



IKEA Czech Republic, Hungary, Slovakia Sustainability Report

Financial year 2020
(1st September 2019
– 31st August 2020)

All over the world, people want change – and so do we. The Earth is the only home we have. If we want to continue living on it tomorrow, we must transform our habits today – starting at home.

In FY20, we’ve decided to raise awareness about this issue among customers, co-workers, as well as opinion and policy makers, supporting a shift towards a more sustainable, diverse and inclusive society. That’s why we have dubbed FY21 the Leap Year of Sustainability.

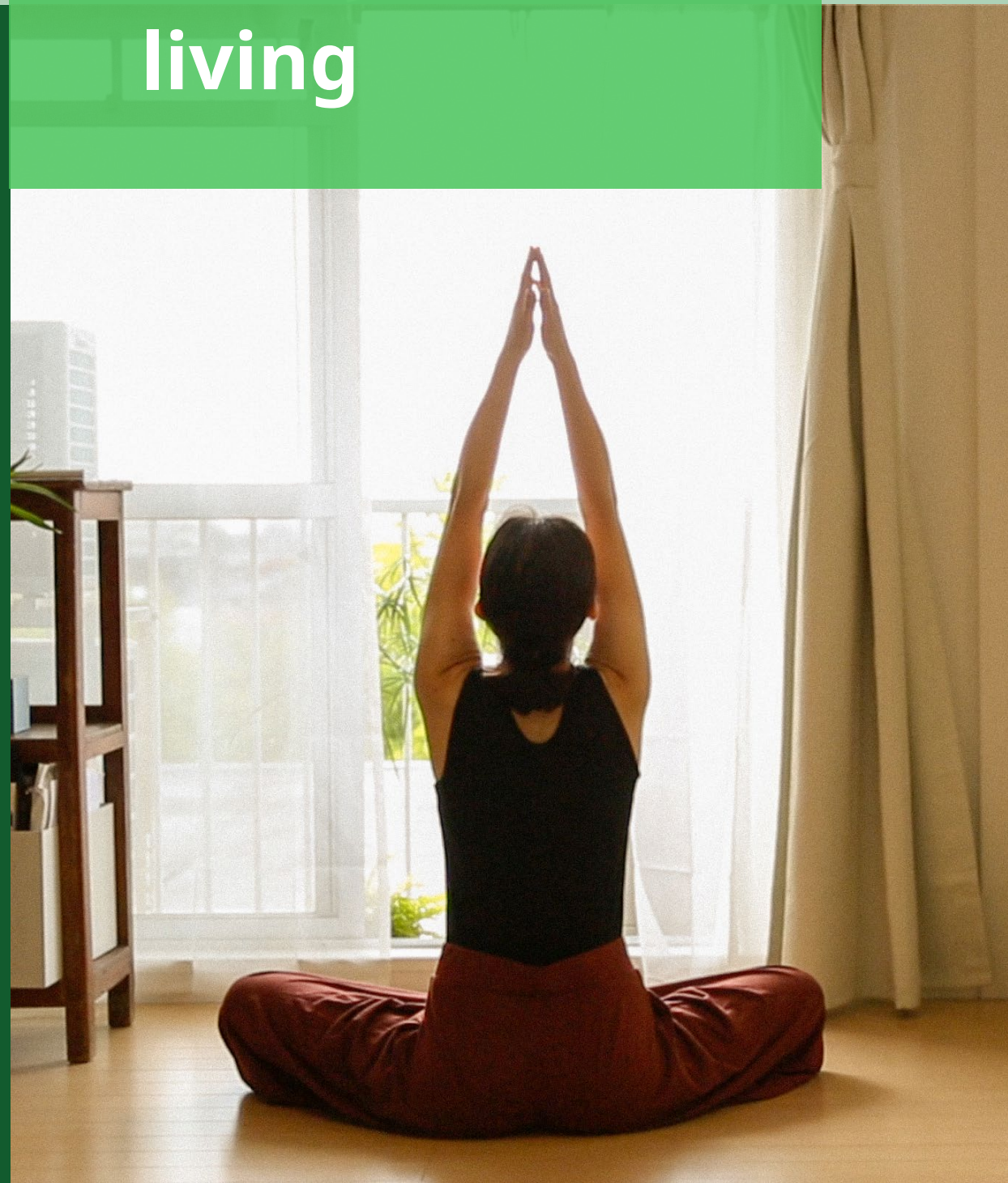


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We have a decade left to protect our shared home from the worst effects of climate change. So the Leap Year of Sustainability is just the beginning.

Mounia El Hilali
Country Retail Manager
& Chief Sustainability Officer
 IKEA Czech Republic,
 Hungary and Slovakia.

Healthy and sustainable living



Circular and climate positive



Fair and equal




Healthy and sustainable living



As a global business with the capacity to make a large impact, we know that we have a responsibility to make that impact a positive one. IKEA has a responsibility as well as a big opportunity to lead the way by making healthy and sustainable living affordable, desirable and accessible for the many people.

We're committed to:

- ◆ Inspiring and enabling people to live healthier, more sustainable lives
- ◆ Promoting circular and sustainable consumption
- ◆ Creating a movement in society around better everyday living



Our ambition for 2030 is to inspire and enable more than 1 billion people to live a better everyday life within the boundaries of the planet.

Our key activities in FY20

We've launched podcasts on sustainability

- ◆ 6 episodes about sustainable topics generated around 550,000 views and plays on YouTube and Spotify.

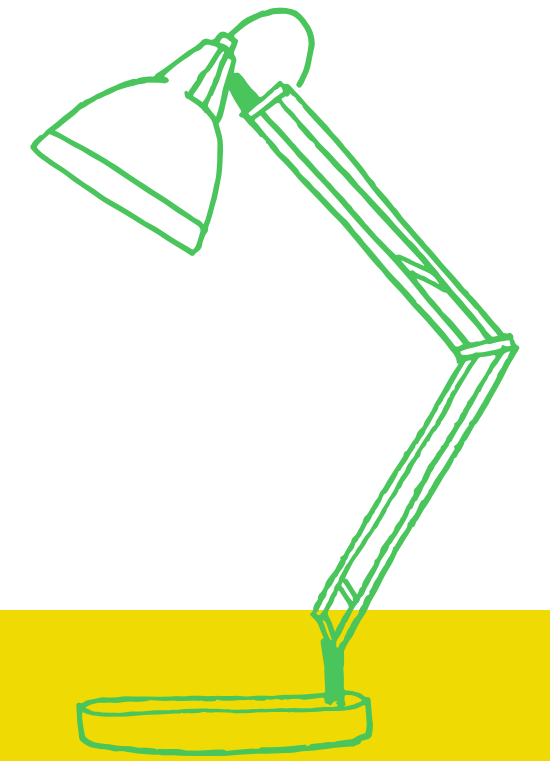


Launch of the „A Better World Starts At Home“ campaign

- ◆ During the campaign, which ran in June and July 2020, we reached almost 90 % of our target audience and inspired people to live more sustainably at home, with a special focus on food waste.
- ◆ To accelerate engagement, we used the IKEA Better living mobile app, which includes tips and tricks to support sustainable living in a playful way.



**Switch to
a better life**



- ◆ An important part of the campaign was our 10-day challenge focusing on saving resources. During the challenge, around 3,800 co-workers and customers saved 135,000 kg of CO₂, 10,700 kg of waste and 1,400 l of water.

Our plant-based food offer at the IKEA Restaurant and the Swedish Food Market

- ◆ The world is facing an urgent climate crisis. Realising the importance of taking immediate action, at IKEA, we're working hard to deliver on our ambition to become climate positive by 2030. One piece of the puzzle is increasing the proportion of plant-based food – such as the all-new plant ball. The HUVUDROLL plant-based ball, which launched in August 2020, is a meat-free alternative to the iconic IKEA meatball. It only has 4% of the traditional meatball's climate footprint, but with the same great taste, texture and price.



Second Life for Furniture

- ◆ Using resources efficiently has always been a part of how we work at IKEA. Now, we want to help make circular consumption the new normal for customers too. Our Second Life for Furniture service gives customers the opportunity to bring their used IKEA furniture – from chairs to bookcases – into the store and exchange it for a gift card. In June 2020, we launched this service in our Hungarian stores. Over the past year, over 1,400 customers have taken the opportunity to sell their older or not needed furniture back to IKEA. We hope that this initiative inspires our customers to adopt a more sustainable lifestyle and save some money as well, not to mention the fact that it maximizes the lifespan of IKEA products.

Phasing out single-use plastics

- ◆ We want to contribute to a world without waste and enable people to make more sustainable choices. The ambition that all plastic used in the IKEA home furnishing range will be based on renewable or recycled material by 2030 is an important part of our sustainability strategy, the People and Planet Positive.

Phasing out single-use plastic from the home furnishing range and from our restaurants, cafes

and bistros is one of many things we'll do to contribute towards reducing plastic pollution from single use items. In 2020, items like straws, cutlery, cups and plates were replaced by disposables made from 100% renewable materials.



More sustainable products for customers

- ◆ Our ambition is that all IKEA products and solutions are designed with health and sustainability in mind. This includes how they are made – such as the materials we use – as well as their functions and how they are used. We are not stopping with phasing out single-use plastics. In the financial year FY21, we're committing to phase out non-rechargeable (alkaline) batteries from our range. The aim is to inspire and enable frequent users of batteries to reduce waste and save money over time by switching to rechargeable batteries. We will also focus on air pollution as one of the biggest health challenge, by launching a range of air-purifying products.

Circular and climate positive



Climate change and the increasing global use of natural resources are already impacting the IKEA business and, most importantly, the lives of people and wildlife. When we work to prolong the life of our materials and products, we help to decrease their footprint by reducing the amount of new materials being produced and the amount of future waste. From the very beginning, we design our products to be reused, repaired, upgraded and eventually recycled by applying our circular product design principles during product development.

We're committed to:

- ◆ Transforming into a circular business
- ◆ Becoming climate positive
- ◆ Regenerating resources, protecting ecosystems and improving biodiversity

***Our ambition for 2030
is to transform into a
circular and climate-
positive business.***



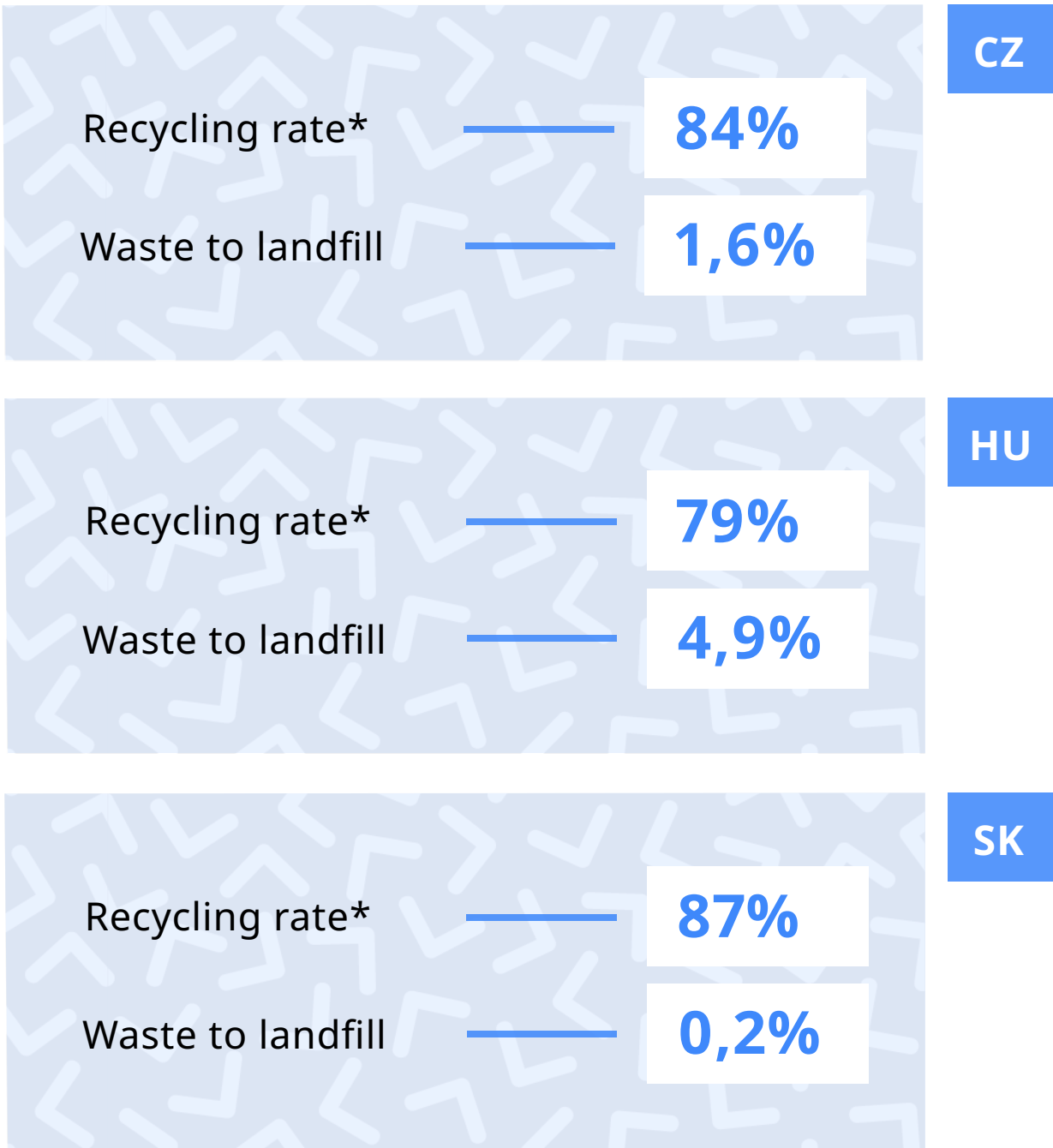
Our key activities in FY20

Waste processing

- We have an ambition to become a low-waste business. In our stores we take measures to avoid unnecessary waste. We measure waste efficiency using an index that expresses the total waste generated in our retail operations divided by the amount of goods sold (kg / cubic metres). The less, the better.



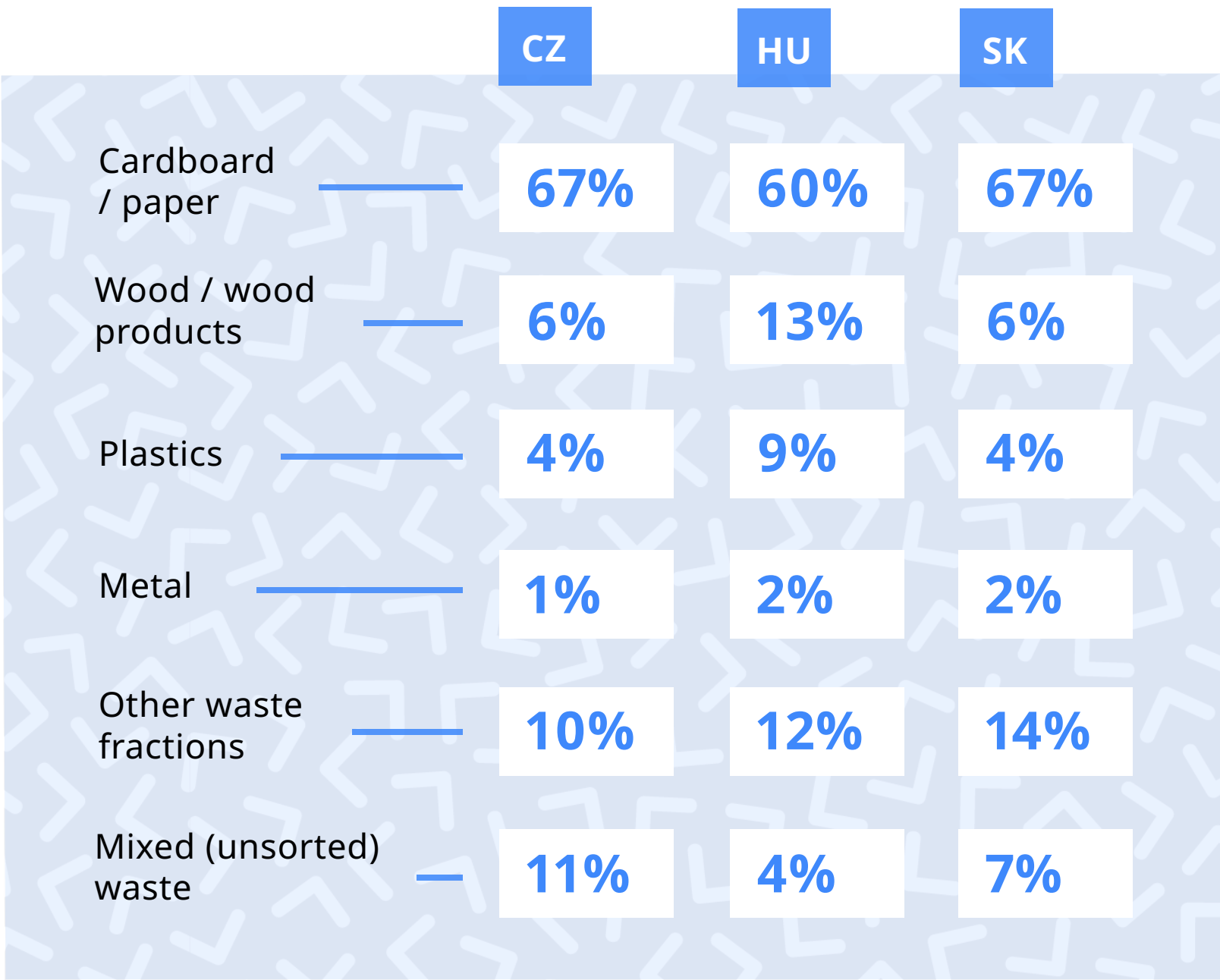
- We pay attention to how we sort waste and we monitor the share of waste that is sent for material recycling, aerobic and anaerobic digestion as opposed to waste that is incinerated, or, in the worst-case scenario, is sent to a landfill.



* Recycled waste is defined as waste processed using material recycling, anaerobic or aerobic digestion.

- Most of our waste comes from packaging. Indeed, our most common type of waste is cardboard. A considerable share of our waste also comes from wood or wood products, either from construction or from discarded products. Stores in our region sort their waste into 11-27 fractions, depending on their internal infrastructure and the local waste management network available.

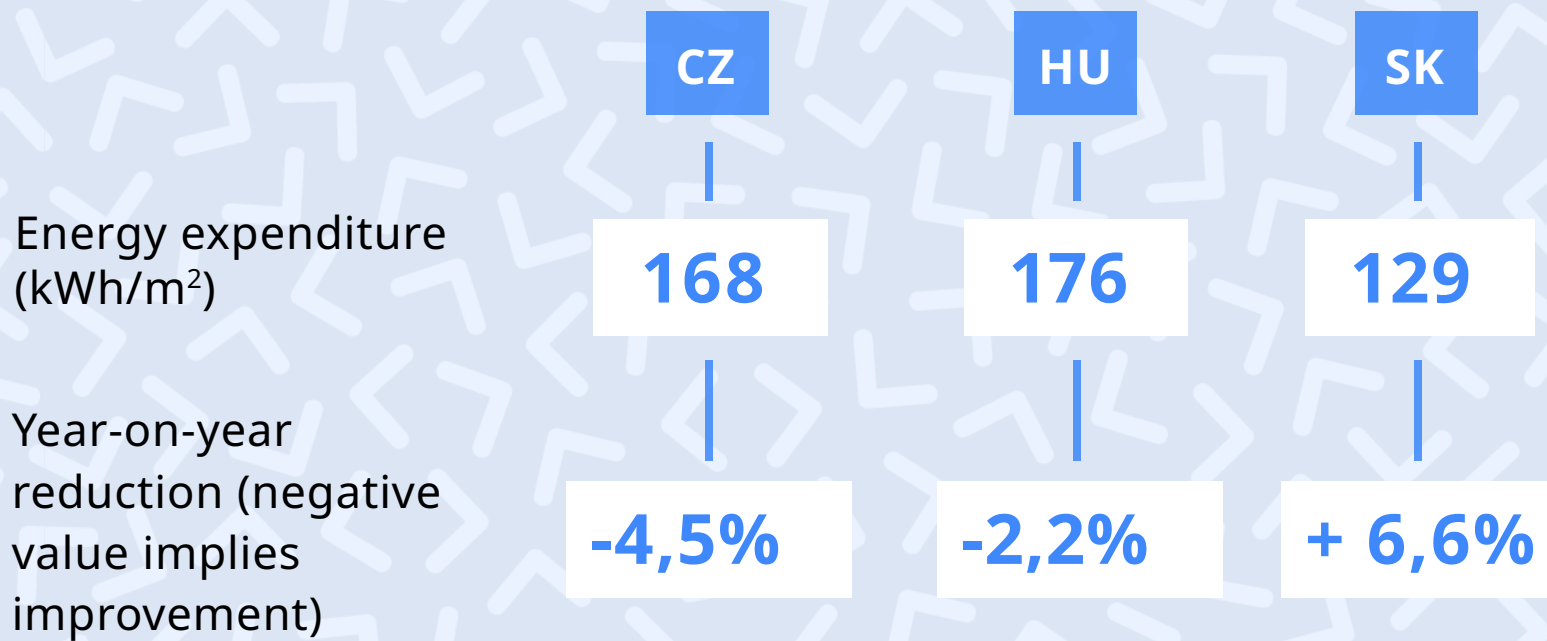
Our most common fractions are:



Energy efficiency and renewable energy usage

- ◆ Our facilities are working towards using renewable energy in their operations. We have already succeeded in sourcing 100% green electricity in all our retail locations. We are working towards limiting our climate footprint (a KPI based on CO₂e emissions) by prioritizing the replacement of heating and cooling systems with modern systems fueled by renewables.

Energy efficiency is regularly monitored and improvements are made as per long-term roadmap.



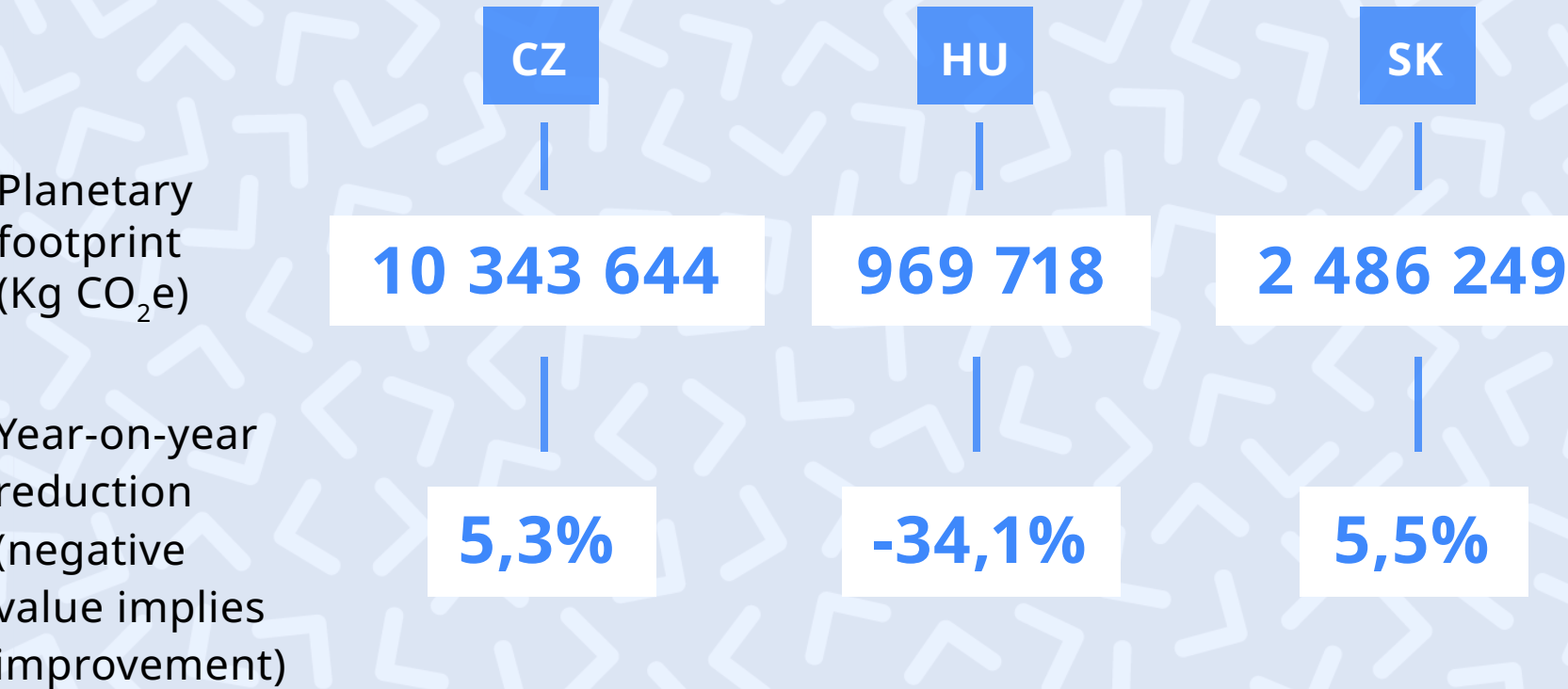
Water saving

- ◆ We also measure our water efficiency and take measures to improve it, for example by installing water saving taps in bathrooms.



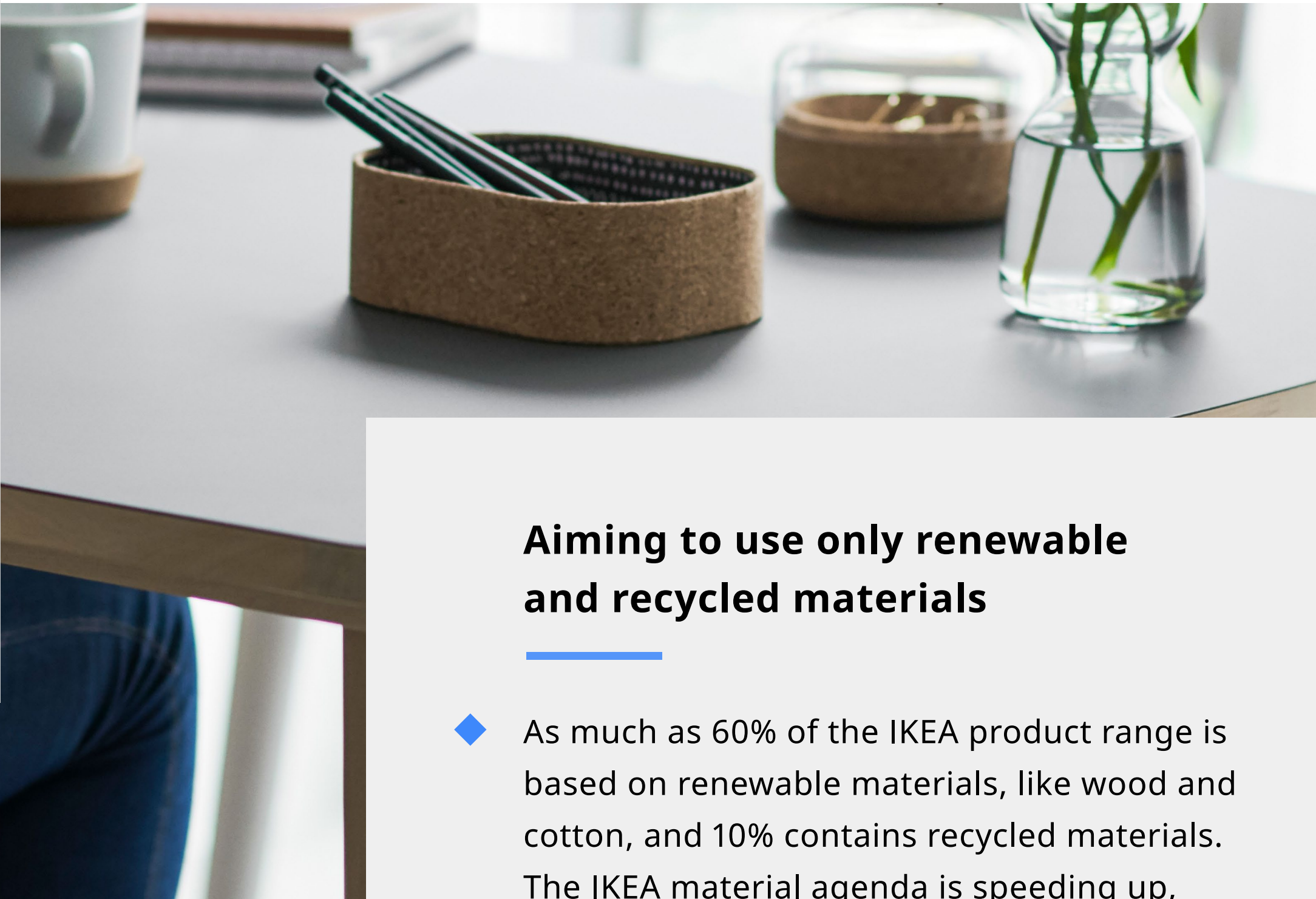
Climate Footprint

- ◆ At IKEA, we measure our total impact in accordance with to the GHG Protocol using an indicator called “climate footprint”. Our climate footprint comprises of our combined impact on the environment caused by used energy and water, generated waste (as per type and treatment) and refrigerants leakage (since these are potent greenhouse gasses). Measuring our climate footprint allows us to track our progress in regard to our global goals, which guide us to halve GHG emissions by 2030 and reach net-zero by 2050.



Aiming to use only renewable and recycled materials

- ◆ As much as 60% of the IKEA product range is based on renewable materials, like wood and cotton, and 10% contains recycled materials. The IKEA material agenda is speeding up, and it continues to deliver new and exciting changes in areas like increased recycled content. For example, we are continuing to invest in the development of recycled wood processing facilities, equipment and logistics to enable an increased use of recycled material in our particle boards.



Recovered furniture

- ◆ By selling returned, damaged or displayed products at discounted prices through the As-Is areas in most IKEA stores, the aim is to recover value. In FY20, 995 000 products were sold this way.

By 2030, IKEA is committed to becoming climate positive by reducing greenhouse gas emissions in absolute terms by more than the IKEA value chain emits, while simultaneously growing the IKEA business. This is how we contribute to limiting the global temperature increase to 1.5°C by the end of the century.



Fair and equal



We believe in a fair and equal society that benefits the many. We will achieve this vision by growing the IKEA business in an even more inclusive way, respecting human rights, encouraging diversity, promoting decent and meaningful work across the IKEA value chain, and enabling people to provide a good life for themselves and their families.

We're committed to:

- ◆ Providing and supporting decent and meaningful work across our value chain
- ◆ Being an inclusive business
- ◆ Promoting equality



***Our ambition for 2030 is for
IKEA to be a leader in creating
a fair and equal society that
benefits the many.***

Our key activities in FY20:

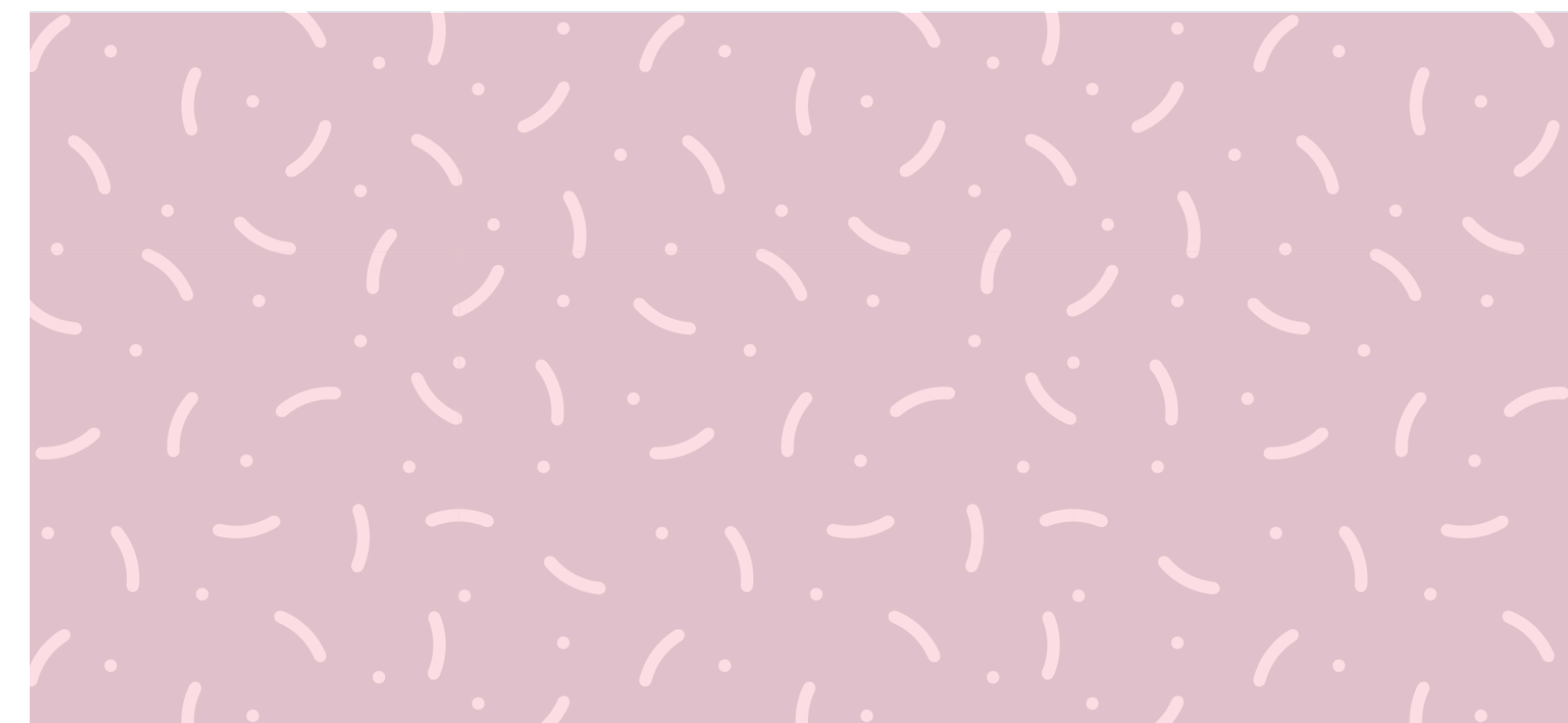
Supporting communities during the COVID-19 pandemic

- ◆ At IKEA, we want to ensure that our business has a positive impact on people and the environment. The society is currently facing an unprecedented situation in connection with the COVID-19 pandemic. At this time, we all need each other, and we need to help the people who have been most affected by this fact. Our important task is to support those who need help and thus continue to fulfill our vision. Right now, in these times of crisis, it is more important than ever.

During the first wave of the COVID-19 pandemic, we supported frontline workers: hospitals, medical staff, social workers and those who were at biggest risk from COVID-19: the elderly fellow citizens, the homeless, the chronically ill.

After helping people who were fighting in the front line during the peak of the coronavirus pandemic, we focused our help on other vulnerable groups. In the Czech Republic and Slovakia, we helped single parents by creating packages of our products according to their individual needs.

In the Czech Republic, Hungary and Slovakia, we donated 1 million euros and more than 14,000 home furnishing products and 1,500 kg of IKEA Food products for in COVID-19 aid.



Supporting children's right to play

- ◆ Toys created based on children's dreams! We believe that every child should have right to play and develop, including co-creation activities. This is why every year, thousands of children around the world draw the soft toys of their dreams and we turn the best of these ideas into reality. The proceeds from the SAGOSKATT limited soft toy collection were donated to non-profit organizations from local communities around IKEA stores in the CZHUSK region, focusing on ones that support children's right to play and develop. This year, we even have a winner from Slovakia – 9-year-old Mária, who designed the ladybug mouse. In the Czech Republic, Hungary and Slovakia, we donated a total of 27,455€ to non-profit organizations.



Strengthening our supplier code of conduct

- ◆ In FY20, the updated IWAY 6 (our code of conduct) was introduced to our suppliers. It includes new topics, such as biodiversity and conservation, animal welfare and an increased focus on co-worker competence development.



The European Diversity Charter

- ◆ Equality is the foundation that allows us to build a better life. Since 2018, we have been a signatory to the European Diversity Charter. In Czech Republic, Hungary and Slovakia. This is fully in line with how we approach diversity and inclusion at IKEA. Under the Charter, employers are committed to developing a tolerant working environment and building a company culture that is professionally open to everyone regardless of gender, race, color, ethnicity, religion, worldview, health, age, or sexual orientation.



Equality for everyone

- ◆ We want to be a leader in equality and want to become a true gender-equal organization by 2022. This means equal opportunities, equal pay and a 50/50 gender balance throughout our business. We already have a nearly equal ratio of women and men in management positions and we are committed to maintaining it. We are very proud that both women and men at IKEA receive equal pay for equal work.



A rainbow bag to support the

- ◆ In connection with IDAHOT, we've launched STORSTOMMA – a limited-edition rainbow bag. Of course, it's not just a bag. It's a statement and a symbol. That is why we have donated all proceeds from the sale of the bag to the projects and organizations that provide support services and counseling to to LGBT+ people in crisis.



Supporting IKEA co-workers

- ◆ We can proudly say that together, we've really cared for our co-workers and have supported their employment, income, wellbeing and development throughout the 2020 financial year. Those who perform their work duties in-store have been offered flexible shifts and adjustable working hours.

The COVID-19 pandemic has been unprecedented in its scale and impact on people and society as a whole. At IKEA we understood the difficult situation that many of our co-workers and their families were facing and therefore we have decided to allocate financial aid

to help those most hit by COVID-19. This one-time contribution helped 193 co-workers from IKEA in the Czech Republic, Hungary and Slovakia. We hope that this financial support will help co-workers to lessen their burden in the situation they are dealing with. We are aware that in many cases money is not a cure-all, therefore we reminded our co-workers of free help line which can be used to receive counseling from professionals focusing on personal, health, legal and financial matters.

Home should be a safe place.

- ◆ But for some people, it isn't. As a brand that is guided by a vision of creating a better everyday life for the many, we feel the responsibility to stand up for the importance of a safe home for everyone, including women who are victims of domestic abuse. We will be addressing this topic in the next two financial years.



IKEA sustainability dictionary

Circular economy:

A circular economy is based on the principles of repairing, reusing and recycling technical resources and renewing biological resources. Becoming circular is a huge opportunity for innovation and finding new ways to meet people's home-related needs and dreams within the limits of the planet.

Climate footprint:

Climate footprint is a term used internally at IKEA that measures all greenhouse gases emitted from our value chain, expressed in CO₂ equivalent.

Sustainable food:

Sustainable food has a lower environmental and a better social impact than conventional food. IKEA is committed to only sourcing ASC or MSC certified fish and seafood, as well as UTZ-certified coffee and chocolate.

Renewable energy:

Renewable energy is collected from sources that are naturally replenished and have a low environmental impact. Sources of renewable energy include hydro, wind, geothermal and solar plants.

Green electricity:

Electricity that comes from renewable or certified resources.

Climate positive:

In accordance with the Paris Agreement, IKEA is committed to become climate positive by 2030, meaning it will reduce more CO₂ than the whole value chain emits.

The total IKEA climate footprint is an estimated 0.1% of the world's greenhouse gas (GHG) emissions. IKEA has a big responsibility – and opportunity – to make a positive difference and contribute towards limiting global warming. We are committed to reducing greenhouse gas emissions by at least 15% across the total IKEA value chain in absolute terms by 2030 (compared to 2016).

Greenhouse gases (GHG):

A group of gases listed in the Kyoto Protocol. The term refers to gases that, once released into the atmosphere, block heat from the sun from escaping the Earth's atmosphere. As such, they function like a greenhouse: when sunlight shines on a greenhouse, the glass blocks the heat from leaving, making it warm inside.

LGBT+:

Lesbian, gay, bisexual and transgender

IDAHOT:

International Day Against Homophobia, Transphobia and Biphobia

IWAY:

Our supplier code of conduct that ensures responsible sourcing of products, services, materials and components.

Code of conduct



