

People & Planet Positive IKEA Group Sustainability Strategy for 2020



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THERE IS A RAPIDLY CHANGING WORLD AROUND US

For most of human history the world was sparsely populated and resources, from forests to fisheries, seemed unlimited. We started the 20th century with 1.65 billion people in the world, a population not much greater than that of China or India today. Society used resources and generated waste with little restraint and few concerns. While this helped drive growth and improve the livelihoods of many millions of people, it was **a long way from a sustainable society**.

The global population has now reached seven billion, resources are increasingly scarce and climate change is a reality. The world is on track to warm by four degrees Celsius by the end of this century, which will have a severe effect on **weather patterns**, water availability and agriculture¹. We have already lost half the world's forests and degraded an estimated 60% of the world's ecosystems².

Today's global economy is almost five times the size it was 50 years ago and is set to triple again by mid-century. There were just 12 cities with a population above one million people in 1900, while today there are more than four hundred and the world's urban population swells by more than one million people every week³. Billions of people are expected to enter the **consumer society** in the coming decades⁴. This is cause for celebration, in part, as many people are coming out of poverty. However, not all will have prosperous lives, with billions remaining poor and continuing to struggle to provide for themselves and their families.

When it comes to the **environment**, society is currently using resources at a rate that requires 1.5 planets.⁵ Global carbon emissions continue to rise at a time when they need to peak and then decline rapidly. Recycling rates have increased around the world, but the majority of valuable processed materials are still thrown away rather than reused, leaving room for significant improvements and opportunities. Rising energy and raw material costs are putting pressure on businesses and families across the world. When it comes to the IKEA business, unless we act boldly, price increases for energy, wood, textiles, metals and plastics will affect our costs and force price increases for our customers. Even if concerns about sustainability or climate change are put to one side, being careful with resources, managing costs for the future, controlling energy use and looking after your people is good for business.

A **sustainable world** that provides a great quality of life for many people and protects the environment is possible. We can provide economic opportunities and empower people so they are able to better provide for themselves and their families. We can utilise the massive potential of renewable energy; we can develop exciting new products and services that help people live a more sustainable life at home; we can transform waste into resources; and protect our forests, farmlands, seas and rivers for future generations. IKEA can be a small, but significant, force in helping to create this more sustainable world.

There are also many other new opportunities ahead of us. Over the coming decades hundreds of millions homes around the world will shift to smart home energy management and will produce their own power. The market for solar electric power is set to be worth \$130 billion per year for the next decade, close to the value of the global furniture industry⁶. The global recycling industry is growing rapidly with even greater revenues of \$160 billion per year⁷. Tens of billions of incandescent light bulbs and hundreds of millions of out-dated appliances exist in homes around the world today, wasting money and energy, and should be replaced with highly efficient, modern solutions that benefit customers and the environment.

IKEA can grow in a way that creates opportunities and improves lives. As IKEA grows, we want to strengthen our positive impact and help meet the needs and aspirations of more families and households around the world. **By 2020**, around 500 IKEA Group stores will welcome an estimated 1.5 billion visitors per year, employ more than 200,000 co-workers, potentially generating 45-50 billion euro in turnover. However, while that growth brings many great opportunities, if we continue with a business as usual approach, our use of wood will almost double and our carbon emissions will increase from today's 30 million tons to 50-60 million tons.

Simply put, to be able to fulfill future customer needs, address the higher price of raw materials and energy, while driving down emissions and maintaining our low-prices, we need to **transform our business**. We can no longer use 20th century approaches to meet 21st century demands. Simply working towards being less bad will not get us where we need to be - we need transformational change - which means challenging old ways and embracing the new, being bold, innovative and committed to taking action. It means taking many steps, both large and small, that, together, will have transformational impact.

SUSTAINABILITY AT IKEA IS BASED ON OUR VISION AND BUSINESS FOUNDATIONS

At IKEA we are guided by **our vision of creating a better everyday life for the many people**. And what is good for people is also good for us in the long run. Our business idea, to combine good form, function and quality with built-in sustainability, at prices so low that as many people as possible can afford them, is the foundation for our contribution to a better home for people with ordinary incomes. The home is the most important place in the world and a better home makes everyday life a little bit better. We also recognise that we have a responsibility beyond the home through the impact of our business and the role we have in society. We need to make a small, but significant, contribution.

We want to **economise with resources**. We do not want to be wasteful and we always strive to make more from less. This is part of core IKEA values. It goes back to our roots in the rocky landscape of Småland in Southern Sweden where people had to make the most out of the scarce resources at their disposal. This continues to influence us as we develop our range, and distribution and sales solutions.

Our vision, business idea and values were the starting point for our environmental initiatives many years ago, as well as for introducing IWAY, our code of conduct for suppliers, and our social programmes. Sustainability - environmental, economic and social well-being for today and tomorrow - is becoming an integrated part of our business and is one of the strategic cornerstones in the IKEA Group direction "Growing IKEA-Together".

Led and supported by hard-working people across IKEA, we have **already taken many steps** aimed at making our business more sustainable, to name just a few⁸:

Our code of conduct for suppliers, **IWAY** was first launched in 2000 and includes a dedicated code of conduct on preventing child labour. To date, over 165,000 environmental and social improvements have been recorded, making a difference to people's lives and the environment.

"IKEA Goes Renewable" means we will produce more renewable energy than we consume throughout IKEA buildings and operations⁹. We are installing solar panels on 120 of our stores and warehouses. In addition, we have wind farms in six countries. The solar panels and the wind farms currently in operation or construction generate the equivalent to 27% of the electricity needed to run our operations; and we have only just begun. We also want to use less energy and compared to 2005, the energy efficiency of our stores has improved by 10%, and our distribution centres by 33%¹⁰.

We have taken a stand for fewer and safer chemicals. We have banned PVC from our products¹¹ and lead in mirrors, dramatically reduced formaldehyde from lacquers and glues, and we never use optical brighteners in IKEA textiles. We are also making dramatic changes to some of the **products** we sell. We phased out incandescent bulbs in favour of more energy efficient compact fluorescents in 2010; we will now roll out LEDs in the same way – at the lowest prices.

We are turning waste into resources and less than 15% of the **waste** generated in our stores gone to landfill. In our industry group, we take waste wood that would have been burnt or gone to landfill and turn it into new board for wardrobes or bookshelves. We source **raw materials** with care, and are one of the world's biggest buyers of certified wood from well-managed forests, more than a quarter of our cotton is from more sustainable sources and we offer responsibly sourced and organic food options in our restaurants.

We **work with others** to transform industries and are founding members of the Forest Stewardship Council, FSC, and the Better Cotton Initiative, BCI, and have maintained successful partnerships with UNICEF, Save the Children and WWF for a decade or more.

Moving forward we will continue to strengthen **our core values and beliefs**, as well as good business practices, ensuring that:

- There is compliance in own operations with our code of conduct, and compliance for all our home furnishing suppliers with the IKEA supplier code of conduct, IWAY.
- Sustainable financial policies are safeguarded, ensuring independence and stability as a basis for growth and responsible business, and with respect for all applicable legislation.
- Product quality and functionality are continually strengthened in line with our range direction.
- Hazardous substances are phased out in advance of legislation, and we continue to take a precautionary approach when introducing any new chemicals.
- The requirements of all product safety legislation and standards are met or exceeded. Wherever possible, we adopt the strongest legislation and apply it in every market.
- Chain-of-custody of all critical materials and processes are established.

We are a values-driven business with a culture based on strong values; togetherness and enthusiasm; desire for renewal; cost-consciousness; accepting responsibility; humbleness and willpower; simplicity; leadership by example; daring to be different and striving to meet reality. Our culture and values shape the way we do business and create a powerful desire to **do the right thing**. We always do our best to maintain the highest ethical standards and to be a good partner in society.

The IKEA Group Sustainability Strategy for 2020

PEOPLE & PLANET POSITIVE

IKEA has been committed to sustainability for many years, and we are now determined to **take the next big step**. Through our new sustainability strategy, "People & Planet Positive", we will use sustainability to drive innovation, transform our business, shape our investments and unleash new business opportunities. It will enable us to strengthen our competitiveness by securing long-term access to important raw materials, maintain and develop our supplier base, deepen our relationships with co-workers and customers, and increase productivity. It will help us to lead change in society.

We believe that sustainability should not be a luxury that few can afford or that people should have to choose between design, function, quality, low price or sustainability. **We will do our utmost to be the leader in sustainable, affordable life at home by inspiring and enabling customers to fulfill their needs and dreams at home.** We will make more sustainable products and solutions affordable, widely available and exciting. We believe that this will benefit the environment and society and our customers - helping them save money, save time and feel good.

Sustainability at IKEA means ensuring environmental, economic and social well-being for today and tomorrow. It means meeting the needs of people and society, without compromising the ability of future generations to meet their needs – acting in the long-term interests of the many people and not just the few. It is about living within the limits of the planet and protecting the environment. It means promoting a strong, healthy, inclusive and just society where people can prosper and fulfil their potential.

Across our integrated value chain, we contribute to improving the quality of life of people and communities and support a world that prospers within the limits of one planet. We will strive to put more in than we take out, use resources with the utmost efficiency and turn waste into resources. We will promote renewable energy, healthy and safe chemicals, responsible stewardship of forests, water and farmlands, and a fairer society. *That is what we mean by people and planet positive.*

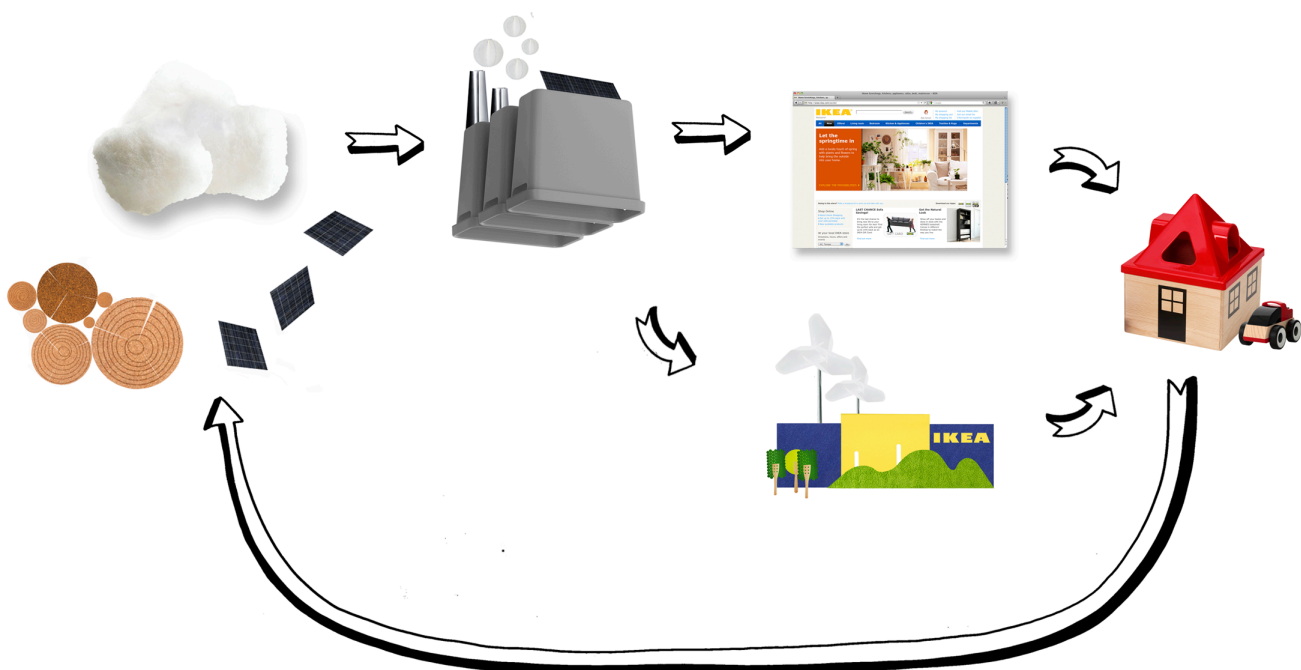
Together, simplicity and leadership will be key to our success. We will do our best to use sustainability as a **driver of innovation and transformational change** - from factory and farm, to store, to customers' homes and all the way to our products' end of life - and strive towards having a positive impact on people and the planet.

As we deliver on this strategy, we will try new approaches, stretch ourselves and possibly make mistakes along the way. Nevertheless, we will do our best; always seek to be the very best we can be and we are **committed to having a positive impact on people and the planet.** What could be more important?

We have identified **three change drivers** that will transform our business - making it more sustainable, driving growth, discovering new business opportunities and helping create a better everyday life for the many people:

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 help customers save or generate energy, reduce or sort waste, use less or recycle water: at the lowest possible price.
2. **Strive for resource and energy independence¹².** Securing long-term access to sustainable raw materials, promoting recycling and using resources within the limits of the planet. Produce more renewable energy than 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. Extending our code of conduct throughout our value chain; be a good neighbour, act in the best interest of children and support human rights.

This strategy, "People & Planet Positive", is ambitious and far reaching, covering all aspects of our business and value chain. To be able to transform our business and move towards being people and planet positive we need to ensure that:



- We make sustainability a **natural part of our everyday work.**
- We **enable and encourage** co-workers to participate in activities that relate to sustainability, including local community involvement and volunteering during paid hours.
- We drive new technologies and **new thinking**, and use our scale to transform our business, product range and our stores.
- We drive our business through **investing** in areas that help us become people and planet positive.
- We expand our **collaborations and partnerships** with other companies, suppliers, NGOs and UN bodies to work towards becoming people and planet positive.
- We strive to be a **good neighbour and establish long-term partnerships** with local communities where we operate; positively contributing to their economic, social and environmental development.
- We will **advocate for government policies** that support positive change in society, alongside the actions within our business¹³.

We believe this strategy is in the best interest of our business, the planet and everyone who hopes for a better everyday life today and in the future.

The IKEA Group Sustainability Strategy for 2020

PEOPLE & PLANET POSITIVE OVERVIEW

The following pages provide an overview of high-level commitments and targets for the different parts of our business. These will be updated annually, and when necessary, be adapted to each business unit and incorporated in strategies and business plans. We will transparently communicate on our progress and remaining challenges¹⁴. The below table is a summary of the main sustainability commitments and targets at IKEA Group level.

OUR COMMITMENTS

TARGETS/INDICATORS

Ensure sustainability is part of our everyday work.

- By the end of FY15¹⁵, 95% of IKEA co-workers state that "sustainability is a natural part of the everyday work".
- Ensure sustainability is included in all personal development and incentive schemes.
- Ensure improved knowledge, training and best practice sharing to enable all co-workers to contribute to and actively challenge IKEA to become more sustainable.

1) A more sustainable life at home.

Take the lead in developing and promoting products and solutions that enable customers to live a more sustainable life at home.

- By the end of FY20, achieve more than a fourfold increase in sales from products and solutions, inspiring and enabling customers to live a more sustainable life at home.

Engage and involve people and communities around our stores, our suppliers and co-workers through impactful, relevant and unique communication.

- By the end of FY15, at least 95% of co-workers, 95% of our suppliers and 70% of consumers view IKEA as a company that takes social and environmental responsibility.

2) Resource and energy independence.

Strive for resource independence by using resources within the limits of the planet and by encouraging all waste to be turned into resources.

- By FY17, 50% of projected wood volume will come from preferred sources.
- By FY15, all cotton used will be produced in line with the Better Cotton Initiative.
- By the end of FY15, all home furnishing materials, including packaging, will be either made from renewable, recyclable or recycled materials.
- By the end of FY15, 90% of our home furnishing products will be more sustainable with documented environmental improvements, covering both resource use and product functionality according to our sustainability product scorecard.

Strive towards energy independence through being a leader in renewable energy, and becoming more energy efficient throughout our operations and supply chain.

- By the end of FY15, we will produce renewable energy equivalent to at least 70% of our energy consumption
- By the end of FY20, the IKEA Group will produce as much renewable energy as we consume in our operations.

Develop our business through investing in renewable energy sources, energy efficiency, store expansion and refurbishment, low carbon transportation and range development.

- We will maintain or exceed current investment levels and publicly report on progress.
- All stores will have been included in "IKEA Goes Renewable" by the end of FY15.
- Every new IKEA store, office, distribution centre, or industrial group factory will be located, designed, equipped and operated to be the most sustainable IKEA facility at that point in time.

3) A better life for people and communities.

Take a lead in contributing to a better life for people and communities impacted by our business.

- By the end of FY15, all IKEA suppliers (within the IWAY scope) comply with our code of conduct, IWAY. IWAY will be continuously assessed and strengthened.
- Ensure that the requirements we place on our own operations, with regards to environmental, social and working conditions, meet or exceed those we require of our suppliers using our HR Direction.
- Support the realisation of human rights and have a positive impact on people's daily lives, with the UN Guiding Principles on Business and Human Rights as our base.
- Building on our belief that our actions should always have the best interests of the child in mind, we will use the Children's Rights and Business Principles to strengthen the work we do throughout our business to protect the rights of children.

A more sustainable life at home

For and together
with our customers



We will transform our entire range, making all of our products more sustainable. We will also develop and promote solutions that inspire and enable customers to live a more sustainable life at home, whether it is saving or producing energy, accessing clean water or sorting waste.

Take the lead in developing and promoting products and solutions that inspire and enable customers to live a more sustainable life at home, and achieve more than a four-fold increase in sales from these solutions by the end of FY20¹⁶.

- Enable customers to take **climate positive**¹⁷ actions in their homes by offering a compelling range of solutions for home energy management, consumption and generation¹⁸.
 - Our **energy consuming products** will be, on average, at least 50% more efficient than our range was in 2008.
 - By the end of FY16, all our electric hobs will be energy efficient **induction hobs**¹⁹.
 - By the end of FY16, our entire lighting range will switch to **LED offered at the lowest prices**.
 - By FY17, offer the most energy efficient home **appliances** at the lowest price.
- Offer innovative solutions and knowledge that stimulate customers to save, reuse and recycle **water** and minimise household chemical use at home.
- Motivate customers to turn **waste** into resources by offering low price, functional and easy to use solutions for sorting and minimising waste at home²⁰.
- Take a lead, together with our customers and others in society, in re-thinking the nature of **future homes** and communities to ensure they are built as true examples of attractive, affordable and sustainable living.

Involve and engage customers and co-workers through impactful, relevant and unique communication and by the end of FY15, at least 95% of IKEA co-workers, 95% of our suppliers and 70% of consumers view IKEA as a good citizen in society and a company that takes social and environmental responsibility²¹.

- Take a lead in understanding people's needs and dreams in connection to a sustainable life at home.
- Sustainability will be integrated in all IKEA **communications channels**. This includes strengthening information at point of sale (in store and online) to provide ideas, inspiration, knowledge, and smart solutions - truly engaging customers to live a more sustainable life at home.
- Actively promote more sustainable products and solutions by increasing **transparency** on how they were produced and their customer benefits. Communication tools that are the most credible and relevant for our customers will be used; including third party certification.
- Perform regular, transparent and systematic **reporting on progress** to steer our business and increase transparency and trust. This includes independent auditing and verification of relevant tools and reports.
- Incentivise **IKEA FAMILY** members through products, solutions, events and services that enable them to live a more sustainable life at home. Also engage members to share ideas online and in IKEA stores and reward them.
- Engage customers and co-workers in annual local and global **campaigns for a good cause**²² going from current annual donations of around 10 million euro to 20 million euro by FY20.

Resource and energy independence

Together with our operations and supplying world



We aim to have an overall positive impact on the planet and contribute to protecting biodiversity, sustainable resource use and the development of a low carbon value chain.

Strive for resource independence; by using resources within the limits of the planet and by enabling all waste to be turned into resources.

We will take a lead in responsible sourcing of raw materials. By FY17, the majority of the renewable materials used will come from preferred sources such as Better Cotton or FSC certified wood.

- Before FY20, become **forest positive**. Promote the adoption of sustainable forestry methods across the industry and contribute to ending deforestation.
 - 100% of the wood used is sourced in compliance with our forestry requirements. By FY17, more than quadruple the volumes of wood material coming from preferred sources. This represents 10 million m³, or in other words, 50% of the total projected volume of wood used at IKEA.
 - By FY17, all of the leather we use will be fully traceable and produced according to standards that help protect forests and respect animal welfare.
 - By FY20, all palm oil currently used, in e.g. candles or as food ingredient, will either come from verified sustainable sources or be replaced by more sustainable raw materials.
- By the end of FY20, become **water positive** by contributing to the increased availability of clean water in the communities where we operate. Moreover strive towards a balanced water footprint in all parts of our supply chain; having a clear strategy in place by FY13.
- By FY15, all **cotton** used in IKEA products is produced in line with the Better Cotton Initiative and we will continuously investigate complimentary fibres with improved sustainability performance relative to cotton.
- Take the lead in **more sustainable food**; serving and selling food that is, for example, low carbon and/or organic, and certified wherever it is subject to social and environmental concerns.
- Ensure **full supply chain control** (chain-of-custody) for all critical materials and processes, and have an IT system providing clear overview internally by FY15.

We will take a lead in turning waste into resources. We will develop key resource chains securing recycled materials, ensure key parts of our range are easily recycled²³, and take a stand for closed loop society. By the end of FY15 all main home furnishing materials, including packaging, will be either made from renewable, recyclable or recycled materials.

- Target key raw materials with dedicated "resource chain" projects to establish new flows of recycled materials.
 - By the end of FY17, 50% of the non-renewable materials used in our home furnishing products will be **recycled**.
 - By FY20, 30% of the wood used by the industry group will be recycled.
- Enable customers to have clear and simple options for the **reuse and recycling** of appropriate categories of IKEA products, e.g. mattresses, sofas, appliances and light bulbs.
- Strive for **zero waste to landfill** wherever possible, with a minimum of 90% of the waste from our stores and other IKEA operations sorted for recycling by the end of FY15.
 - Prevent and minimise **food waste** generated in store operations and from customers left-over food. By FY13, no food waste shall end up in landfill or incineration.

By FY15, 90% of the total sales value will come from home furnishing products classified as more sustainable²⁴.

- Actively search for new ways to **design our products** using raw materials with the utmost efficiency and develop complementary and alternative materials that are more sustainable without compromising product quality, design, function or increasing the selling price.
- Continually **substitute hazardous chemicals** with healthy and safe alternatives across our value chain and strengthen information management about substances used.
- In line with our belief that to buy, use and throw away is not IKEA, we will ensure our products have the **durability fit for purpose**.

Be energy independent by being a leader in renewable energy and becoming more energy efficient throughout our operations and supply chain. By the end of FY15, we will produce renewable energy equivalent to at least 70% of our energy consumption and by the end of FY20 we, on Group level, will produce as much renewable energy as we consume²⁵.

- Take a lead in renewable energy and energy efficiency via our long-term commitment for own operations - **"IKEA Goes Renewable"**. Work together with our suppliers to develop and roll-out a new programme, **"Suppliers Go Renewable"**, setting clear milestones on share of renewable energy in the supply chain during FY13.
 - Create tailored renewable **energy solutions** for individual buildings, facilities and transport in own operations and at suppliers.
 - Become 20% more **energy efficient²⁶** in our own operations by the end of FY15, and encourage and enable our direct suppliers to achieve the same by the end of FY17.
 - By the end of FY15, reduce **carbon emissions** from our own operations by 50%²⁷ and those of our suppliers by 20%.
- Transform **customers' accessibility** to IKEA using all sales channels, while reducing the carbon footprint of customer transport and home delivery through promoting innovative solutions, such as electric vehicles.
- By the end of FY16, reduce **transport-related carbon emissions** by 20%²⁸ through, for example, improving fill rates, utilising electric vehicles, optimal modes of transport and green corridors.
- Develop a low carbon **material strategy** by the end of FY14. This could include producing more from less and using renewable, recyclable or recycled materials.

Develop our business through investing in renewable energy sources, energy efficiency, store expansion and refurbishment, low carbon transportation and range development.

- Consider sustainability in all major investment decisions, such as property development and transportation.
 - Utilise full cost accounting to evaluate projects' lifetime costs as a basis for investment.
 - Maintain or exceed current sustainability investment levels and publicly report on progress.
- Develop new strategic sustainability-based businesses and investments, for example through the IKEA Industry Group.
- All stores will have been included in "IKEA Goes Renewable" by the end of FY15.
- Every new IKEA store, office, distribution centre, or industrial group facility will be located, designed, equipped and operated to be the most sustainable IKEA facility at that point in time²⁹.

Better life for
people and
communities

Together with our
operations and
supplying world



We side with the many people and are committed to having a positive influence on people's lives across our value chain; supporting positive economic, environmental and social development.

Take a lead in contributing to a better life for the people and communities impacted by our business.

- Ensure that the requirements we place on our own operations, with regards to environmental, social and working conditions, meet or exceed those we require of our suppliers using our Human Resources Direction.
- Support the realisation of **human rights** and have a positive impact on people's daily lives. Using the UN Guiding Principles on Business and Human Rights³⁰ as our base, we will work to promote its implementation across our value chain.
- Building on our belief that our actions should always have the best interests of the child in mind, we will use the Children's Rights and Business Principles³¹ to strengthen the work we do throughout our business to protect the rights of children – from supply chain and product development to advocating on behalf of children, enabling their voices to be heard.
- Support and encourage the development of good places to work throughout **our supply chain.**
 - By the end of FY12, all existing home furnishing, supply chain and global food suppliers³² will be IWAY approved. New suppliers will have a maximum of 12 months after the start of their relation with IKEA to achieve compliance. Other suppliers³³, within the IWAY scope³⁴, will reach approval at the latest by the end of FY15.
 - Secure compliance to **"IWAY Musts"** at all sub-suppliers along the entire value chain of identified critical materials and processes by the end of FY17.
 - Encourage suppliers to move from a compliance-driven approach to one based on **shared values** and a commitment to sustainable business.
 - Work together with our suppliers to ensure their operations are the best places to work in each sector and local market, offering working conditions that ensure they attract, motivate, develop and keep the talent they need.
- Support the development of **small-scale entrepreneurs** into IKEA suppliers leading to demonstrable social benefits, such as tackling poverty³⁵.
- Go beyond the **immediate reach of our supply chain** and contribute to transforming entire sectors, such as cotton, and create positive change in society or addressing wide spread challenges such as the impact of migrant work on families and children.
 - Implement a project by FY14 that will enable us to fully understand the **socio-economic impacts** of our business and areas of influence³⁶.

FINALLY, A LITTLE IKEA & SUSTAINABILITY DICTIONARY

Better Cotton Initiative (BCI)	It is a multi-stakeholder initiative that aims to promote measurable improvements in the key environmental and social impacts of cotton cultivation worldwide to make it more sustainable.
Brand Capital	IKEA Brand Capital Survey is a standardized survey and information programme that Inter IKEA Systems B.V. carries out every year, in every IKEA store around the world. The survey assesses how the IKEA Brand is perceived in the local marketplace.
Carbon emissions³⁷	A greenhouse gas (GHG), here called carbon emissions, is a gas that absorbs and emits radiation within the thermal infrared range. I.e a gas that trap heat in the Earth's atmosphere. Examples are water vapour, carbon dioxide, methane, nitrous oxide and ozone. This process is the fundamental cause of the greenhouse effect also known as climate change.
Chain of custody³⁸	A legal term that refers to the ability to guarantee the identity and integrity of the sample of the test results from collection through to reporting. For forestry products it is the path taken by products from the forest or, in the case of recycled materials, from the reclamation site to the consumer including each stage of processing, transformation, manufacturing, and distribution where progress to the next stage of the supply chain involves a change of ownership.
Climate positive at home	Homes that produce energy; are super energy efficient and have emissions within the limits of our planet. For example, IKEA can enable customers to become climate positive by providing products and solutions that reduce their energy use and increase their use of renewable energy. Example of products include sensors, timers and energy meters, induction hobs, most energy efficient appliances, LED light sources and home based solar PVs and heat pumps.
Climate positive	Where the overall impact of our business, from the energy that powers our stores to the products our customers use at home, is positive by reducing more emissions than we cause and promoting the fast up-take of clean technology.
Forest positive	IKEA is committed to promoting sustainable forestry and land use practises that integrate forest protection and restoration. Overall, our activities will safeguard forest biodiversity at landscape level and we will ensure a long term balance between harvest of wood and forest re-growth.
Closed material loops	To minimise the environmental impact of the materials IKEA uses through minimising the amount of IKEA products ending up in land-fills or incineration as well as minimising the use of non-renewable virgin resources.
Consumers	Defined as people living in the uptake area of an IKEA store, definition used in the IKEA brand perception survey Brand Capital.
Critical materials and processes	For example cotton, leather, wood, down & feathers, palm oil, natural fibers and plants.
Democratic Design	Democratic Design is the IKEA way of designing products to meet the many people's wants and needs. It consists of five dimensions that each product must fulfil; well-designed, functional and of good quality, have a low price, and be sustainable (both when it comes to the environment and safeguarding human rights).
Forestry requirements	These requirements demand that all wood used at IKEA shall be of known origin and the wood can NOT come from forests that have been illegally logged; from High Conservation Value Forests (HCVF) unless they are certified as responsibly managed; tropical and sub-tropical natural forests that are being converted into plantations or non-forest use; sourced in recognised commercial genetically modified tree plantations; sourced in areas where serious social conflicts are ongoing, where the suppliers do not adhere to international conventions on how to treat co-workers. IKEA has the right to make an audit without prior warning and can demand information on the origin of the wood giving a 48 hour notice.
Forest Stewardship Council (FSC)	As an independent organization, FSC sets international standards for responsible forest management, and accredits independent third-party organizations that certify forest managers and forest-product producers to these standards.
FY	The IKEA financial year runs from 1 September to 31 August.
Growing IKEA Together	IKEA's current five year business direction, FY10-FY20.
Human rights	The UN Universal Declaration of Human Rights is a common standard for all people. At IKEA, we will have this constantly in mind, promote and observe the respect for these rights throughout the scope of our business with the guidance of the 2011 UN Guiding Principles for Business and Human Rights. Read more on: http://www.ohchr.org/documents/issues/business/A.HRC.17.31.pdf
IKEA FAMILY	IKEA FAMILY is our customer club that shares inspiration and rewards its members through offering special discounts on regular IKEA products, and access to the unique and exclusive IKEA FAMILY product range. Through IKEA FAMILY we can reach our most regular and loyal IKEA customers frequently and quickly.
IKEA Foundation	The IKEA Foundation is a Dutch charitable foundation which aims to improve opportunities for children and youth in developing countries by funding holistic, long-term programmes that can create substantial, lasting change in four fundamental areas of a child's life — a home, education, health, and family income. More information found on www.ikeafoundation.org
Industry Group	It includes Swedwood, Swedspan and IKEA Industry Investment & Development (IIID). Swedwood is a significant producer of IKEA Board on Frame furniture, kitchens and wardrobes. Swedspan mainly supports the IKEA flat-line furniture business. IIID is an advisory service company.

IWAY	Since 2000, the IKEA Way on Purchasing Home Furnishing Products, Materials and Services. IKEA's supplier code of conduct that defines what suppliers can expect from IKEA and specifies what IKEA requires from its suppliers.
LED	Light Emitting Diodes.
Main materials	A material is the matter from which a thing is, or can, be made. Products in the IKEA range are often made of several different materials and they are all equally important. E.g. a sofa can be made of wood, PU foam, textiles and some metal parts, which mean the sofa consists of four main materials. Excluded from being considered as main materials are; additives, lacquering, or other extra substances that would finish, glue or surface-treat the product.
More sustainable products	Products that scores 120 points or more in the IKEA Sustainability Product Scorecard and are produced at IWAY approved suppliers.
NGO	Non-Governmental Organisation, increasingly also referred to as CSO (Civil Society Organisation).
Non-renewable material used at IKEA	For example; plastics, foam, steel and metals etc.
Planet positive	IKEA puts more in than we take out and use resources with the utmost efficiency where we work towards a closed loop society where waste is turned into resources.
Preferred sources of raw materials	Currently includes wood from FSC forests and recycled wood, and cotton from the Better Cotton Initiative and UTZ certified cocoa and coffee.
PV	Photovoltaics (PV) is a method of generating electrical power by converting solar radiation into direct current electricity using semiconductors that exhibit the photovoltaic effect.
Recycled materials	A material that is produced from processed waste materials, either from industrial waste (e.g. manufacturing leftover material) or household waste (e.g. used products), excluding energy recovery.
Recycling of non-renewable materials	The recycling of non-renewable materials used to produce home-furnishing products to maximise the use of each resource. Refers to materials such as steel, copper, oil-based plastics etc.
Renewable energy	Renewable energy is energy which comes from natural resources such as sunlight, wind, rain, tides and geothermal heat - which are renewable. IKEA investments in renewable energy focuses on solar and wind.
Resource independence	Resource scarcity will drive prices and limit availability of many raw materials and could shape our business in an unpredictable way. Resource independence at IKEA means taking active control of the raw material flows throughout our business. We will avoid dependency on finite supplies of unsustainable raw materials. We will promote a more cyclical society with high volumes of recycled material and opportunities for remanufacturing. We will secure long term access to sustainable sources of natural materials and will actively develop new sustainable alternatives. We will succeed through collaboration with others.
Soft Toys for Education campaign	A yearly activity where one euro for every soft toy sold in IKEA stores is donated by the IKEA Foundation, split between Save the Children and UNICEF, in support of educational programmes around the world.
Solutions for a more sustainable life at home	Products and know-how helping our customers to lower the energy and water consumption and to sort and minimise waste at home.
Suppliers Go Renewable	A significant amount of energy is consumed during production of IKEA home furnishing products and still a lot of that energy comes from fossil fuels, e.g. coal. In "Suppliers Go Renewable" we will facilitate for and inspire our tier 1 suppliers to improve their energy management, become more energy efficient and shift to renewable energy from sustainable sources.
Sustainability Product Scorecard	An internal tool to evaluate products from a sustainability performance point of view. Consist of 11 criteria that are differently weighted. If a product reaches 120 points and the production is IWAY approved – a specific product can get classified as more sustainable.
Sustainable consumption³⁹	The use of services and related products which respond to basic needs and bring a better quality of life while minimising the use of natural resources and toxic materials as well as the emissions of waste and pollutants over the life cycle so as not to jeopardise the needs of future generations.
Sustainable development⁴⁰	United Nations definition: Development that meets the needs of the present without compromising the ability of future generations to meet their own needs (coined by the Brundtland Commission in 1987).
Sustainable production⁴¹	Sustainable production is the creation of goods and services using processes and systems that are: non-polluting; conserving energy and natural resources; economically efficient; safe and healthy for workers, communities, and consumers; and, socially and creatively rewarding for all working people.
Transformation	Transformation is a big change where we re-think, re-make, re-structure – leaving outdated ways that keep us in limitations.
UTZ	Certification programme for sustainable growth of coffee, cocoa and tea. The certification ensures responsible production and that our customers can trace their coffee and cocoa all the way from the plantation to the store.
VOICE	VOICE is the IKEA annual co-workers survey, one of the business development tools used to measure how well IKEA is doing in terms of business and people growing together.
Water positive	Being water positive implies that the overall water credit from all water impacting activities along the entire value chain is greater than the water debit. That is, that we put in more than we actually take out.

REFERENCES

- ¹ Intergovernmental Panel on Climate Change Special Report on Emission Scenarios, 2000
<http://www.ipcc.ch/pdf/assessment-report/ar4/wg1/ar4-wg1-spm.pdf>
- ² "Prosperity without growth? The transition to a sustainable economy", Sust Development Commission, 2011.
- ³ UN Habitat, . www.unhabitat.org/mediacentre/documents/background5.doc
- ⁴ "Vision 2050: The new agenda for business – in brief". WBCSD, 2010. p. 18
- ⁵ "Living Planet Report 2010" WWF, 2010
- ⁶ Bloomberg New Energy Finance and furnituremanufacturers.net
- ⁷ International Finance Corporation
- ⁸ Find more information in the IKEA Group Sustainability Report 2011.
- ⁹ IKEA operates stores, distribution centres and factories, the latter through the industry group.
- ¹⁰ Measured in kWh/m³ sold goods.
- ¹¹ Lighting cables still contain PVC.
- ¹² Resource and energy independence refers to using resources within the limits of the planet - enabling us to take greater control of our resource chain, through approaches such as vertical integration into raw materials and by increasing recycling and reuse of critical raw materials. Become a leader in renewable energy generation by producing as much renewable energy as we consume, and driving energy efficiency throughout our operations and supply chain.
- ¹³ For example aiming for: the rapid uptake of renewable energy and energy efficiency solutions; the promotion of recycling and producer responsibility; the development of strong and effective eco-design standards; improved chemical safety and substitution of hazardous chemicals.
- ¹⁴ This direction contains many challenging targets and commitments, including some of "100%". Changing circumstances and the complexity of the issues mean we will always have the possibility of well-motivated exceptions. In these cases we will be transparent in our communication. We believe in engaging broadly with suppliers and helping improve standards of operations, and new suppliers are allowed a grace period to achieve compliance with some of our policies and objectives.
- ¹⁵ See dictionary for explanation.
- ¹⁶ A fourfold increase corresponds to sales of approximately 4 billion euro. per year, as of FY20 with baseline year FY11.
- ¹⁷ See dictionary for explanation.
- ¹⁸ IKEA can enable customers to become climate positive by providing products and solutions that reduce their energy use and increase their use of renewable energy. Example of products include sensors, timers and energy meters, induction hobs, most energy efficient appliances, LED light sources and home based solar PVs and heat pumps.
- ¹⁹ Where local conditions allow.
- ²⁰ Including food, packaging, chemicals and other general household waste.
- ²¹ Measured through the VOICE question "I am proud of the way IKEA works with sustainability" and Brand Capital.
- ²² For example the current Soft Toys for Education campaign.
- ²³ This also includes upcycling and downcycling.
- ²⁴ Through the sustainability product scorecard.
- ²⁵ Own operations relate to Distribution centres, stores, offices, industry group (e.g. Swedwood, Swedspan).
- ²⁶ Compared to FY10 in relative terms, measured by kWh/m³ products sold for retail operations and kWh/m³ purchased goods for trading operations.
- ²⁷ Compared to FY10 in relative terms, measured by CO₂/m³ products sold, or CO₂/m³ goods purchased.
- ²⁸ Compared to FY11, in relative terms and measured by m³ transported goods.
- ²⁹ For example stores' location and green spaces around the store; easily accessible public transport systems; sustainable building materials used; waste managed; efficient energy use (i.e. all light sources LED or high performing fluorescents); renewable energy solutions; and efficient water management. Guidelines are being developed to build on existing work within stores and distribution centres. These guidelines will take local conditions into consideration.
- ³⁰ These guidelines are based on the UN Universal Declaration on Human Rights and core ILO conventions.
- ³¹ Launched by UNICEF, Save the Children and UN Global Compact in 2012
- ³² Suppliers related to Home Furnishing, IKEA Components, Transportation, distribution services and central Food.
- ³³ For example suppliers related to IMS, retail operations and local IKEA Food operations.
- ³⁴ For the retail operations, current IWAY focus is on cleaning, security and waste management suppliers.
- ³⁵ For example through the Next Generation project.
- ³⁶ For example by getting a clearer and more in-depth overview of number of sub-suppliers and the impacts associated with them; what would a good level of impact mean in the various countries where we have operations etc.
- ³⁷ IPCC, Intergovernmental Panel on Climate Change.
- ³⁸ US EPA: <http://www.epa.gov/apti/coc/glossary.html> and information from Forest Stewardship Council.
- ³⁹ UNEP 1995 <http://www.uneptie.org/shared/publications/pdf/DTIx0570xPA-TrackingProgress2.pdf>
- ⁴⁰ "Report of the World Commission on Environment and Development." General Assembly Resolution 42/187, December 1987.
- ⁴¹ University of Massachusetts Lowell Center for Sustainable Production, www.sustainableproduction.org