

People & Planet Positive IKEA Group Sustainability Strategy for 2020

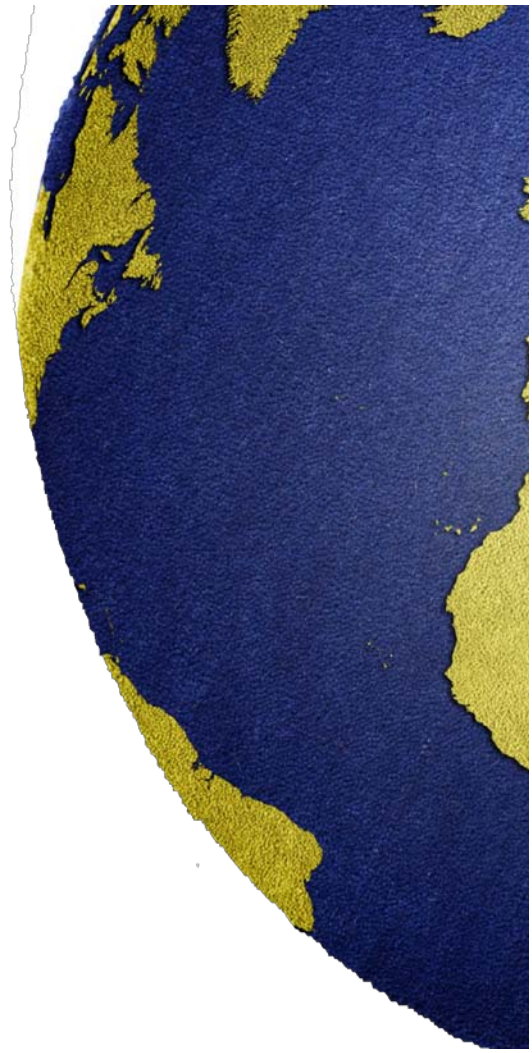


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THERE IS A RAPIDLY CHANGING WORLD AROUND US

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, **climate change** is a reality and inequality remains a critical issue. 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. Climate change is not only having a negative effect on our environment but it is having a significant, negative impact on **people** in their daily lives. Whether it's a lack of clean water, extreme weather causing damage to people's homes or access to work, it is fast becoming reality for many people. The impact is even more severe for the people living in extreme poverty.

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. One in five of the world's population are still living in extreme poverty, one third of them being children⁵. Today, more than 100 million people have left their home countries for work and many millions more have moved within their own country⁶. While this might bring economic benefits for family members remaining at home, migrant workers are particularly vulnerable and face significant risks.

When it comes to the **environment**, society is currently using resources at a rate that requires 1.5 planets⁷. 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. By 2030, almost half of the world's population will live in water scarce areas⁸. 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, respects human rights 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. We can help lift people out of poverty by providing good places to work throughout our value chain and contribute to creating a fairer and more equal society for the many people. 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 million 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 industry⁹. 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 – across the value chain from raw material production to product end-of-life - will increase from today's 30 million tons to 50-60 million tons.

We need to **transform our business**. To be able to fulfil future customer needs, promote equality and secure sustainable access to resources, while driving down emissions and maintaining our low prices, we need to do things differently. It's no longer possible to 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". The IKEA sustainability direction, launched in 2013, sets a common framework for all IKEA trademark companies and this People & Planet Positive strategy compliments that direction.

Led and supported by hard-working people across IKEA, we have **already taken many steps** aimed at making our business more sustainable and to name just a few¹⁰:

Our code of conduct for suppliers, **IWAY** was launched in 2000 and the scope of IWAY has since then been expanded and integrated more widely into our business. IWAY has influenced social and environmental improvements and contributed to positive impacts that go beyond basic compliance.

Our commitment to **children's rights** is integrated throughout the company. We have a dedicated code of conduct for the prevention of child labour, The IKEA Way on Preventing Child Labour. It outlines our strict requirements on prevention of child labour in our supply chain and explains how we will act in the best interest of the children involved if any cases of child labour are found. We also support the safe and legal employment of young workers to support their development. When it comes to our products and stores, we try to think from a child's perspective. We want our products to aid their development and for our stores to child friendly.

In 2013, we produced **renewable energy** equivalent to one third of our total energy consumption. We have currently installed around 550,000 photovoltaic panels on more than 100 stores and other buildings in nine countries, and we have 96 wind turbines in operation in seven countries. We have committed to own and operate wind turbines in ten countries. Eighty-two per cent of the heat energy used by IKEA Industry Group comes from biomass. We also want to use less energy and compared to 2010, the energy efficiency of our stores has improved by 8%, and our distribution centres by 9%¹¹.

We have taken a stand for fewer and safer chemicals. We have banned PVC from our products¹² 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 has 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; in order to protect the environment and have a positive impact on people and communities. By

sourcing raw materials from more sustainable sources, we can protect the environment and make sure people have access to clean water, decent work and can help to protect land rights in the communities where we source. We are one of the world's biggest buyers of Forest Stewardship Council-certified wood in the retail sector, more than two thirds of our cotton comes 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 business practices** by 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 is established.
- The certification schemes and standards that we are part of contribute to protecting the environment and communities where we operate, creating positive social and environmental change.

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 **taking the next big step**. Through our sustainability strategy, "People & Planet Positive", we use sustainability to drive innovation, transform our business, steer 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 fulfil 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 are committed to good working conditions and respect for workers rights, to put more in than we take out, use resources with the utmost efficiency and turn waste into resources. We promote renewable energy, safe chemicals, responsible stewardship of forests, water and farmlands, and a fairer society that respects human rights. *That is what we mean by people and planet positive.*

Togetherness, simplicity and leadership will be key to our success. We will 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 and we are **committed to having a positive impact on people and the planet.** What could be more important?

We work with **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 independence**¹³. 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. Further extend our code of conduct throughout our value chain; be a good neighbour, support human rights and act in the best interest of children.

The IKEA Group Sustainability Strategy for 2020

ENABLING CHANGE

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 become people and planet positive, we need to enable change throughout our business by:

Transforming our business and moving towards being people and planet positive by making sustainability a natural part of our everyday work.

- By August 2017, 95% of IKEA co-workers state that “sustainability is a natural part of the everyday work”¹⁴.
- Ensure improved knowledge, training and best practice sharing to enable all co-workers to contribute to and actively challenge IKEA to become more sustainable.
- Ensure sustainability is included in all personal development and incentive schemes.
- 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.

Involving and engaging customers, co-workers and suppliers in our people and planet positive journey through impactful, relevant and unique communication.

- By August 2015, 70% of consumers view IKEA as a company that takes social and environmental responsibility¹⁵.
- By August 2017, at least 95% of IKEA co-workers and 95% of our suppliers view IKEA as a company that takes social and environmental responsibility¹⁶.
- By August 2020, IKEA seen as number one home furnishing retailer for operating in a way that is better for people and the environment on each market¹⁷ and we see, on a country basis, a minimum 3% increase in awareness annually on two strategic areas related to People & Planet Positive topics¹⁸.
- Integrate sustainability 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.
- 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.

Transforming and growing our business through a combination of innovation and investments that adds value for our customers and IKEA and help us become people and planet positive.

- Adopt innovative new technologies, solutions and thinking around clean energy, water, resources and transport of people and goods across our operations and supply chain to transform our business.
- Invest in innovative technologies and companies that can deliver positive sustainability and commercial benefits through various IKEA investment initiatives.
- Every new IKEA Group store, office, distribution centre, or IKEA Industry Group facility will be located, designed, equipped and operated to be the most sustainable IKEA facility at that point in time¹⁹.

Building collaborations and partnerships with other companies, suppliers, NGOs and UN bodies to work towards becoming people and planet positive and contributing to change in society.

- Advocate and influence key stakeholders and policy development that supports positive change in society, alongside the actions within our business²⁰.
- 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.
- Together with the IKEA Foundation, enable our co-workers to share their knowledge, skills and expertise with charities supported by the Foundation.

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 when required and when necessary, be adapted to each business unit and incorporated into other IKEA Group strategies and business plans. We will transparently communicate on our progress and remaining challenges. The below table is a summary of the main sustainability commitments and targets at IKEA Group level.

Our commitments	Targets/indicators
<p>Enabling change throughout our business to become people and planet positive.</p>	<ul style="list-style-type: none">-By August 2017, 95% of IKEA co-workers state that "sustainability is a natural part of the everyday work".- By August 2017, at least 95% of IKEA co-workers and 95% of our suppliers view IKEA as a company that takes social and environmental responsibility.- By August 2020, IKEA seen as number one home furnishing retailer for operating in a way that is better for people and the environment on each market²¹ and we see, on a country basis, a minimum 3% increase in awareness annually on two strategic areas related to People & Planet Positive topics²².
1) A more sustainable life at home.	
<p>Take the lead in developing and promoting products and solutions that enable customers to live a more sustainable life at home.</p>	<ul style="list-style-type: none">-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.- Take a lead in more sustainable food by enabling and encouraging a balanced diet.
2) Resource and energy independence.	
<p>Strive for resource independence by using resources within the limits of the planet and by encouraging all waste to be turned into resources.</p>	<ul style="list-style-type: none">-By August 2020, we aim to source 100% of our wood, paper and cardboard from more sustainable sources²³.- By August 2015, all cotton used will be sourced from more sustainable sources, such as Better Cotton.-By August 2015, all home furnishing materials, including packaging, will be either made from renewable, recyclable or recycled materials.-By August 2020, 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.
<p>Strive towards energy independence through being a leader in renewable energy, and becoming more energy efficient throughout our operations and supply chain.</p>	<ul style="list-style-type: none">- By August 2020, the IKEA Group will produce as much renewable energy as we consume in our operations.- Become 20% more energy efficient in our own operations by August 2015 and encourage and enable our direct suppliers to achieve the same by August 2017.
3) A better life for people and communities.	
<p>Take a lead in contributing to a better life for people and communities impacted by our business, placing human rights at the centre of everything we do.</p>	<ul style="list-style-type: none">- Maintain 100% IWAY approval of all suppliers of home furnishing and other key products and services²⁴.- Secure 100% IWAY approval for all national IKEA Food, Indirect Material and Services and retail suppliers within the scope of IWAY²⁵ by August 2015.- Secure compliance to IWAY Musts at all sub-suppliers of critical material and processes²⁶ by August 2017.- 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.- 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.

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, reducing water use or sorting waste. Some of our activities in other areas, such as customer take-back systems and sustainable people transport to stores, can also contribute to people living more sustainably.

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 2020²⁷.

- Enable customers to take **climate positive**²⁸ actions in their homes by offering a compelling range of solutions for home energy management, consumption and generation²⁹.
 - Our **energy consuming products** will be, on average, at least 50% more efficient than our range was in 2008 by August 2015.
 - By September 2016, all our electric hobs will be energy efficient **induction hobs**³⁰.
 - By September 2015, our entire lighting range will switch to **LED** offered at the lowest price.
 - By September 2017, offer the most energy efficient **home appliances** at the lowest price.
- 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.
- Motivate customers to turn **waste into resources** by offering low price, functional and easy to use solutions for sorting and minimising waste at home³¹.
- Take action in more sustainable **food** by enabling and encouraging a more balanced diet.
- Incentivise **IKEA FAMILY** members through products, solutions, events and services that enable them to live a more sustainable life at home. Engage members to share ideas and reward them.
- 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.

Resource and energy independence

Together with our operations and suppliers



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

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.

Take a lead in the responsible sourcing of raw materials. By August 2017, the majority of the renewable materials used will come from more sustainable sources³².

- Before August 2020, become **forest positive**. Continue to maintain full compliance with our forestry requirements. Promote the adoption of sustainable forestry methods beyond our needs and across the industry and contribute to ending deforestation.
 - By August 2017, at least 50% of our wood will come from more sustainable sources³³.
 - By August 2017, 100% of our wood from priority areas³⁴ will be from more sustainable sources.
 - By August 2020, we aim to source 100% of our wood, paper and cardboard from more sustainable sources³⁵.
 - By August 2020, contributing to FSC certification of 15 million hectares of forest in priority areas – which is equivalent to more than double the total area needed to supply IKEA³⁶. This is in addition to 30 million hectares of FSC forest already added through our earlier partnership projects.
- By August 2015, all **cotton** used in IKEA products will be sourced from more sustainable sources, such as Better Cotton and we will continuously investigate complimentary fibres with improved sustainability performance relative to cotton.
- By August 2020, become **water positive** by promoting water stewardship throughout our value chain. Contributing, with others, to improved water management in water stressed areas where we operate, focusing on both water use and water quality and helping people to have access to clean water.
- 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 replaced by more sustainable raw materials.
- 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.
- Ensure **full supply chain control** (chain-of-custody) for all critical materials and processes³⁷ by August 2016.

Take a lead in a sustainable and healthy diet.

- Promote a **balanced diet** focusing on vegetarian food, seafood and seeing meat as a treat. By August 2015, the IKEA restaurant will offer vegetarian meatballs.
- Reduce the levels of salt, sugar, fat, artificial additives and allergens in meals and products by developing and implementing guidelines for salt, sugar and fat levels in product development.
- Ensure that ingredients subject to social and environmental concern come from more sustainable sources and/or third party certifications.
 - All **coffee** and **tea** served in the IKEA restaurants as well as **cocoa** in IKEA chocolate bars will come from more sustainable sources, such as UTZ certification, by August 2015.
 - All **seafood** served in the IKEA restaurant and sold in the Swedish Food Market will be ASC or MSC certified by August 2015. All IKEA restaurants will be MSC and ASC certified by August 2015.
 - All **eggs** served in the IKEA restaurant will come from free range hens with outdoor access by August 2015.
 - Develop and start implementing **higher welfare** standards for pigs by August 2016 and for beef cattle by August 2017.

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 recycled³⁸, and take a stand for a closed loop society.

- By August 2015, all our main home furnishing materials, including packaging, will be either made from renewable, recyclable³⁹ or recycled materials.
- By August 2020, all plastic material used in our home furnishing products will be 100% renewable and/or recycled⁴⁰.
- By August 2016, reduce IKEA packaging waste in customer's homes by 10%⁴¹.
- By August 2017, 50% of the non-renewable materials used in our home furnishing products will come from recycled sources.
- By August 2020, 30% of the wood used by the IKEA Industry Group will be recycled.
- Target key raw materials with dedicated "**resource chain**" projects to establish new flows of recycled materials.
 - By August 2020, close at least two material loops (material loops not currently existing in a region) for post-consumer waste.
- Enable customers to have clear and simple options for the reuse and recycling of appropriate categories of IKEA products, e.g. mattresses and sofas.
- Prevent and minimise waste generated from own operations and ensure that as much as possible is recycled. Strive for **zero waste to landfill** wherever possible.
 - By August 2020, **reduce waste** from our store operations by 10%⁴².
 - By August 2020, 90% of the waste from our own operation will be recycled or energy recovered, of which 80% of the waste from stores and distribution centres and 90% from IKEA Industry Group will be material recycled.

By August 2020, 90% of the total sales value will come from home furnishing products classified as more sustainable⁴³.

- 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 safer 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. Strive towards energy independence in the supply chain.

- By August 2015, produce renewable energy equivalent to at least 70% of our energy consumption and by August 2020 we, on Group level, will produce as much renewable energy as we consume⁴⁴.
 - Become 20%⁴⁵ more **energy efficient** in our own operations by August 2015 and 30%⁴⁶ by August 2020. Encourage and enable our direct suppliers to become 20% more energy efficient by August 2017.
 - By August 2015, reduce **carbon emissions** from our own operations by 50%⁴⁷ 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, e.g. electric vehicles.
- By August 2016, reduce **transport**-related carbon emissions by 20% and by August 2020 by 30%⁴⁸ through, e.g. improving fill rates, utilising electric vehicles, optimal modes of transport and green corridors.
- Consider sustainability in all major investment decisions and 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.

Better life for
people and
communities
Together with our
value chain



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 by:

- Continuing to use the UN Guiding Principles on Business and Human Rights⁴⁹, working to promote its implementation across our value chain.
- Strengthening our work to protect the rights of children, using the Children's Rights and Business Principles⁵⁰ as a base and building on our belief that our actions should always have **the best interest of the child** in mind.
- Using the ILO Fundamental Principles of Rights at Work⁵¹ to have a positive impact on people's working conditions and **respect labour rights**.

Take a lead in contributing to a better life for the people and communities across our value chain.

Be a great place to work for our co-workers.

- Following the IKEA Diversity and Inclusion approach⁵², 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.
- 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.
- We enable and encourage co-workers to participate in **community involvement** activities in their local area.
- 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.

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 services⁵³.
- By August 2015, expand the reach of our supplier code of conduct by securing IWAY approval at all national IKEA Food, Indirect Material and Services and retail suppliers within the scope of IWAY⁵⁴.
- By August 2017, **go further into our supply chain** by securing compliance to IWAY Musts⁵⁵ at all sub suppliers of critical material and processes⁵⁶.

Lead towards a more equal world, supporting children, vulnerable groups and communities.

- Advocate for children's rights by influencing policy development, raising awareness and supporting families in vulnerable communities.
- 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.
- Continuously identify and develop setups for **home based workers** to improve working conditions, protect labor rights and prevent child labour. By August 2020, all home based workers are transitioned into improved setups and part of our handmade development programme.
- Support the development of small-scale **social entrepreneurs** into IKEA suppliers leading to demonstrable social benefits, such as tackling poverty. Three new limited edition collections from the IKEA Social Entrepreneur initiative launched in three countries before February 2015.

Create lasting change for children and families that need it the most.

- 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.
- Engage customers and co-workers in annual local and global campaigns for a good cause⁵⁷ to improve children's lives in the developing world. Annual donations will reach 20 million euro by August 2020.
- 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 Brazil's leather supply chain communities.
- By December 2016, the IKEA Foundation will develop programmes to help families and communities secure access to quality drinking water in water stressed areas.
- By December 2018, the IKEA Foundation aims to help more than two million women in India develop the skills they need to manage their own businesses and social ventures, and successfully sell sustainable products to global and local customers.

FINALLY, A LITTLE IKEA & SUSTAINABILITY DICTIONARY

ASC	Aquaculture Stewardship Council is one the world's leading certification and labelling programme for responsibly farmed seafood.
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 emissions⁵⁸	A greenhouse gas (GHG), e.g. carbon emissions, is a gas that absorbs and emits radiation within the thermal infrared range, i.e. a gas that traps 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 custody⁵⁹	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 extremely energy efficient and release 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.
Closed material loops	To use recycled materials, from post-consumer or post-industrial sources, in order to minimise the environmental impact of the materials and to decrease the use of virgin materials.
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	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 & feathers, palm oil, natural fibers and plants.
Decent work	A ILO concept that is based on the understanding that work is a source of personal dignity, family stability, peace in the community, democracies that deliver for people, and economic growth that expands opportunities for productive jobs and enterprise development. Read more at: http://www.ilo.org/global/about-the-ilo/decent-work-agenda/lang--en/index.htm
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).
Diversity and Inclusion	To enable diversity, we will create an inclusive climate, supported by an infrastructure in which all co-workers feel welcomed, respected, valued and trusted to fully contribute to the business. Inclusion of our diverse co-workers is in line with our values and is critical to realizing the benefits of their differences and similarities.
Forest positive	IKEA is committed to promoting sustainable forestry and land use practises, beyond our needs, 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.
Forestry requirements	These requirements demand that all wood used at IKEA shall be of known origin and the 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 September 1 to August 31.
Good cause campaigns	Annual time-limited campaigns that involve customers and co-workers in IKEA Foundation projects, for example the Soft Toys for Education and Brighter Lives for Refugees.
Growing IKEA Together	IKEA's current 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
IKEA IMS	IKEA Indirect Material and Services (IKEA IMS) are responsible for purchasing and supplying non-home furnishing products and services needed in the IKEA business.
IKEA Industry Group	IKEA Industry business structure consists of four Divisions: Flatline, Solid Wood, Boards and Purchase. The purchase organisation is centralised in categories, aligning with the rest of IKEA. The Industrial Strategies function leads new development activities, being the interface to IKEA of Sweden and Supplying.
IKEA Social Entrepreneurs	Through the initiative IKEA Social Entrepreneurs, IKEA is finding and creating partnerships with businesses that focus on benefitting social issues. The limited edition collections of handmade products from the partnerships are sold in selected stores around the world.
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.
IWitness	The IWitness Global Citizens programme engages IKEA co-workers and customers in projects funded by the annual IKEA Good Cause campaigns. The programme sends co-workers from different IKEA retail countries to projects run by IKEA Foundation partners—UNICEF, Save the Children and UNHCR—to see how these projects help some of the world's most vulnerable children.
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.
More sustainable sources of raw material	Currently includes sources such as wood from FSC forests and recycled wood, Better Cotton, UTZ certified cocoa, tea and coffee and ASC or MSC certified seafood.
MSC	Marine Stewardship Council is the world's leading certification and eco-labelling programme for sustainable seafood.
NGO	Non-Governmental Organisation, increasingly also referred to as CSO (Civil Society Organisation).
Non-renewable materials	For example; plastics, foam, steel and metals etc.

used at IKEA

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.
PV	Photovoltaic (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 derived from resources that are regenerative or for all practical purposes cannot be depleted. IKEA mainly invest in wind, solar, geothermal and biomass.
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.
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.
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 consumption ⁶⁰	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 development ⁶¹	United Nations definition: Development that meets the needs of the present without compromising the ability of future generations to meet their own need. (coined by the Bruntland Commission in 1987).
Sustainable production ⁶²	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 means that we will be good water stewards and contribute to improved management in water-stressed areas where we operate. We will do this by: driving high impact water efficiency and quality programmes, directly and throughout our supply chain; innovating to ensure that our products are helping our customers use water in the most positive way; and collaborating with other stakeholders to advocate for long-lasting positive change, ensuring improved function of ecosystems and increased availability of clean water for people and communities.

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<http://www.ipcc.ch/pdf/assessment-report/ar4/wg1/ar4-wg1-spm.pdf>
- ² "Prosperity without growth? The transition to a sustainable economy", Sustainable Development Commission, 2011.
- ³ UN Habitat,
- ⁴ "Vision 2050: The new agenda for business – in brief". WBCSD, 2010. p. 18
- ⁵ World Bank. <http://www.worldbank.org/en/news/press-release/2013/10/10/report-finds-400-million-children-living-extreme-poverty>
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- ⁷ "Living Planet Report 2010" WWF, 2010.
- ⁸ OECD. <http://www.oecd.org/environment/indicators-modelling-outlooks/40200582.pdf>
- ⁹ Bloomberg New Energy Finance and furnituremanufacturers.net
- ¹⁰ Find more information in the IKEA Group Sustainability Report 2013.
- ¹¹ Measured in kWh/m³ sold goods.
- ¹² Lighting cables still contain PVC.
- ¹³ 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.
- ¹⁴ See dictionary for explanation.
- ¹⁵ Measured through Brand Capital. After August 2015, this target will expire and be replaced with a new 2020 target.
- ¹⁶ Measured through the VOICE question "I am proud of the way IKEA works with sustainability" and Brand Capital.
- ¹⁷ Measured through Brand Capital.
- ¹⁸ Measured through Brand Capital and Consumer Tracker. These targets will be activated from September 2015.
- ¹⁹ 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.
- ²⁰ We will focus on the areas where we expertise, e.g. renewable energy and energy efficiency; recycling and producer responsibility; strong and effective eco-design standards; improved chemical safety and substitution of hazardous chemicals and children's rights.
- ²¹ Measured through Brand Capital.
- ²² Measured through Brand Capital and Consumer Tracker. These targets will be activated from September 2015.
- ²³ These sources are currently defined as FSC certified or recycled wood. Once the 2017 more sustainable sources goal has been met, we will re-evaluate this criteria.
- ²⁴ Suppliers related to Home Furnishing, IKEA Components, Transportation, distribution services and central Food.
- ²⁵ For the retail operations, current IWAY focus is on cleaning, home delivery, security and waste management suppliers.
- ²⁶ See dictionary for explanation.
- ²⁷ A fourfold increase corresponds to sales of approximately 2.6 billion euro per year, as of FY20 with baseline year FY13.
- ²⁸ See dictionary for explanation.
- ²⁹ 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.
- ³⁰ Where local conditions allow.
- ³¹ Including food, packaging, chemicals and other general household waste.
- ³² Currently includes sources such as wood from FSC forests and recycled wood, Better Cotton, UTZ certified cocoa, tea and coffee and ASC or MSC certified seafood.
- ³³ These sources are currently defined as FSC certified or recycled wood.
- ³⁴ Countries where IKEA, along with our partners, have identified high risk of sustainability challenges.
- ³⁵ These sources are currently defined as FSC certified or recycled wood. Once the 2017 more sustainable sources goal has been met, we will re-evaluate this criteria.
- ³⁶ From a FY13 baseline year.
- ³⁷ See dictionary for definition of critical materials and processes.
- ³⁸ This also includes up-cycling and down-cycling.
- ³⁹ On an industrial scale in at least one market where we have retail operations.
- ⁴⁰ The scope is plastics category products which we sell, textile products, packaging and components for furniture.
- ⁴¹ Compared to FY11.
- ⁴² Baseline year: 12.5 kg/m³ in FY13. This is measured as kg/m³ sold goods.
- ⁴³ Through the sustainability product scorecard.
- ⁴⁴ Own operations relate to distribution centres, stores, offices, IKEA Industry Group factories.
- ⁴⁵ Compared to FY10 in relative terms, measured by kWh/m³ sold goods for retail operations and kWh/m³ purchased goods for trading operations.
- ⁴⁶ Compared to FY10 in relative terms, measured by kWh/m² for retail operations and kWh/m³ purchased goods for trading operations.
- ⁴⁷ Compared to FY10 in relative terms, measured by CO₂/m³ products sold, or CO₂/m³ goods purchased.
- ⁴⁸ Compared to FY11, in relative terms and measured by m³ transported goods.
- ⁴⁹ These guidelines are based on the UN Universal Declaration on Human Rights and core ILO conventions.

⁵⁰ Launched by UNICEF, Save the Children and UN Global Compact in 2012.

⁵¹ **The** eight core conventions defined in ILO Fundamental Principles of Rights at Work.

⁵² See dictionary for explanation of diversity and inclusion at IKEA.

⁵³ Suppliers related to Home Furnishing, IKEA Components, Transportation, Distribution Services and Global Food.

⁵⁴ For the retail operations, current IWAY focus is on cleaning, home delivery, security and waste management suppliers.

⁵⁵ IWAY MUSTs are the start-up requirements that IKEA demand that suppliers must meet before signing a contract.

⁵⁶ See dictionary for explanation.

⁵⁷ For example through the Soft Toys for Education campaign and the Brighter Lives for Refugees campaign.

⁵⁸ IPPC, Intergovernmental Panel on Climate Change.

⁵⁹ US EPA: <http://www.epa.gov/apti/coc/glossary.html> and information from Forest Stewardship Council.

⁶⁰ UNEP 1995 <http://www.uneptie.org/shared/publications/pdf/DTIx0570xPA-TrackingProgress2.pdf>

⁶¹ "Report of the World Commission on Environment and Development." General Assembly Resolution 42/187, December 1987.

⁶² University of Massachusetts Lowell Center for Sustainable Production, www.sustainableproduction.org