain and to support suppliers to make changes in their own operations. The UN Guiding Principles on Business and Human Rights and the Children’s Rights and Business Principles have supported us to go further. They helped us to benchmark our progress and develop a more structured approach. We have improved our analysis of human rights risks and involved key stakeholders from inside and outside the business to help prioritise our actions across the value chain and

in our own operations.

We also look for opportunities to have a wider influence on global issues, like children’s rights. Greg explains: “We started by looking at the issue of child labour in our own supply chain using IWAY. And the programmes of the IKEA Foundation are tackling the root causes of child labour. Now, we want to encourage all of our co-workers to see the relevance of children’s rights to their own work, and we’re working with Save the Children and UNICEF to drive wider progress.

“We don’t have all the answers. Our recent experience in Russia (see page 57 ■) shows that we still have more work to do. And we are working with our partners to understand and take action on complex issues like eliminating fees charged to migrant workers (see page 74 ■) and ensuring fair wages globally (see page 72 ■). We have an opportunity to play a leading role.”

Greg is clear about the future: “We have to remember that real people are affected by everything we do, and we must work on the areas where we can have the most impact. Focusing on what’s good for people is a key part of building a strong, sustainable business. In fact, it’s the reason I work for IKEA – to help create a better everyday life for the many people.”

# THE RIGHT TO DECENT WORK



Everyone should enjoy going to work. Whether they are our co-workers or the people working in our supply chain, we want to make sure that all the people involved in our business have decent work and working conditions. It is a basic right, not a privilege.

Our internal guidelines and our supplier Code of Conduct (IWAY – see page 60) help to ensure we reach minimum standards on issues like discrimination in the workplace, excessive working hours and overtime, and payment of legal minimum wages. But in some countries, the legal minimum wage is not enough to support the basic needs of workers and their families – including clothes, education, food, housing and insurance. We think it is important to assess what a “fair wage” is – one that enables families to thrive, not just survive.

We work with the **Fair Wage Network** to assess our own operations and those of our suppliers – using a holistic

approach to assess wages alongside other important factors like social benefits and wage discrimination against part time workers. In FY14 our assessments led us to make changes to our wage structure in Japan and the USA. In Japan we introduced equal pay between full time and part time co-workers for equivalent hours. In the USA we increased minimum wages to match the cost of living. We have since made further wage increases in the USA in line with cost of living, and we strongly believe these changes will contribute to a reduction in staff turnover.

In FY15, similar assessments led us to increase our standard minimum wage in the UK and Ireland in line with the cost of living. We started to extend our approach to suppliers, by carrying out fair wage assessments with some suppliers in Turkey and all of our suppliers in Bangladesh. Learning from these pilots will guide us to make changes across other parts of our business and supply chain.

In FY16 we will carry out further work on conditions of employment in our own operations, to make sure our co-workers have enough hours of work to support themselves and their families. This will include introducing standards on aspects such as minimum contract hours, limited and unlimited contracts, and shift work.



**DANIEL VAUGHAN-WHITEHEAD**

*Founder of the Fair Wage Network*

The Fair Wage approach provides businesses with the tools to improve wage practices. It is not an audit exercise but a form of cooperation and partnership to help factories or stores make the best possible assessment of wage practices, identify the root causes and apply the appropriate remedy.

IKEA has a unique and leading approach – promoting fair wages among both its suppliers and its stores, making it a front runner in this area.

By focusing on its co-workers first, IKEA will enhance its credibility with suppliers, partners and customers. Extending this approach to suppliers is key to building capacity and promoting good wage practices across the IKEA supply chain and beyond.

# CHILDREN'S RIGHTS

Children are the most important people in the world. But today, one billion children are deprived of services they need to survive and grow<sup>1</sup> – including education, health-care and protection from harm. Climate change will only increase the pressures already felt by children and their families in some of the world's most vulnerable communities.

We are working to secure children's rights across our entire value chain. This is a complex and evolving area and, while we have been working on children's rights for many years, we know that there is much more to do. We want to make

sure that every aspect of our business makes children's lives better.

The **Children's Rights and Business Principles** (the Principles) – developed by UNICEF, the UN Global Compact and Save the Children – are the first comprehensive set of principles to guide companies on children's rights. The Principles link directly or indirectly to everything we do, and we are using them as a base to develop our work on children's rights, building on the belief that our actions should always have the best interests of the child in mind.

<sup>1</sup> See <http://childrenandbusiness.org/>

## THE CHILDREN'S RIGHTS AND BUSINESS PRINCIPLES



Graphic: UNICEF

## Performance

In FY15, we strengthened our focus on children's rights, starting by talking to people within and outside of IKEA to develop a detailed assessment of our progress against the Children's Rights and Business Principles. Through this process, we are identifying stakeholders who will support us to improve and achieve our goals, as well as supporting co-workers to take ownership of the issues relevant to their own work. We will use the results of the mapping to develop an action plan in FY16, focusing on the areas where we know we can do more.

We updated the IKEA Way on Preventing Child Labour and Supporting Young Workers in FY15 and will engage suppliers and co-workers in FY16 to refresh their awareness and understanding of children's rights.

The way we develop the Children's IKEA range demonstrates how we consider the child's perspective in our work. Every product in the range is designed to promote children's right

to play, to be functional, fun and grounded in our knowledge of child development through work with external organisations and experts. We have zero-tolerance to any health or safety risks, and you can learn more about how we make our products safe on page 35. In FY15 we completed the biggest piece of research ever undertaken on play, interviewing almost 30,000 parents and children in 12 countries for our Play Report 2015. It has taught us more about play and how people spend time together all around the world, and will guide us as we develop products and services for children in the future.

We know we cannot become complacent – we want to ensure everyone at IKEA understands that respecting and supporting children's rights is part of their everyday work. We will continue to map our progress and build our capability to capture performance data, so that we can develop further goals and share best practice in a systematic way.



## STAKEHOLDER CHALLENGE

IKEA has a strong approach to selecting and supporting suppliers that share its values through its supplier Code of Conduct, IWAY. Does it stop there, or can IKEA really help to tackle the complex issue of child labour deeper in its global supply chain?



**ANDREW MAWSON**

*Chief – Children's Rights and Business, UNICEF*

Child labour in complex global supply chains is a challenge for many businesses. It becomes increasingly difficult when considering deep and expansive supply chains with multiple tiers, informal production and child labour in the production of raw materials.

UNICEF supported IKEA in the development of the IKEA Way of Preventing Child Labour in 2000. Clearly communicating expectations and standards to suppliers is an important first step in addressing child labour. UNICEF also welcomes IKEA's commitment to the Children's Rights and Business Principles in its sustainability strategy for 2020, and its efforts to undertake a gap analysis of business practice using the Principles framework.

Sustainable solutions also require looking at the root causes. At its core, child labour is both a cause

and consequence of child poverty, but is also exacerbated by the lack of alternatives and a lack of awareness of children's rights. The IKEA Foundation has taken a very proactive role to address education, women's empowerment, and strengthening of child protection systems in supply chain communities. The challenge for IKEA is to take this further – to use its influence and leverage with suppliers, peer companies, and governments to contribute to the Sustainable Development Goal to eliminate the worst forms of child labour by 2025.



**SASKIA DIELEMAN-JAMIN**

*Compliance Manager, IKEA Group*

We've focused on securing children's rights in our supply chain for many years through IWAY – it enables us to have a shared understanding with our suppliers about the importance of children's rights,

so we can work together to tackle child labour.

Contributing to the development of the Children's Rights and Business Principles and using the analysis tool from UNICEF and Save the Children really helped us to focus and look at every aspect of our business through the lens of supporting children's rights.

We recently strengthened our IWAY Standard documentation on the treatment of young workers because we want young people who are legally able to work to access decent jobs with appropriate support. When factories meet all IWAY requirements, they have all the pre-conditions necessary to be a safe and healthy workplace for young workers. Since 2012, we have trained our direct suppliers to perform IWAY Must audits at their critical sub-suppliers, helping to ensure that our requirements on the prevention of child labour are fulfilled further along our supply chain.

We know we need to do more to move our wider supply chain from compliance to genuine commitment. We will continue working with our suppliers and others outside of IKEA to drive respect for children's rights even further into the supply chain.

## MIGRANT WORKERS



For many people, the opportunity of work leads to a move away from home. Around 232 million people in the world today are international migrants, 105 million of whom are working.

The process of recruiting and employing migrant workers can sometimes be associated with unethical and exploitative practices. The promise of a better future can turn into a burden of large debts from recruitment fees and

– in the worst cases – bonded labour. We are committed to the responsible recruitment of migrant workers and we set clear standards for the recruitment and employment of workers through IWAY. We do not tolerate forced labour or human trafficking, and expect suppliers to respect rights such as non-discrimination and transparency of terms and conditions.

### Performance

Recruitment processes in many countries involve complex layers and practices, sometimes by multiple organisations. Lack of transparency in the recruitment industry, as well as the fact that these issues often lie outside our suppliers' sphere of influence and are difficult for them to tackle on their own, can make it

challenging to meet IWAY standards.

To support our suppliers in tackling these problems we are partnering with the [International Organization for Migration \(IOM\)](#) on a project in South East Asia. Together, we are mapping the recruitment corridor from the supplier back to the workers' home countries, to better understand the challenges and potential solutions. We will use the findings to develop action plans and goals to support ethical recruitment of migrant workers, with the long-term aim of contributing to lasting changes. We will complete this project by March 2016.

We know that we cannot solve this alone, and that a broader global effort is needed to create sustainable change. We have been working closely with NGOs and other businesses to set up a cross-sectoral initiative that will help drive the transformational change required in the global recruitment industry.

Read more about our approach to workers' rights in our transport supply chain on [page 67](#).



**LARA WHITE**

*Senior Labour Migration Specialist, International Organization for Migration*

"Tackling the complex issues related to labour exploitation and human trafficking requires partnership and commitment. That's why we are pleased to be collaborating with IKEA as part of its efforts to promote the ethical recruitment and fair treatment of migrant workers – working together to learn more about the 'migration stories' of workers in the IKEA supply chain. I look forward to seeing IKEA use learning from this project to bring transformative change to recruitment standards affecting its supply chain. I hope it will also mobilise suppliers and other companies in their commitment to fair labour practices."

## HOME-BASED WORKERS

We want people to be able to work in a way that fits with their everyday lives. For many who live in poverty, working at home in the 'informal' sector is an important way to bring in family income. Short-term jobs such as weaving can be very flexible and fit well around home life, but often offer no guarantee of safe and fair working conditions.

We work with suppliers in parts of our supply chain that traditionally rely on home-based workers – implementing new working methods to standardise employment processes and conditions. And we partner with social entrepreneurs (see right) to develop new avenues of employment for traditionally home-based workers.

### Performance

In FY15, we focused on improving working conditions in a supply chain in South East Asia traditionally associated with the informal sector: natural fibre.

We carried out 573 audits at villages and weaving centres across our natural fibre supply chain in Indonesia and Vietnam, leading to IWAY approval of 406 villages and 65 weaving centres.<sup>1</sup> We provided training to third-party and suppliers' own auditors, increasing their capacity for future audits. The audit process has led to improvements in working conditions and labour rights for home-based workers and within the weaving centres.

In Indonesia, we collaborated with a project of the International Labour Organization (ILO) which supports strategies to strengthen the labour

conditions of homeworkers. The project reviewed and analysed the employment relationships and working conditions of these workers in our rattan supply chain. The analysis showed good performance in preventing forced, bonded or child labour and promoting basic safety at work. Increased health insurance coverage was also observed among workers at weaving centres. The areas requiring improvements included the use of a written contract, payment of minimum wages, strengthening occupational safety and health, and increasing awareness on labour standards – especially among women workers. The link between sub-contracting, productivity and wages is complex. We are working to understand this better so that we can assess cases where the minimum wage is not being reached and work with suppliers to remedy this where needed.

The project also identified some specific challenges facing our rattan supply chain: supply issues (including irregular orders and rising production costs) and the shortage of skilled weavers due to the trend for young people to look for jobs elsewhere. We will use the findings to support our suppliers in tackling these challenges. More on our natural fibre supply chain on page 31.

<sup>1</sup> Often many households within a village are involved in IKEA production, so we register villages rather than individuals on our sub-supplier tracking system. IWAY approval of a village is based on the audit of a sample of households within a specific community.

## SOCIAL ENTREPRENEURS



Social entrepreneurs are people who establish a business with the aim of solving a social problem or effecting social change.

We have realised the huge potential of working with these enterprises. They fit a unique position, operating on a much smaller scale than our larger suppliers (see page 60). By forming solid long-term business relationships with social entrepreneurs that share our values, we co-create limited edition collections of unique handicrafts available in selected stores. These partnerships supply up to 31 stores in five countries, using traditional handicraft methods such as embroidery and weaving, and natural materials such as banana fibre and ceramics.

The social enterprises we partner with internationally employ local

artisans – mostly women who live in rural areas, with previously limited or no access to paid work and sustainable income. Now these women are able to open bank accounts to save money. They are empowered to challenge cultural norms by developing a profession outside the household while continuing the local craft heritage.

We also collaborate with social entrepreneurs providing work to immigrant and refugee women who are struggling with entering the local labour market. These local partnerships supply one or two of our stores within the same country with limited edition collections of upcycled IKEA textiles and in-store sewing services.

Selection of social enterprise partners is based on the positive social impact they have on their community. All pay at least the local

minimum wage, and often more. Many of the artisans are shareholders in the social enterprise where they work. One of our partners has reached full IWAY compliance and all have at least reached our minimum set of supplier requirements – IWAY Musts (see page 61). We recommend our partners undertake third-party social impact audits and we are developing a social impact report template to guide this process. The template includes indicators in areas such as expenditure on education, health insurance and awareness, salary and skills increase, and waste and recycling. The results of the first of these audits will be available in FY16.

### Performance

In FY15, we continued our international partnerships with Rangсутra and Industree in India and the Doi Tung Development Project in Thailand, launching three new collections and expanding production capacity.

We developed collections with two local partnerships in Denmark and the USA. Learn more about our partnership with the US-based Multicultural Refugee Coalition (MRC) and their subsidiary Open Arms here. We also continued a partnership with Yalla Trappan in Sweden, and formed a partnership in Indonesia with APIKRI (The Indonesian People's Handicraft Foundation) with the aim of developing a local handicraft collection.

In FY16, we will launch at least three further collections from our international partners, including one from Thailand and two from India.



**INVERKAN** with Doi Tung Development Project, Thailand (21 stores in 3 countries)

This is the fourth collection from our partnership with the Doi Tung Development Project, which aims to enable the tribal villages in Chiang Rai to develop a self-sustained livelihood away from opium production. The Project employs 1,700 people, including 470 artisans working with handicrafts. Its social mission is to revive lost natural forests and to improve healthcare and education in the community.



**STADIGT AND KRYDDGLAD** with Rangсутra / Industree Producer Transform, India (31 stores in 5 countries)

Rangсутra gathers together thousands of artisans into production cooperatives near their homes in remote regions of Rajasthan and Uttar Pradesh. Many women in the world's poorest communities struggle to maintain independence, and live with uncertainty about what the future holds for their families. We partner with social enterprises like Rangсутra to offer new business opportunities and independence to these women.



**VIBRERA** with Place de Bleu Denmark (1 local store)

Place de Bleu supports immigrant women who are struggling to enter the labour market in Denmark. The women sew, knit and crochet handmade textiles, including our VIBRERA collection of 2,000 hand-sewn pillow and cushions – made from recovered IKEA materials.



**HÄLLNING** with Open Arms, USA (2 local stores)

Open Arms is breaking the cycle of poverty by providing refugee women with living wage work through the manufacturing of textiles. Open Arms works with the Multicultural Refugee Coalition to provide sewing training and a variety of other social, community and educational support for refugee community.

**COLLECTIONS LAUNCHED IN FY15: 5**

**TOTAL COLLECTIONS LAUNCHED SINCE FY13: 9**

**NUMBER OF ARTISANS INVOLVED IN FY15: MORE THAN 2,000**

# LASTING CHANGES FOR COMMUNITIES



We are part of a global community, and we want to empower people to create better lives for themselves, whoever and wherever they are.

Many diverse economic, environmental and social pressures can make it difficult for families and communities to lift themselves from poverty. Our efforts to enable positive change become even more important as climate change magnifies these challenges – contributing to conflicts, altering living conditions and further limiting access to already precious resources. The IKEA Foundation is the philanthropic arm of Stichting INGKA Foundation, the owner of the IKEA

Group. It supports projects in some of the world's poorest and most vulnerable communities, with a particular focus on children and their families.

Locally, we want our stores and other facilities truly to be part of their community by contributing time, resources and expertise in whatever way is most useful. We encourage our co-workers and customers to get involved in creating change, often through partnerships with local organisations.

Read more about our wider contributions to socio-economic development [on page 86](#).

PEOPLE & PLANET POSITIVE TARGETS	STATUS	PERFORMANCE IN FY15
Engage customers and co-workers in annual campaigns for good causes to improve children's lives in some of the world's poorest communities. Each campaign will aim to raise EUR 15 million a year.	○	As a result of the Brighter Lives for Refugees campaign, the IKEA Foundation donated EUR 10.8 million for UNHCR. And the Soft Toys for Education campaign generated EUR 10.1 million. <sup>1</sup>
By August 2020, more than 500 co-workers from around the world will have participated in IKEA Foundation IWitness trips by visiting schools and communities that are supported by IKEA's annual good cause campaigns.	○	Since 2012, more than 300 co-workers from 33 countries have been on 46 IWitness trips across the globe.
All IKEA Group units will engage in local community activities in line with People & Planet Positive, based on local needs assessment and co-worker engagement.	○	We created a cross-organisational working group to look at how we work with local communities, with the aim of developing a consistent approach and enabling us to better assess impacts.
IKEA FOUNDATION TARGETS <sup>2</sup>	STATUS	PERFORMANCE IN FY15
By June 2015, the IKEA Foundation will implement programme(s) to promote children's rights, fight child labour and create opportunities for families living in cotton supply chain communities in India and Pakistan, and leather supply chain communities in Brazil.	○	Expansion of the Child Protection Programme with Save the Children in Pakistan will support as many as 1.5 million Pakistani children living in cotton growing communities. New partnership with Forest Trends started working with children and families living near leather supply chain areas of the Amazon.
By December 2015, the IKEA Foundation will develop programmes to help families and communities secure access to safe water in water stressed areas of India and Indonesia.	○	Partnership with Water.org finalised in 2015. Programme activities will start in early 2016.
By 2015, the IKEA Foundation aims to have launched a programme to help women in India develop the skills they need to improve their income and succeed in India's changing economy.	○	Partnership with UNDP launched in October 2015.
By end of 2020, the IKEA Foundation will contribute EUR 400 million to support families and communities who are most impacted by climate change.	○	Committed EUR 400 million through 2020.
<sup>1</sup> Figures for the Soft toys for Education campaign are from November and December 2014, figures for the Brighter lives for refugees campaign are from February and March 2015. <sup>2</sup> IKEA Foundation targets from the People & Planet Positive strategy have been updated to reflect evolving focus and ambitions.		○ Achieved    ○ Ongoing    ○ Not achieved

## THE IKEA FOUNDATION



The IKEA Foundation is the philanthropic arm of Stichting INGKA Foundation, the owner of the IKEA Group. It 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. Learn

more at [www.ikeafoundation.org](http://www.ikeafoundation.org) and [www.facebook.com/IKEAfoundation](https://www.facebook.com/IKEAfoundation).

In 2015,<sup>1</sup> the IKEA Foundation:

- Donated funds to 45 organisations globally<sup>2</sup>
- Supported 178 million children since 2009
- Celebrated 15 years of working in India
- Added a new focus on climate change with a commitment of EUR 400 million through 2020 to support communities most affected. During FY15 the IKEA Group made

a commitment of EUR 600 million for investments in renewable energy, combining to a total commitment of EUR 1 billion for action on climate change. Read more [here](#) and [on page 9](#).

### Innovating together

The IKEA Foundation and its partners value innovation to create better opportunities for children and families. This enables each project to reach as many people as possible and creates sustainable change with limited resources.

A good example is the development of the Better Shelter unit. This began as a partnership with the United Nations High Commissioner for Refugees (UNHCR) and the Refugee Housing Unit, with the aim of developing a safer, more durable emergency shelter for refugee families. Following the testing of around 50 prototype shelters in 2014, the lightweight flat-pack shelter is now a commercial product.

This collaborative effort, combining technical innovation with Democratic Design ideas (see [page 32](#)), led to a practical and affordable shelter that provides safety, dignity and comfort for displaced families. Read more [here](#).

In June 2015, the IKEA Foundation's partner, Médecins Sans Frontières (MSF), ordered 50 Better Shelter units to use as temporary healthcare facilities following the devastating earthquake in Nepal. The shelters enabled MSF to provide survivors with basic primary healthcare until more permanent buildings could be constructed. The IKEA Foundation also gave UNICEF EUR 3 million and Save the Children EUR 100,000 to fund life-saving support for the many children affected by the tragic earthquake.

### New and continuing projects

Here are some of the ways the IKEA Foundation enabled children to build a better future in 2015:

- Sales of LED light bulbs in our stores during February and March 2015 generated EUR 10.8 million for UNHCR through the IKEA

Foundation's [Brighter Lives for Refugees campaign](#). These funds will enhance the lives of 380,000 refugees in Bangladesh, Chad, Ethiopia and Jordan by providing solar street lights, solar lanterns and other renewable energy solutions, as well as education.

- Leather is used in some IKEA products. The IKEA Foundation's partnership with Forest Trends contributed to a better future for children in leather supply chain communities in [the Amazon](#), by enabling more sustainable incomes and preserving cultural traditions within the Surui and Yawanawa tribes.
- Cotton is one of the main materials used in IKEA products. Expansion of the IKEA Foundation's Child Protection Programme with Save the Children in Pakistan will support as many as 1.5 million Pakistani children living in the cotton growing communities by providing better access to education, local child protection committees and healthcare.

<sup>1</sup> Data from the IKEA Foundation applies to the calendar year from 1 January 2015 to 31 December 2015. Figures below are correct as at 11 November 2015.

<sup>2</sup> The IKEA Foundation annual review, due to be published in March 2016, will include the total amount donated to these organisations.

More on our leather supply chain on [page 30](#).

More on our cotton supply chain on [page 28](#).



## SOFT TOYS FOR EDUCATION

Our Soft Toys for Education campaign started in 2003. The idea was simple: the IKEA Foundation would donate EUR 1 for every soft toy sold in participating IKEA stores during November and December each year, for Save the Children and UNICEF to

build children's educational projects.

Since then, the campaign has raised EUR 77 million, supporting 99 projects in 46 countries. Most importantly, these projects have reached more than 11 million children.<sup>1</sup>

Projects have included setting

up 40 community early-childhood development centres in China, providing educational support for caregivers and children with disabilities in Indonesia, developing community-based child-protection systems in Myanmar (Burma) and providing

pre-recorded lessons and radios to families impacted by the Ebola virus in Sierra Leone. Read more about the campaign [here](#) ▶.

The Soft Toys for Education campaign has been successful, but we think we can do even more to

engage co-workers, customers and partners on children's rights. Next year, we will broaden our focus beyond the soft toys campaign so that we can have an even bigger impact.

<sup>1</sup> Includes data up to IKEA Group FY15 (November and December 2014)



## IWITNESS

What difference does the sale of a single light bulb make? Can a soft toy change lives? The IWitness programme enables co-workers from around the world to learn about the wider impacts of their everyday work. Each year, co-workers are given the opportunity to visit projects run by Save the Children, UNHCR and UNICEF, supported by the IKEA Foundation through the Brighter Lives for Refugees and Soft Toys for Education campaigns.

Co-workers get to see first-hand

what a difference this funding makes in the lives of children in some of the world's poorest communities.

Since 2012, more than 300 co-workers from 33 countries have been on 46 IWitness trips across the globe. They have visited countries from Angola to Vietnam. We are proud of the difference IWitness has made – not just to the communities visited by our co-workers, but also to the co-workers themselves. Many of them return from their experiences feeling emotional, inspired and ready to make

even more of a difference at home. These trips enable co-workers to connect the work they do with the work of the IKEA Foundation, and we hope it makes them proud to be part of the campaigns.

Our goal is for more than 500 co-workers from around the world to have participated in IKEA Foundation IWitness trips by August 2020. Read more [here](#) , and **watch the video**  of our co-workers talking about their experiences.



**ELAINE CHAN, HONG KONG**

*Visiting China, September 2012*

"With our support, children not only get essential stationery, desks and a nice campus, but also find the confidence to build their future, bringing hope to their families"



**SATU LÄNTINEN, FINLAND**

*Visiting Mozambique, June 2015*

"...the most inspiring parts of our journey were the meetings with children. A chance to participate in their games and activities and IWitness many joyful and sometimes shy performances. This journey will surely stay in our memories for a long time."



**TATIANA MARRA, ITALY**

*Visiting Bangladesh, May 2014*

"Leaving this area is difficult. We met people who have touched the heart. The last call through the car window is the demand from a kid: 'Do not forget us'."



**PEDRO LUKAU, AUSTRIA**

*Returning home to Angola, September 2014*

"Seeing the positive changes is priceless. The IWitness programme has left a very big impression on me. This trip has changed my life."

## CUSTOMER AND CO-WORKER INVOLVEMENT WITH LOCAL COMMUNITIES



Our stores, distribution centres and factories are proud to be part of their local communities. They provide jobs, goods and services, and work to make positive contributions to the local economy and environment. We encourage customers and co-workers to work together to enable better lives for their local communities. We know from experience that even the smallest changes can make a big difference.

### Performance

In FY15, we created a working group to look at how we can improve and measure our contributions to communities around the world. The group is developing a structured approach and identifying the best ways to assess the impacts of our many community activities. We hope this will enable us to share good examples and contribute more to the vitality of community life.

Here are some examples of local and regional community engagement activities in FY15:

- **Netherlands.** Our IKEA Barendrecht store donated EUR 1 from every children's meal sold in FY15 to two local hospitals. This funded a kitchen to provide healthy food to bedridden children and a house for families visiting their children with cancer.

- **Slovakia.** IKEA Industry Jasna participated in several community projects in FY15. These included educating kindergarten children about the environment, providing furniture to Red Cross crisis centres and supporting the reconstruction of a wheelchair-accessible park for a local school.
- **Switzerland.** IKEA Switzerland partnered with Carrefour-Rue, donating furniture and design expertise

to provide nine temporary houses for homeless people in Geneva. A second partnership with Kinderspital Zurich saw CHF 200,000 and the efforts of 100 co-workers contribute to the renovation and redecoration of the parents' house – an important place for parents of seriously ill children to rest close to the hospital.

- **USA.** Our distribution centre in Savannah, Georgia began a partnership with non-profit organisation Emergent Structures in FY12, sharing a vision for a community greenhouse made from recycled materials. Their aim was to support sustainable farming practices in a low income neighbourhood, providing fresh organic produce free of charge to residents with limited access to nutritious groceries. In FY15, co-workers were involved in putting the finishing touches to the "Dug-House", including installing solar panels and a rainwater catchment system.

- **Vietnam.** In January 2015, co-workers joined with the Lien Tam charity group and supplier partners to distribute packages containing food and other useful items to prepare for Tết – Vietnamese New Year. They delivered 350 packages for households and 150 for children, brightening the celebrations for families that could not otherwise have afforded to join in. Later in the year, co-workers contributed to the improvement of educational facilities at schools in Vietnam and Indonesia by renovating classrooms and providing new equipment.

# GOVERNANCE AND ETHICS

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*Sustainability is one of the cornerstones of our business strategy, and we want it to be integral to the daily work of all our co-workers. This will help to create a more sustainable business, enabling us to achieve our vision of a better everyday life for the many people. There are many things we cannot do alone, so we partner with others to increase the impact that we can have.*

# IKEA GROUP OF COMPANIES

The IKEA Group of companies (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: it can be reinvested in the IKEA Group or donated for charitable purposes through the Stichting INGKA Foundation.

INGKA Holding B.V. is the parent company of the IKEA

Group, located in Leiden, the Netherlands. As per 31 August 2015, its Supervisory Board consists of: Lars-Johan Jarnheimer (Chairman), Stina Honkamaa Bergfors, Tore Bertilsson, Luisa Delgado, Jonas Kamprad, Göran Lindahl, and Lone Fønss Schrøder. Ingvar Kamprad, the founder of IKEA, is senior advisor to the Supervisory Board. The IKEA Group is led by its President and CEO, Peter Agnefjäll, together with the Group Management team.

The IKEA Group operates throughout the whole value chain from range strategy and product development to production, distribution and retail. This includes our own manufacturing units, purchasing operations offices, distribution and customer distribution centres, shopping centres and 328 stores in 28 countries. In total, the IKEA Group has operations in 43 countries.

## Stichting INGKA Foundation

Owner of the IKEA Group

Charity  
Stichting IKEA Foundation

Management of financial assets  
Stichting IMAS Foundation

## The IKEA Group

(INGKA Holding B.V. and its controlled entities)

Chairman of the supervisory board: Lars-Johan Jarnheimer  
President and CEO: Peter Agnefjäll

### PRODUCTION

**43**  
Production Units  
**20,500**  
Co-workers

### RANGE & SUPPLY

**9,500**  
Products  
**27**  
Trading Service Offices  
**15**  
Customer Distribution Centres  
**33**  
Distribution Centres  
**18,000**  
Co-workers

### RETAIL & EXPANSION

**328**  
IKEA Group Stores  
**116,500**  
Co-workers

### GROUP FUNCTIONS

Business Navigation & Finance • Property  
Corporate Communications • HR  
Legal & Governance • Sustainability  
Risk Management & Compliance  
Strategy, Process, Organisation & IT

### CENTRES

Shopping centres

### ASSET MANAGEMENT

Financial & Core related assets

## THE IKEA GROUP OPERATES STORES UNDER FRANCHISE AGREEMENTS

The IKEA Group is one of 13 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 – also IKEA franchisees that do not belong to the IKEA Group – pay a 3% franchise fee to Inter IKEA Systems B.V. The franchise 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.

# SUSTAINABILITY GOVERNANCE AND MANAGEMENT

Sustainability is central to everything we do. It is one of the four cornerstones of the IKEA Group direction, 'Growing IKEA Together', and critical to our success. Each business plan for every IKEA business unit specifies how it will contribute to our sustainability objectives.

Our Chief Sustainability Officer, Steve Howard, has overall responsibility for performance against the sustainability commitments within Growing IKEA Together and the People & Planet Positive strategy.

Steve is a member of Group Management and reports directly to the Group President and CEO, Peter Agnefjäll.

All co-workers are responsible for sustainability in their area of work. Hundreds of people across IKEA have social and environmental objectives as part of their formal job description. Each business unit and country retail organisation has a sustainability organisation, and the larger business units have their own dedicated sustainability team and sustainability managers, some of whom are also members of the management teams of those organisations. They are supported by the central Group Sustainability team, which reports to Steve Howard and focuses on sustainability policy and compliance, reporting, and communications and innovation.

The Sustainability Management Group, chaired by Steve, brings together sustainability managers from the main business areas – Retail and Expansion, Range and Supply and IKEA Industry – as well as the Heads of Sustainability Policy and

Compliance, Sustainability Communication and Sustainability Innovation. The group helps to co-ordinate efforts and make key decisions on sustainability. Progress against our sustainability objectives is reported to Group Management and the Board of Directors every three months.

Risks or concerns relating to sustainability are flagged by Group Sustainability to the IKEA Group Risk Committee. The committee includes three members of Group Management, and meets around four times a year. The most serious risks are communicated to Group Sustainability and the IKEA organisations concerned for further action if needed.

## WORKING WITH OTHERS

We can achieve much more when we join with others. We partner with governments, industry organisations, NGOs and trade unions across our sustainability focus areas, to strengthen our efforts and increase our positive impact on people and the planet. Our partnerships stretch across our value chain – from sourcing, to production, stores and even customers' homes.

Read more about our key partnerships in the relevant sections of this report, listed to the right.

The [IKEA Foundation's partnerships](#) with UNICEF, War Child, Médecins Sans Frontières and others focus on improving the lives of children and refugees in some of the world's poorest communities.

## LEARNING FROM STAKEHOLDERS

We learn a lot from working with our partners and listening to our stakeholders. We regularly invite our customers, suppliers, NGOs and other stakeholders to give feedback on our sustainability performance and direction. Using their advice we can develop our strategy and improve the way we work.

Our dedicated Advisory Group, established in FY13, has provided valuable input to help us develop and strengthen our People & Planet Positive strategy over the years. The Advisory Group did not meet in FY15, as the planned meeting was delayed. We plan to engage them during FY16 and will report on the outcomes in our next Sustainability Report.

In FY15, we have focused on developing a more strategic engagement strategy. We are conducting a mapping exercise to ensure that we have identified the organisations and individuals most critical to our focus areas. We anticipate that by taking a more systematic approach, we can have a much greater impact in the areas that matter most to us and our stakeholders.

## ENGAGING CO-WORKERS AND CUSTOMERS

All 155,000 of our co-workers play an important role in achieving our sustainability goals. We run regular engagement campaigns and communications to engage them in sustainability. To find out more [see page 20](#) and [page 53](#).

We also have a great opportunity

and responsibility to inspire our 771 million visitors to our stores and 1.9 billion visitors to IKEA.com to live a

more sustainable life at home and create a better future for people and the planet. To read more [see page 20](#).

Topic	Partnership	Page
Circular economy	Ellen MacArthur Foundation CE100 – a global platform of companies and innovators aimed at accelerating the transition to the circular economy.	47 <a href="#">▶</a>
Climate change	We Mean Business – a coalition of organisations that brings together businesses, organisations and investors to accelerate action on climate change.	10 <a href="#">▶</a>
	RE100 – an international initiative to support companies aiming to be 100% renewable.	10 <a href="#">▶</a>
Fair wages	Fair Wage Network – an NGO committed to promoting fair wage practices in companies' own operations and in their supply chain.	72 <a href="#">▶</a>
Migrant workers	NEW: International Organization for Migration (IOM) – an inter-governmental organisation that works with migrants, governments and businesses to respond to growing migration challenges.	74 <a href="#">▶</a>
Responsible sourcing	Forest Stewardship Council (FSC) – a multi-stakeholder initiative that aims to promote the responsible management of the world's forests.	25 <a href="#">▶</a>
	World Wide Fund for Nature (WWF) – an international NGO. We focus our work together on transforming the market for cotton and wood to more sustainable sources.	24-27 <a href="#">▶</a> 50 <a href="#">▶</a>
	Better Cotton Initiative (BCI) – a multi-stakeholder initiative that aims to improve global standards in cotton production.	28 <a href="#">▶</a>
	Aquaculture Stewardship Council (ASC) and Marine Stewardship Council (MSC) – leading organisations that provide certification for the sustainability of aquaculture and seafood, respectively, and drive the sustainability agenda.	30 <a href="#">▶</a>
	NEW: United Nations Food and Agriculture Organization (FAO) – an international organisation that leads efforts to defeat hunger. Our work will focus on eliminating the barriers to sustainable forest certification, promoting sustainable forest management and improving everyday life for people in rural areas.	26 <a href="#">▶</a>
	NEW: VIA (Value and Impact Analysis) Initiative – a new collaboration coordinated by the ISEAL Alliance to promote the benefits of using legal, responsibly sourced and sustainable timber, and establishing the role of FSC in securing this.	26 <a href="#">▶</a>

# BUSINESS ETHICS

Honesty, respect, integrity and fairness are core to our way of working. We work hard to ensure co-workers across the company feel this culture and understand the way we do business. We lead by example to help co-workers understand and comply with our Code of Conduct, 'Good Business with Common Sense'. We have a zero-tolerance policy for corruption, alcohol and drug abuse, and harassment.

It is important to us that all our co-workers act in line with our values. We provide clear guidance to managers and co-workers on how to handle cases of suspected misconduct. Risk managers conduct regular risk assessments on co-worker misconduct at regional and country level. We investigate all suspected policy breaches promptly and thoroughly. In FY15, we updated the IKEA Group Rule of Investigation to enhance consistency and accountability in our internal investigations into misconduct.

We always strive to communicate in an open and honest way and we encourage co-workers to raise any concerns about misconduct. Anyone reporting a concern in good faith will be treated with respect and fairness.

Co-workers can raise concerns confidentially by phone or online through our trust line – now open 24/7 and available in local languages across 43 countries. Trust line managers evaluate all concerns and escalate to HR or Risk managers where appropriate. In FY15 we rolled out the trust line in France and Germany as well as in IKEA Centres, our global shopping centre company. We are also exploring the potential to make it available

to third parties, such as suppliers and shopping centre tenants.

## ANTI-CORRUPTION

Corruption of any kind conflicts with our goal of achieving low prices and contributing positively to the communities where we operate. Inspired by the UN Global Compact guidance, we assessed risks of corruption across our business in FY15. This helped us identify and prioritise high-risk areas, and we are reviewing our internal anti-corruption policy and standard as a result of the findings. We will complete a more extensive risk-mapping exercise in FY16, which will also include IKEA Centres.

No one acting on behalf of the IKEA Group may accept or offer bribes, kickbacks or loans, or engage in any other corrupt practices. Our Code of Conduct and detailed Rules on Prevention of Corruption outline our expectations of co-workers and suppliers, and explain what to do if corruption or misconduct is suspected. To ensure co-workers understand the importance of this issue, we hold Code of Conduct training for all co-workers, which includes a focus on anti-corruption. Range & Supply, our purchasing operations, are considered more exposed to corruption risks. We have therefore launched a learning offer on business ethics for a specific group of co-workers working in this area.

In FY15, the trust line received 18 reported incidents of crime or corruption, 13 were investigated, and of these, 8 were allegations relating to corruption. Those not investigated

were considered out of scope as they did not involve IKEA co-workers, or there was insufficient information available.

## TAXES

We are committed to managing our operations in a responsible and sustainable way. Wherever the IKEA Group is present with stores,

distribution, manufacturing or any other business, we pay our taxes in full compliance with national and international tax rules and regulations.

Corporate income tax increased to EUR 822 million, with an effective corporate income tax rate of 18.9% (19.3% in FY14). Local and other taxes, such as property, business and environmental taxes together with custom duties, totalled EUR 700 million.

In FY15, our total tax charge was more than EUR 1.5 billion. We also collected substantial taxes on behalf of governments, such as VAT and employee taxes.

By growing our business we create jobs, both within the IKEA Group and among our suppliers and partners, which contributes to the local economy by generating tax incomes.

## FY11–FY15 TAX

Over the last five years (FY11–FY15), corporate income tax and other taxes amounted to approximately EUR 7.2 billion.



# PUBLIC POLICY AND ADVOCACY

By sharing what we do, and taking clear positions on the issues that matter most, we can contribute to positive change in society. That is why we engage in public policy debates and work with governments, NGOs and other businesses to tackle big issues that affect business and communities.

In FY15, we rolled out our Corporate Communication and Public Affairs Strategic Plan. The plan will streamline our public policy and advocacy activities. The four key areas of action are:

1. Our contribution to investments and growth in society. We explain how our growth, expansion and investment plans bring value to society at large and environmental solutions.
2. Product market requirements. We are working on product safety, standardisation, chemical requirements, labelling and communication for consumers, and healthy, safe and sustainable food.

3. People & Planet Positive. We advocate for change in society that benefits people and the planet, including policies that tackle climate change and unlock the business innovation and investment needed to accelerate the transition to a low-carbon economy.
4. IKEA as a great place to work. We will show what we do as a responsible employer while also responding to customers' expectations and needs. We will strive for co-worker relations that reflect our values, with equality and human rights as top priorities.

We are implementing this plan across the countries where we operate, to ensure public policy and advocacy activities are implemented in a way that is relevant to the local market and situation. In FY15, the plan was piloted in eight markets: China, France, Germany, India, Poland,

Russia, Sweden, and the USA. Their engagement efforts helped to secure some important achievements:

- IKEA France played a key role in the lead up to the COP21 meeting in Paris in December 2015. The IKEA France Country Manager met with the French President, François Hollande to discuss our position on climate policy.
- The IKEA USA Country Manager met with members of Congress to build relationships and discuss key topics such as the minimum wage, renewable energy and our growth across the USA.
- IKEA China is supporting RE100, a group of companies committed to going all-in on renewable energy campaign, as it seeks to identify ways to scale up renewable energy in China. This shows our commitment to renewable energy and enables us to have a dialogue with policy makers and specialists.

## ADVOCACY

During FY15, we engaged with local, national and regional governments on a number of sustainability issues. Our main public policy activities on sustainability were:

**Climate change.** Strong policies are critical to create the stable, long-term framework needed for businesses to invest in transforming their operations and providing the products and services for the future. World leaders gathered in Paris in December 2015 to agree a way forward on climate change. In this critical year for climate

action, and beyond, we will be an active voice for a low-carbon economy.

- During the United Nations Framework – Convention on Climate Change (UNFCCC) in Bonn in June 2015, IKEA Group and the IKEA Foundation announced a total of EUR 1 billion for climate action, made up of EUR 600 million from IKEA Group for investments in renewable energy, and EUR 400 million from IKEA Foundation to support the communities most impacted by climate change. [See page 9](#).
- Through initiatives like We Mean Business, RE100 and the #go100percent campaign we are working to inspire and encourage other organisations and millions of people globally to take action on climate change. [See page 10](#).
- Our Chief Sustainability Officer, Steve Howard, discussed the European Council's Energy Union strategy with seven European heads of state at a meeting hosted by the Prime Minister of Denmark, Helle Thorning-Schmidt. Steve also represented IKEA at Climate Week in New York in September 2015, following the success of Climate Week in 2014 when both Steve and our CEO, Peter Agnefjäll represented IKEA at the People's Climate March in New York.
- We led discussions on the business case for renewable energy at the World Future Energy Summit (WFES) in Abu Dhabi, alongside other businesses and organisations that are members of RE100. And we continue to contribute to discussions with the European Commission on EU 2030 energy and climate targets.

More on our approach to tackling climate change on [pages 9-10](#).

**Forestry.** By 2020, 100% of the wood we source will be from more sustainable sources. We want to have an impact beyond our own supply chain, and so we advocate for effective legislation that conserves the world's forests and prevents illegal logging. We work closely with NGOs, governments and other businesses globally to achieve this.

- In FY15 we responded to the public consultation on the EU Timber Regulation (EUTR) by relaunching the Timber Retail Coalition with fellow founding members: Kingfisher, Carrefour and Marks & Spencer. The coalition advocates for sustainable forest management and we are working together to advocate with all levels of government in the EU to ensure that regulation is both effective and workable. Our Global Forestry Manager spoke at the European Parliament to share our experiences on implementing the EUTR.
- We contributed to the global forest debate at the XIV World Forestry Congress in South Africa, advocating for responsible forestry and a halt to illegal logging and deforestation.
- We also work closely with WWF to fight illegal logging and boost levels of FSC certification, [see page 24](#).

More on our approach to sourcing wood from more sustainable sources on [page 25](#).



**STEFAN SJÖSTRAND**, Country Retail Manager of IKEA Canada, speaking at the Climate Summit of the Americas in July 2015

**Circular economy.** The traditional linear business model of creating products that eventually become waste is outdated. We support the shift to a circular economy, and are using our influence and reach to advocate for change. In FY15, we responded to public consultations on the circular economy and the way waste markets work.

- We met with Members of Cabinet from the offices of Commissioners Katainen, Vella and Timmermans, to feed into the new circular economy proposal by the European Commission. The package will be launched at end of 2015.
- We work with other businesses through the Circular Economy 100 (CE100) group, and the Ellen MacArthur Foundation.
- Together with a director from the European Commission, our Head of Sustainability for Retail & Expansion is the co-chair of the Retailers' Environmental Action Programme (REAP) - an EU multi-stakeholder initiative exploring sustainable production and consumption.

More on our work to convert to a 'Circular IKEA' concept [on page 47](#) .

In FY15, we wrote to a number of new European Union Commissioners to welcome them and set out our approach on key topics, including: resource efficiency and the circular economy, climate change, energy efficiency and renewable energy, and sustainable food. IKEA is also represented in the Board of Directors of Eurocommerce and in the Business Group of European Retail Round Table (ERRT) where we try to engage in policy discussions at early stages. We continue to encourage the European Commission to develop a comprehensive policy on endocrine disrupting chemicals (EDCs) for all EU states, which takes into account their potential to harm people and wildlife.

## ABOUT OUR REPORTING

This Sustainability Report updates stakeholders on the progress IKEA is making in creating positive change for people and the planet. We are ambitious in our objectives, which means that we may not always achieve our goals. We are open about our challenges and setbacks, as well as our successes, and listen to feedback to help us improve. Sometimes we make mistakes, and when this happens we are committed to putting things right.

The information in this report, unless otherwise stated, is for the financial year 2015 (FY15) from 1 September 2014 to 31 August 2015. Data from the IKEA Foundation applies to the calendar year from 1 January 2015 to 31 December 2015, unless otherwise stated.

The information and data in this report covers all wholly owned companies in the IKEA Group ([see page 83](#) ) , except for IKEA Centres, our new global shopping centre organisation which is excluded due to lack of internal reporting systems to gather this information. IKEA Centres was formed in FY15, to combine the former Inter IKEA Centre Group (IICG), Ikano Retail Centres and our existing Russian shopping centres. It now owns and operates 58 centres across 13 countries. We are taking action to be able to include data from IKEA Centres in future reporting. Data for IKEA stores operated by other retailers outside the IKEA Group is not reported. Any other exclusions are stated in the text. In some cases, data has been estimated and this has been indicated in the text. Information and data regarding the IKEA catalogue is

provided by Inter IKEA Systems B.V. We aim to measure and manage our impacts across our full value chain. We use reported data for water use and carbon emissions in our operations and tier 1 suppliers, and models and estimations to assess our full value chain.

During FY15, we opened 13 new stores in nine countries. IKEA Industry began operations in one new factory in Stalowa Wola, Poland. Data from these units is included from when they began operation.

### Defining the report's content

The commitments and targets in our People & Planet Positive strategy are based on the most significant sustainability issues across our value chain, and the areas where we can make the greatest positive difference. The strategy defines our vision for ensuring the long-term success of IKEA – how we are making the company fit for a sustainable future and how we can contribute to accelerating that change

in society. [See page 8](#) .

We seek input to the strategy from our key stakeholders to ensure that its focus and commitments are as close to their expectations as possible. The document is designed primarily for our stakeholders who want a detailed account of our approach and performance relating to our sustainability strategy.

We also produce a summary of our key achievements for our co-workers, which we make available externally.

This report is an account of our performance against our People & Planet Positive strategy. Targets, key performance indicators (KPIs) and content relate to this strategy. When additional information is necessary to give a full account of our sustainability performance or to meet the needs of our stakeholders, we include content and KPIs relating to other strategies such as the IKEA People Strategy.

**We support the UN's 2030 Development agenda, "Transforming our world", and the 17 Sustainable Development Goals published in September 2015.**

For more on our approach to these goals and progress against them, see pages 88-91 .



# GRI, THE UN GLOBAL COMPACT AND THE SUSTAINABLE DEVELOPMENT GOALS

## Global Reporting Initiative (GRI)

We use the Global Reporting Initiative (GRI) guidelines on sustainability reporting to inform our reporting. We welcome the GRI's G4 focus on materiality and reporting of impacts across the value chain. We align with this approach by focusing our reporting on our People & Planet Positive strategy, which covers our material impacts across the value chain.

## United Nations Global Compact (UNGC)

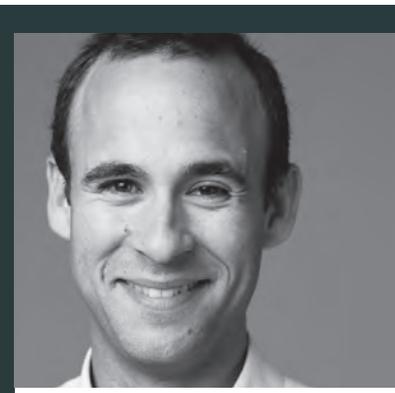
We are a signatory to the United Nations Global Compact, a set of 10 principles in the areas of human rights, labour, environment and anti-corruption. The UN Global Compact Reference Table (right) shows where we report our progress regarding the 10 principles.

## United Nations Sustainable Development Goals

In September 2015, the United Nations launched the Sustainable Development Goals (SDGs) as part of Transforming Our World – the 2030 Agenda for Sustainable Development. These goals build on the Millennium Development Goals.

We will work with the SDGs to assess our approach and progress towards creating a positive impact for people and the planet. See the table on page 89 for examples of the

different ways we are already contributing, based on our People & Planet Positive strategy.



**SIMON HENZELL-THOMAS**  
Stakeholder Engagement & Partnerships Manager, IKEA Group

"We welcome the SDGs as a tool for encouraging progress towards a more sustainable and equal world. All parts of society have a role to play in contributing to their success, including business. IKEA can do a lot through its own actions, and we have a great opportunity to inspire others to act, including our suppliers, co-workers and customers."

UNITED NATIONS GLOBAL COMPACT (UNGC) PRINCIPLES		LOCATION IN FY15 REPORT
<b>Human rights</b>		
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and	Supporting human rights, page 70 ▶
Principle 2	make sure that they are not complicit in human rights abuses.	Supporting human rights, page 70 ▶ Better lives for workers in our supply chain, page 60 ▶
<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, page 53 ▶ Better lives for workers in our supply chain, page 60 ▶ Supporting human rights, page 70 ▶
Principle 4	the elimination of all forms of forced and compulsory labour;	Supporting human rights, page 70 ▶ Better lives for workers in our supply chain, page 60 ▶
Principle 5	the effective abolition of child labour; and	Responsible sourcing, page 23 ▶ Supporting human rights, page 70 ▶ Better lives for workers in our supply chain, page 60 ▶ Better lives for our co-workers, page 53 ▶
Principle 6	the elimination of discrimination in respect of employment and occupation.	Better lives for our co-workers, page 53 ▶ Supporting human rights, page 70 ▶ Better lives for workers in our supply chain, page 60 ▶
<b>Environment</b>		
Principle 7	Businesses should support a precautionary approach to environmental challenges;	Resource and energy independence, page 22 ▶
Principle 8	undertake initiatives to promote greater environmental responsibility; and	A more sustainable life at home, page 11 ▶ Resource and energy independence, page 22 ▶
Principle 9	encourage the development and diffusion of environmentally friendly technologies.	A more sustainable life at home, page 11 ▶ Resource and energy independence, page 22 ▶
<b>Anti-corruption</b>		
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	Business ethics, page 85 ▶

SUSTAINABLE DEVELOPMENT GOAL	PEOPLE & PLANET POSITIVE STRATEGY	WHAT IKEA GROUP AND IKEA FOUNDATION ARE DOING
 <p>End poverty in all its forms everywhere</p>	<p>Our vision is to create a better everyday life for the many people. We are committed to having a positive influence on people's lives across our value chain; supporting positive economic, social and environmental development, promoting equality and placing respect for human rights at the centre of what we do.</p>	<ul style="list-style-type: none"> <li>• Contributing to better lives for people and communities throughout our value chain, page 52 ▶</li> <li>• Working with social entrepreneurs to effect social change, page 75 ▶</li> <li>• The work of the IKEA Foundation aims to improve opportunities for children and youth in some of the world's poorest communities, page 78 ▶</li> </ul>
 <p>End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p>	<p>We aim to enable and encourage a more balanced and healthy diet, and we strive to source our ingredients from more sustainable sources that are better for people and the planet.</p>	<ul style="list-style-type: none"> <li>• Responsible sourcing of ingredients for IKEA Food products, and promoting sustainable farming practices, page 30 ▶</li> <li>• Offering healthier and more sustainable food products for our customers and co-workers, page 14 ▶</li> </ul>
 <p>Ensure healthy lives and promote well-being for all at all ages</p>	<p>We want to inspire and enable our customers to live a more sustainable and healthy life at home.</p>	<ul style="list-style-type: none"> <li>• Promoting and enabling more sustainable and healthy life at home through our products and solutions, page 14 ▶</li> <li>• The IKEA Foundation prioritises giving children a healthy start in life, page 78 ▶</li> </ul>
 <p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	<p>We offer our co-workers excellent learning and development opportunities in their daily work. Our global campaigns for a good cause, such as Soft Toys for Education, engage customers and co-workers to improve children's lives.</p>	<ul style="list-style-type: none"> <li>• Launching a new way of working with talent, succession and learning for all co-workers, page 58 ▶</li> <li>• IKEA Foundation aims to ensure children get a quality education, for example it is expanding its Child Protection Programme in cotton growing communities with Save the Children, page 78 ▶</li> <li>• The IKEA Foundation has donated EUR 77 million since 2003 for 99 children's education projects in 46 countries as a result of the annual Soft Toys for Education campaign, page 79 ▶</li> </ul>
 <p>Achieve gender equality and empower all women and girls</p>	<p>We want to create a fairer and more equal society. Starting in our own operations, our goal is to reach gender balance in key leadership positions.</p>	<ul style="list-style-type: none"> <li>• Updated the IKEA Group Diversity and Inclusion Approach to guide our leaders in creating a diverse and inclusive workplace, page 56 ▶</li> <li>• Supporting more women into leadership positions through the IKEA Women's Open Network (IWON), page 56 ▶</li> <li>• Partnering with social enterprises that employ artisans – mostly women who live in rural areas - and empowering them to develop sustainable incomes, page 75 ▶</li> <li>• IKEA Foundation supports women's empowerment programmes, page 77 ▶</li> </ul>
 <p>Ensure availability and sustainable management of water and sanitation for all</p>	<p>We aim to become water positive by promoting water stewardship throughout our value chain. We contribute to improved water management in water stressed areas where we operate, focusing on both water use and water quality, and improving access to clean water.</p>	<ul style="list-style-type: none"> <li>• Supporting our suppliers to improve their water management and water treatment practices, page 49 ▶</li> <li>• Reducing the amount of water we use in our own operations, page 44 ▶</li> <li>• Developing products that enable customers to reduce water use, page 18 ▶</li> <li>• Working with WWF on water projects in India and Pakistan, page 24 ▶</li> </ul>
 <p>Ensure access to affordable, reliable, sustainable and modern energy for all</p>	<p>We will become energy independent by being a leader in renewable energy and improving energy efficiency in our operations. By August 2020, we will produce as much renewable energy as we consume in our operations.</p>	<ul style="list-style-type: none"> <li>• Invested EUR 1.5 billion in renewable energy since 2009, and committing another EUR 600 million in 2015 as we aim to generate renewable energy equivalent to all the energy we use, page 9 ▶</li> <li>• Making residential solar panels affordable for our customers, page 16 ▶</li> <li>• Improving energy efficiency in our own operations, page 38 ▶</li> </ul>

SUSTAINABLE DEVELOPMENT GOAL	PEOPLE & PLANET POSITIVE STRATEGY	WHAT IKEA GROUP AND IKEA FOUNDATION ARE DOING
 <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<p>We contribute to a better life for the people and communities across our value chain, from supporting decent work throughout our supply chain, to being a great place to work for our own co-workers.</p>	<ul style="list-style-type: none"> <li>• Employing 155,000 co-workers around the world (page 53 <a href="#">▶</a>), and stimulating employment for millions of people throughout our extended supply chain, page 60 <a href="#">▶</a></li> <li>• Improving environmental and social standards in our supply chain through IWAY, our supplier Code of Conduct, including respect for human rights and promoting safety and health at work, page 61 <a href="#">▶</a></li> <li>• Assessing wages against the cost of living, making wage increases in our own operations and extending our approach to suppliers, page 72 <a href="#">▶</a></li> <li>• Improving working conditions for migrant workers and home-based workers, pages 74-75 <a href="#">▶</a></li> <li>• Promoting a diverse and inclusive workplace for all through the IKEA Group Diversity and Inclusion Approach, IKEA Women’s Open Network, IKEA LGBT project and Diversity &amp; Inclusion Network, page 56 <a href="#">▶</a></li> <li>• Partnering with social enterprises who employ vulnerable groups, so they can create independent and sustainable incomes, page 76 <a href="#">▶</a></li> </ul>
 <p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p>	<p>Sustainability drives innovation and transformational change across our business, from factories and farms, to stores, customers’ homes and our products’ end of life.</p>	<ul style="list-style-type: none"> <li>• Working with our suppliers to improve resource and energy efficiency, page 48 <a href="#">▶</a></li> <li>• Investing in sustainable technology and innovation throughout our supply chain, page 48 <a href="#">▶</a></li> <li>• Launched a new Masters course in Innovation through Business, Engineering and Design, in collaboration with Linnaeus University, Sweden, page 58 <a href="#">▶</a></li> </ul>
 <p>Reduce inequality within and among countries</p>	<p>We want to create a more equal world for the people and communicates our business reaches. And we support children, vulnerable groups and communities to build a better everyday life.</p>	<ul style="list-style-type: none"> <li>• Respecting human rights, including specific groups in our extended supply chain, such as migrant workers, home workers and social entrepreneurs, page 70 <a href="#">▶</a></li> <li>• Assessing wages against the cost of living, making wage increases in our own operations and extending our approach to suppliers, page 72 <a href="#">▶</a></li> <li>• Working to secure children’s rights across our entire value chain, page 72 <a href="#">▶</a></li> <li>• Applying our Democratic Design principles of form, function, quality, sustainability and a low price to ensure our products are accessible to the many people, page 32 <a href="#">▶</a></li> </ul>
 <p>Make cities and human settlements inclusive, safe, resilient and sustainable</p>	<p>We take a lead, together with our customers and others in society, in re-thinking the nature of future homes and communities to enable attractive, affordable and sustainable living.</p>	<ul style="list-style-type: none"> <li>• Reducing waste, increasing the amount we recycle (page 45 <a href="#">▶</a>) and encouraging customers to recycle through awareness raising and our products and solutions, page 18 <a href="#">▶</a></li> <li>• The IKEA Foundation partnered with UNHCR to develop the Better Shelter unit – a safer, more durable emergency shelter for refugee families, page 78 <a href="#">▶</a></li> <li>• The IKEA Foundation donated EUR 10.8 million to UNHCR as a result of the Brighter Lives for Refugees campaign, which will be used to enhance the lives of refugees by providing solar lighting and education, page 78 <a href="#">▶</a></li> </ul>
 <p>Ensure sustainable consumption and production patterns</p>	<p>We strive to make all our home furnishing materials either renewable, recyclable or recycled. We take a lead in turning waste into resources. We will develop reverse material flows for waste material, ensure key parts of our range are easily recycled, and take a stand for a closed loop society.</p>	<ul style="list-style-type: none"> <li>• Using renewable, recycled and recyclable materials in our products, page 33 <a href="#">▶</a></li> <li>• Converting to a circular economy through the ‘Circular IKEA’ concept, page 46 <a href="#">▶</a></li> <li>• Creating products that enable and inspire our customers to live more sustainable lives at home, page 11 <a href="#">▶</a></li> <li>• See what our Chief Sustainability Officer, Steve Howard, and the President of the World Business Council for Sustainable Development, Peter Bakker, have to say about IKEA and Sustainable Consumption on page 19 <a href="#">▶</a></li> </ul>

SUSTAINABLE DEVELOPMENT GOAL	PEOPLE & PLANET POSITIVE STRATEGY	WHAT IKEA GROUP AND IKEA FOUNDATION ARE DOING
 <p>Take urgent action to combat climate change and its impacts</p>	<p>We are going all-in to tackle climate change, for example by committing to produce as much renewable energy as we consume in our operations by 2020, and switching our entire lighting range to LED. We are joining with others to take a stand and call for positive change, and inspiring others, including our customers, to take action.</p>	<ul style="list-style-type: none"> <li>• Going all-in to tackle climate change across our value chain, page 9 ▶</li> <li>• Advocating for strong policies on climate change and supporting the transition to a low-carbon economy, page 86 ▶</li> <li>• Improving the sustainability of our operations, for example by producing more renewable energy and improving energy efficiency, page 36 ▶</li> <li>• Creating products and solutions to enable our customers to live a more sustainable life at home, page 11 ▶</li> </ul>
 <p>Conserve and sustainably use the oceans, seas and marine resources for sustainable development</p>	<p>We promote sustainable fisheries and aquaculture by sourcing our fish and seafood from sustainable and responsible sources.</p>	<ul style="list-style-type: none"> <li>• Sourcing the fish and seafood for our restaurants and Swedish Food Markets responsibly, from ASC or MSC sources, page 31 ▶</li> </ul>
 <p>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</p>	<p>We take a lead in the responsible sourcing of raw materials. All of the cotton and 50% of the wood we use now comes from more sustainable sources.</p>	<ul style="list-style-type: none"> <li>• Sourcing our key raw materials, like cotton (page 28 ▶) and wood (page 25 ▶), from more sustainable sources, page 22 ▶</li> <li>• Using only FSC certified paper to produce our catalogue - the world's largest print run ever to be produced using 100% FSC Mix Credit certified paper, page 26 ▶</li> </ul>
 <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>We want to create a better life for the people and communities impacted by our business. Through our Code of Conduct and our supplier Code of Conduct, IWAY, we promote ethical and sustainable business practices throughout our value chain.</p>	<ul style="list-style-type: none"> <li>• Supporting human rights (page 70 ▶), and creating a better everyday life for the many people and communities across our value chain, page 52 ▶</li> <li>• Ensuring an ethical approach to the way we do business, through our Code of Conduct, page 85 ▶</li> </ul>
 <p>Strengthen the means of implementation and revitalize the global partnership for sustainable development</p>	<p>By building collaborations and partnerships with other companies, suppliers, NGOs and UN bodies, we work towards becoming people and planet positive and contributing to change in society.</p>	<ul style="list-style-type: none"> <li>• Partnering with organisations to extend our impact beyond our own business across many areas, from climate change to migrant workers, page 84 ▶</li> <li>• Partnering with others to take clear positions on the issues that matter most, and advocating for stronger climate policy, the transition to a low-carbon economy, sustainable forestry, resource efficiency and waste management, page 86 ▶</li> </ul>

# PERFORMANCE AGAINST KPIs

Enabling change			
COMMITMENTS	GOALS	FY14 <sup>1</sup>	FY15 <sup>2</sup>
Enabling change throughout our business to become people and planet positive.	By August 2017, 95% of IKEA co-workers state that "sustainability is a natural part of the everyday work".	79%	79%
	By August 2017, at least 95% of co-workers view IKEA as a company that takes social and environmental responsibility. <sup>3</sup>	83%	82%
	By August 2015, 70% of customers view IKEA as a company that takes social and environmental responsibility. <sup>4</sup>	41%	41%

A more sustainable life at home			
COMMITMENTS	GOALS	FY14	FY15
Take the lead in developing and promoting products and solutions that enable customers to live a more sustainable life at home.	By August 2020, achieve more than a fourfold increase in sales from products and solutions inspiring and enabling customers to live a more sustainable life at home. <sup>5</sup>	EUR 1,015 million (58% more than FY13)	EUR 1,311 million (105% more than FY13)
	Take a lead in more sustainable food by enabling and encouraging a balanced diet.	See page 14 ►	

Resource and energy independence			
COMMITMENTS	GOALS	FY14	FY15
Strive for resource independence; securing long-term access to sustainable raw materials, ensuring a positive impact on the communities where we source and using resources within the limits of the planet.	By August 2017, at least 50% of our wood will come from more sustainable sources. By August 2020, we aim to source 100% of our wood, paper and cardboard from more sustainable sources. <sup>6</sup>	41%	50%
	By August 2015, all cotton used in IKEA products will be sourced from more sustainable sources <sup>7</sup> and we will continuously investigate complementary fibres with improved sustainability performance compared to cotton.	76%	100%
	By August 2020, 90% of the total sales value will come from home furnishing products classified as more sustainable. <sup>8</sup>	52%	54%
	By August 2015, all our home furnishing materials, including packaging, will be either made from renewable, recyclable (in at least one market on an industrial scale) or recycled materials.	98%	98%

<sup>1</sup> Results are based on the VOICE survey of 87,644 co-workers. Results are not directly comparable between years as different parts of IKEA and different numbers of people participate.  
<sup>2</sup> Results are based on the VOICE survey of 112,027 co-workers. Results are not directly comparable between years as different parts of IKEA and different numbers of people participate.  
<sup>3</sup> Measured through the VOICE question "I am proud of the way IKEA works with sustainability" and Brand Capital.  
<sup>4</sup> Based on response to the Brand Capital survey.  
<sup>5</sup> A fourfold increase corresponds to sales of approximately EUR 2.6 billion per year, as of FY20 with baseline year FY13.  
<sup>6</sup> Defined as FSC-certified or recycled wood. Once the 2017 more sustainable sources goal has been met, we will re-evaluate this criterion.  
<sup>7</sup> Include Better Cotton, cotton from farmers working towards Better Cotton Initiative standards, and cotton grown to other regional standards such as e3 Cotton Program in the USA.  
<sup>8</sup> Through the sustainability product scorecard.

Resource and energy independence			
COMMITMENTS	GOALS	FY14	FY15
Strive towards energy independence through being a leader in renewable energy, and becoming more energy efficient throughout our operations and supply chain.	Become 20% more energy efficient in our own operations by August 2015 and 30% by August 2020, compared to FY10. <sup>9</sup>	Stores: 15.1% Distribution centres: 25% IKEA Components <sup>10</sup> : 25.9% IKEA Industry Group Divisions Flatline and Solid Wood: 17.9% IKEA Industry Group Division Board <sup>11</sup> : 1.6%	Stores: 14.6% Distribution centres: 26.8% IKEA Components <sup>12</sup> : 48% IKEA Industry Group Divisions Flatline and Solid Wood: 12.6% IKEA Industry Group Division Board <sup>13</sup> : 4.7%
	By August 2015, produce renewable energy equivalent to at least 70% of our energy consumption and by August 2020, on Group level, produce as much renewable energy as we consume. <sup>14</sup>	42%	53%

Better life for people and communities			
COMMITMENTS	GOALS	FY14	FY15
Contribute to better lives for workers by supporting decent work throughout our supply chain.	Maintain the social and environmental improvements reached through the 100% IWAY approval of all suppliers of home furnishing and other key products and services. <sup>15</sup>	98.6%	98.9%
	By August 2015, expand the reach of our supplier Code of Conduct by securing IWAY approval at all local IKEA Food, Indirect Material and Services and retail suppliers within the scope of IWAY. <sup>16</sup>	IMS suppliers: 77% Retail suppliers: 40% Local IKEA Food suppliers: 29%	IMS suppliers: 100% IWAY approved (87%), pending a scheduled audit or being phased out Retail: 85% Food: We are changing the way we work with food suppliers, see page 67 ▶
	By August 2017, go further into our supply chain by securing compliance to IWAY Musts <sup>17</sup> at all sub-suppliers of critical materials and processes.	91%	92%
	Develop and implement a transparent and reliable system for the responsible recruitment of migrant workers at first tier suppliers in identified critical areas by August 2017.	See page 74 ▶	
	Continuously identify and develop setups for home based workers to improve working conditions, protect labour rights and prevent child labour. By August 2020, all home based workers are transitioned into improved setups and part of our handmade development programme.	See page 75 ▶	

<sup>9</sup> Compared to FY10 in relative terms, measured by kWh/m<sup>2</sup> for retail operations and kWh/m<sup>3</sup> purchased goods for trading operations. <sup>10,12</sup> Baseline year: 2012. <sup>11,13</sup> Baseline year: FY11. <sup>14</sup> Own operations relate to distribution centres, stores, offices, IKEA Industry Group factories. <sup>15</sup> Suppliers related to Home Furnishing, IKEA Components, Transport & Services, and Global Food. <sup>16</sup> For the retail operations, the current IWAY focus is on cleaning, home delivery, security and waste management suppliers. IKEA Industry also now has a set of phased goals for the application of IWAY – see page 69 ▶. <sup>17</sup> IWAY Musts are the immediate requirements that IKEA suppliers must meet before a contract can be signed.

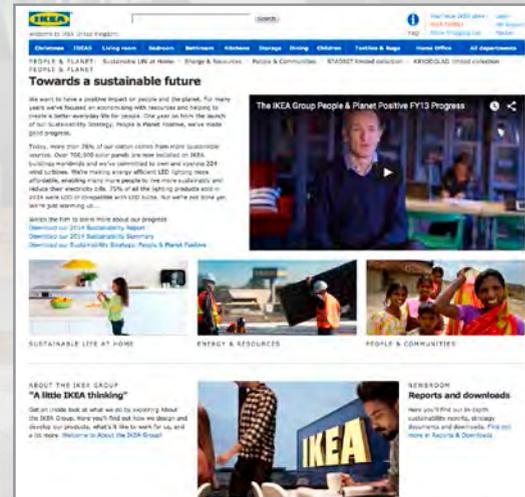


**YEARLY | IKEA GROUP SUMMARY FY15**



## READ THE IKEA GROUP YEARLY SUMMARY

Find out what happened at IKEA in FY15 – get facts, hear stories and see where we're headed in the future.



## PEOPLE & PLANET POSITIVE

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