

Ikano Retail FY23

Climate Report



Ikano Retail
An IKEA retailer



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About Ikano Retail

As one of 12 IKEA franchisees, we own and operate the Swedish home furnishing business in Malaysia, Singapore, Thailand, the Philippines and Mexico — with plans to enter Vietnam in the years ahead. Our Ikano Centres, anchored by IKEA, are retail destinations at the heart of our communities. We also invest in real estate to develop places for people to live, work and play.

This report looks back at the climate impact of our retail business during the FY23 financial year, from September 2022 to August 2023. For more about our sustainability efforts, see the [FY23 Ikano Retail Sustainability Report here](#).



Our time for action

Heat waves. Extreme storms. Rising seas. The risks of climate change are among the most serious in countries where we operate as an IKEA franchisee: Malaysia, Mexico, Philippines, Singapore and Thailand.

We have a responsibility to take climate action. The scale of our business in developing economies gives us opportunities to inspire co-workers, customers, suppliers and others in our retail value chain to join us in the journey.

Our FY23 Climate Report provides a transparent look at the greenhouse gases generated by our 15 IKEA stores, five Ikano shopping centres and corporate offices (including a small team in Sweden and in Vietnam, our future market) during the 2023 financial year.

Global IKEA businesses to reduce emissions by 50%
Our franchisor has committed to halving the carbon emissions generated by businesses across the IKEA franchise system by 2030, compared to a 2016 baseline. That's in line with updated science-based standards that describe what is needed to keep global warming below 1.5 degrees and prevent the worst impacts of climate change. Read the [global FY23 IKEA Climate Report here](#).

Ikano Retail plays a role
As a large property owner, our first priority is to power our business through sustainable sources of energy. We are assessing every opportunity to reduce our electricity consumption, increase solar generation on our rooftops and secure Power Purchase Agreements from off-site solar farms.

Climate Action Plans
Our first climate target is to reduce emissions from fuels and electricity by 10% per square metre in FY24, from our FY22 baseline. By 2027, we commit to reducing these emissions by at least 30%.

We are now testing the feasibility of making even deeper cuts in absolute terms to match the ambition of our franchisor and owners. We are developing Climate Transition Plans that outline the impact of our projected growth alongside the actions and investments we can make to reduce emissions across our retail value chain - from the waste we generate to the transport we use for deliveries to our customers' homes.

Our carbon footprint decreased by 4% in absolute terms from the previous year, but this was mainly driven by a reduction in the volume of IKEA products sold. We see a positive impact coming from the increased share of electric vehicles deployed in our home deliveries.

We are improving our data collection and refining our carbon footprinting methods. Most importantly, we are integrating sustainability into everyday work and taking actions to help ensure the resilience of our business, the people we impact and the planet we all call home.

Corinna Schuler
Sustainability and Corporate
Communication Manager,
Ikano Retail



Global Greenhouse Gas Protocol

What we measured

Following the Global Greenhous Gas Protocol, we collected data in all categories applicable to our retail business — covering operations at 15 IKEA stores, 5 Ikano Centres, construction projects and our corporate service offices. We have highlighted in dark green the categories deemed material to our business. In the following pages, we break these categories down in terms that are more familiar to our co-workers and communities.

SCOPE 1

Direct emissions

Covers the fuels we use directly in our operations.

SCOPE 2

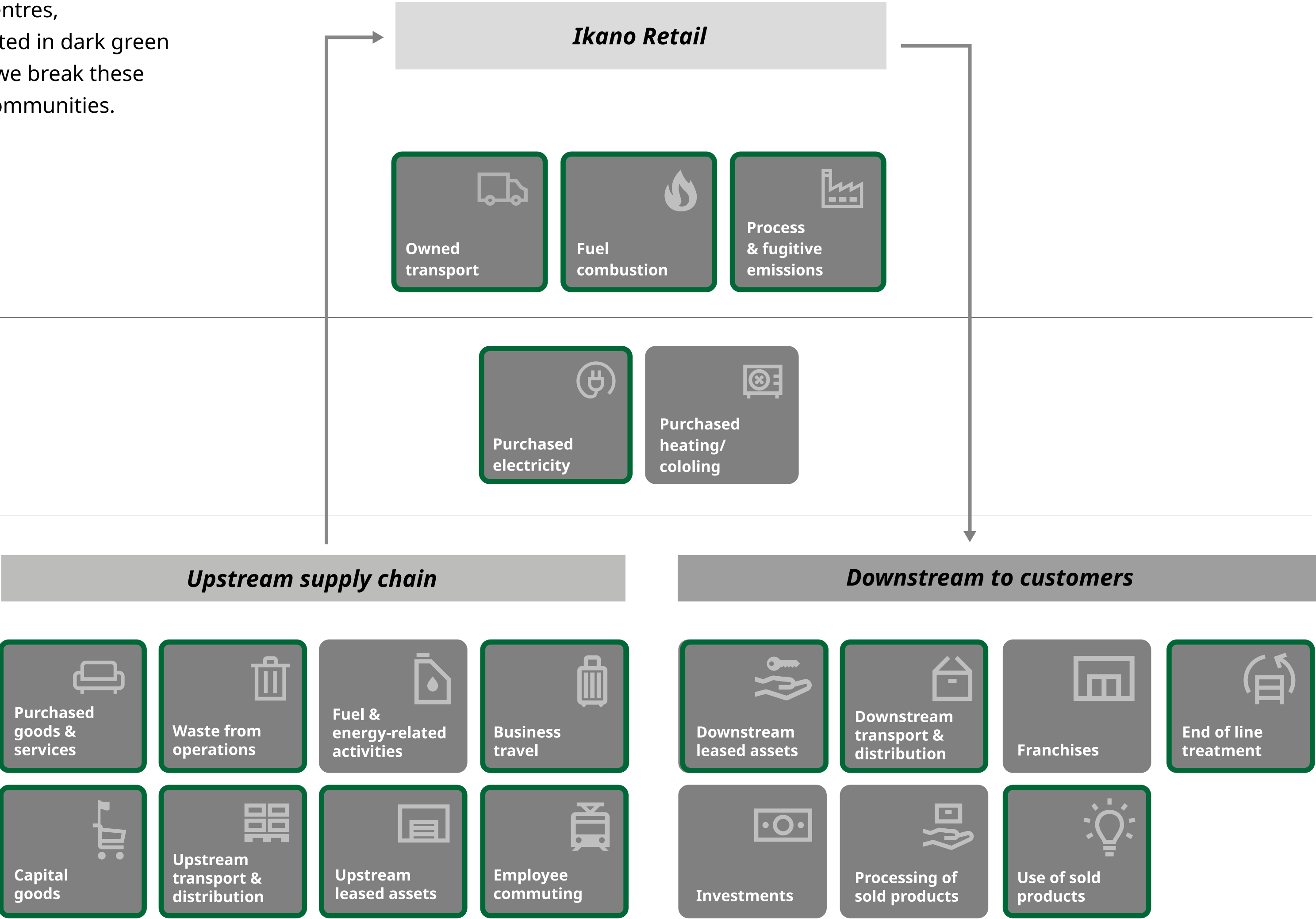
Purchased electricity

Relates to purchased electricity.

SCOPE 3

Indirect emissions

Relates to emissions generated upstream and downstream in 15 categories defined by the protocol.



Climate Footprint FY23

For the first time in our growing business, emissions from across our value chain have decreased 4%. We cannot draw a direct link between the decrease and the climate actions we have been taking in our business.

Note: in line with the Greenhouse Gas Protocol we have recalculated our baseline FY22 footprint to reflect improvements in accounting methodologies and access to better quality data. All increases and decreases shown in this report are based off of the new FY22 baseline: emissions equivalent to 904,453 tonnes of CO2.

IKEA products:

The IKEA franchisor calculates these emissions based upon our share of global product sales. A 13% decline in our Materials footprint is attributed to decreased production volumes.

Fuels:

An increase in our direct emissions reflects improvements in the granularity of our data rather than any real increase in fuel consumption. We previously used estimations but, last year, tracked the “top-ups” of refrigerants in our air conditioning units precisely. We also improved our data collection to include natural gas consumption.

Customer travel:

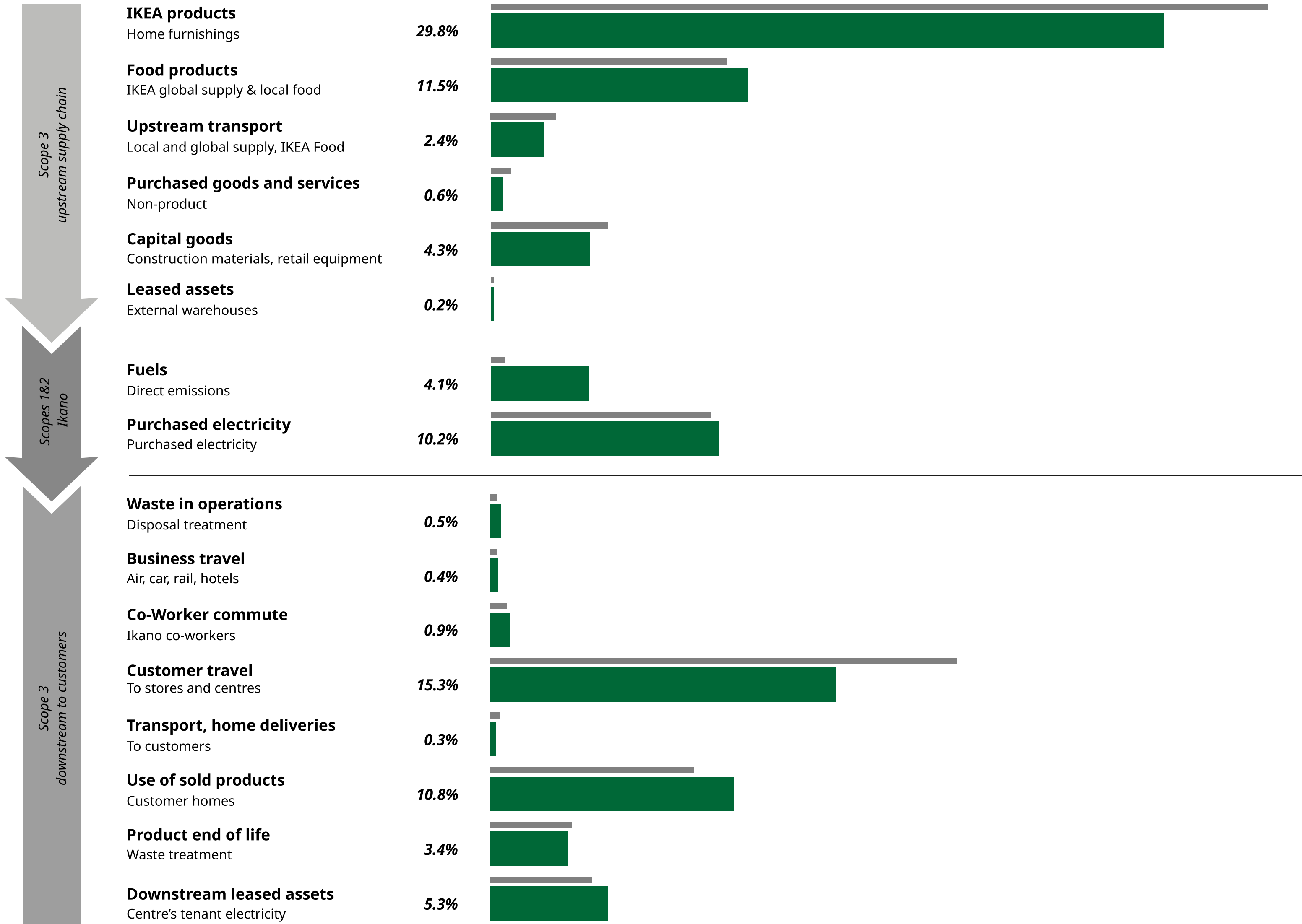
The reduction in our customer travel footprint reflects a change in our methodology rather than a transition to more sustainable transport modes in our markets. We also saw a record 119 million visits to our retail destinations.

Use of sold products:

This category relates to our customers’ use of IKEA appliances and lighting at home. While the energy-efficiency of our range is improved, the Ikano Retail share of emissions increased in this category as we added to our range of IKEA appliances on offer — and drove a 66% increase in sales volume.

867,619 tonnes of CO2eq ▼4% from FY22

Ikano Retail Total Climate Footprint

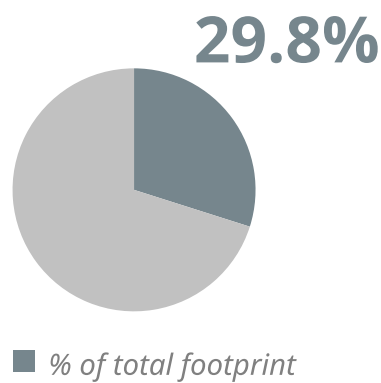


IKEA products

258,165 tonnes of CO2eq

▼ 13.6% from FY22

What we measured: the Ikano Retail share of estimated cradle-to-gate emissions from tier-1 suppliers of IKEA products, including extraction, processing of raw materials and production of products. This calculation is provided to us by our franchisor, based on sales share to Ikano markets. It is not provided with a market breakdown.



ÖNNESTAD: by selecting stronger carbon steel over stainless steel wherever possible, IKEA range developers optimise materials and make more from less. This chair is a replica of a chair in the 1973 range — made with half the volume of steel required to produce the original.

➔ IKEA franchisor ambition: reduce footprint from materials by 50%

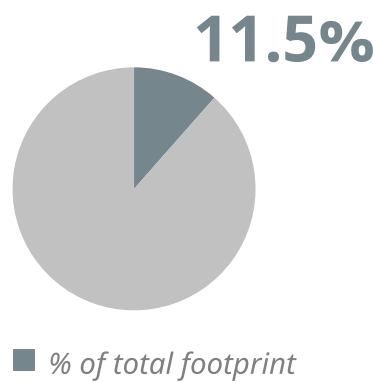
The Inter IKEA Group has plans in place to halve emissions from our product materials by 2030 from its 2016 baseline. People in every area of the home furnishing business are developing roadmaps for material developments - in wood, metals, textiles and plastics. For example: IKEA is now testing a bio-based glue and converting coatings on boards — such as paints and foils — into recycled and renewable materials.

The volume of many materials used in the range is based on estimations. In the last two years, the franchisor has been working with suppliers to develop databases that will enable better accounting for the transition to renewable and recycled materials. Learn more in the [global IKEA Climate Report FY23](#).

Food products

99,463 tonnes of CO2eq

▲ 9.7% from FY22



Global supply

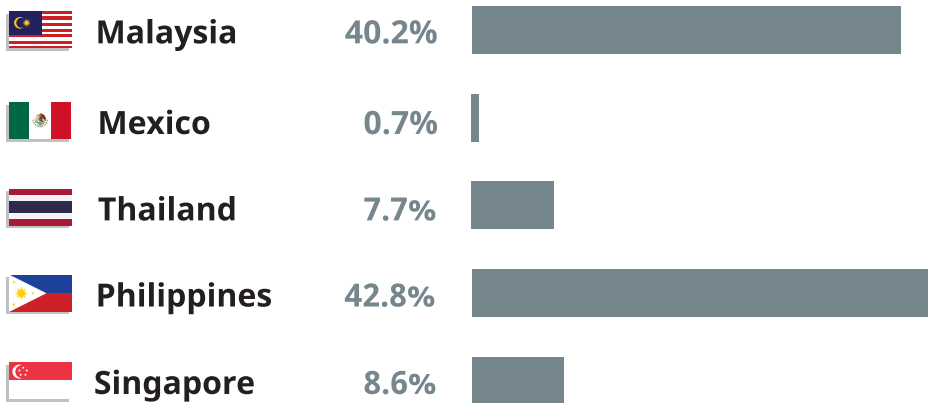
16,704 tonnes of CO2eq

What we measured: upstream cradle-to-gate emissions from the extraction, production and material emissions of food ingredients purchased through our global IKEA supply chain (such as Swedish meatballs). The breakdown per country and business unit was not available from the IKEA franchisor.

Local supply

82,759 tonnes of CO2eq

What we measured: upstream cradle-to-gate emissions from the extraction, production and material emissions of food ingredients purchased from local suppliers. Based on the volumes and emissions factors of various food types supplied — from chicken wings and shrimp to bread and pastries. Methodology improvements include: 5 new suppliers captured in Singapore and better accuracy on emissions factor allocation to the various food categories.



IKEA Alexandra, Singapore

➔ 30% plant-based meals on offer in FY23

Land use and methane generated by cattle farms makes beef the most carbon-intensive of all foods. That’s why our IKEA restaurants committed to increasing the share of meals we offer made with plants, lean chicken or seafood that is certified as coming from sustainable sources.

To supplement our IKEA plant balls, Ikano’s food teams are sourcing additional plant-based options locally. We also developed communication that inspires more of our 6 million IKEA Food customers to give new menus a try!

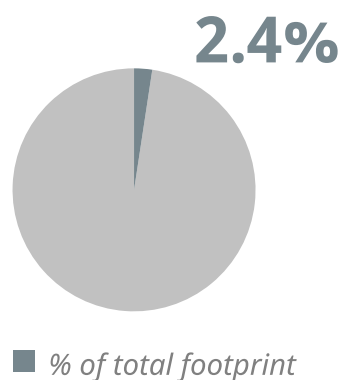


IKEA Malaysia

Upstream transport

20,523 tonnes of CO2eq

▼ 19.1% from FY22



Global transport

19,693 tonnes of CO2eq

What we measured: emissions related to all modes of transport used to bring products from IKEA Distribution Centres to ports and/or stores — including shipping, trucking, rail and more. The global emissions related to fuel consumption are allocated to Ikano based on sales share, and the breakdown per country is not provided by the IKEA franchisor.

(2.3%)

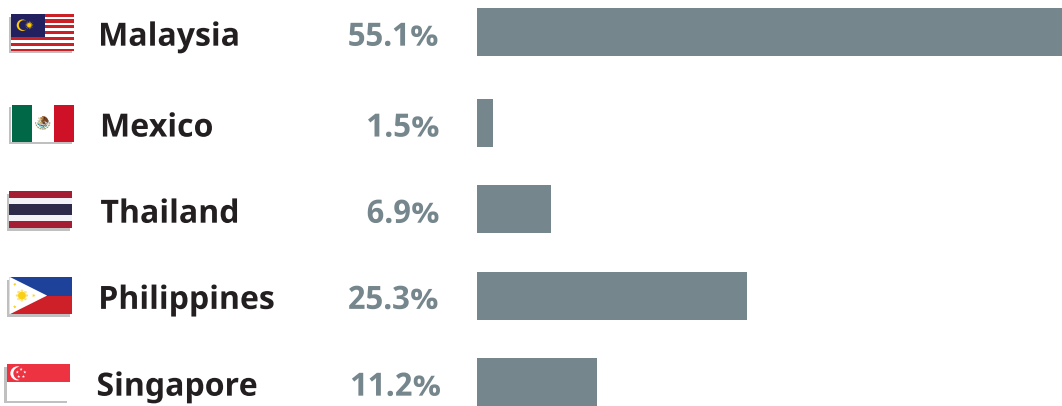
Local transport, food

830 tonnes of CO2eq

What we measured: transport data from local food suppliers, including delivery distance, mode of transport, number of trips per month, average weight per trip and the estimated truckloads. Methodolgy improvements include: Data from 5 new suppliers in Singapore captured this year and better clarity on the delivery vehicles from the supplier have allowed for better allocation of emissions factors.

(0.1%)

■ % of local food footprint



➔ Making a shift to more sustainable transport in the global IKEA supply chain

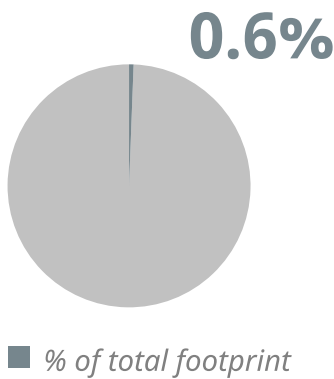
In FY23, the IKEA business made around 1.7 million shipments around the world.

IKEA Supply has helped drive a reduction in the global transport emissions by reducing the share of trips made in diesel trucks to intermodal transport - including rail and short sea solutions. At the same time, an increase in average loading volume per shipment has helped lower emissions and costs.

Purchased goods and services

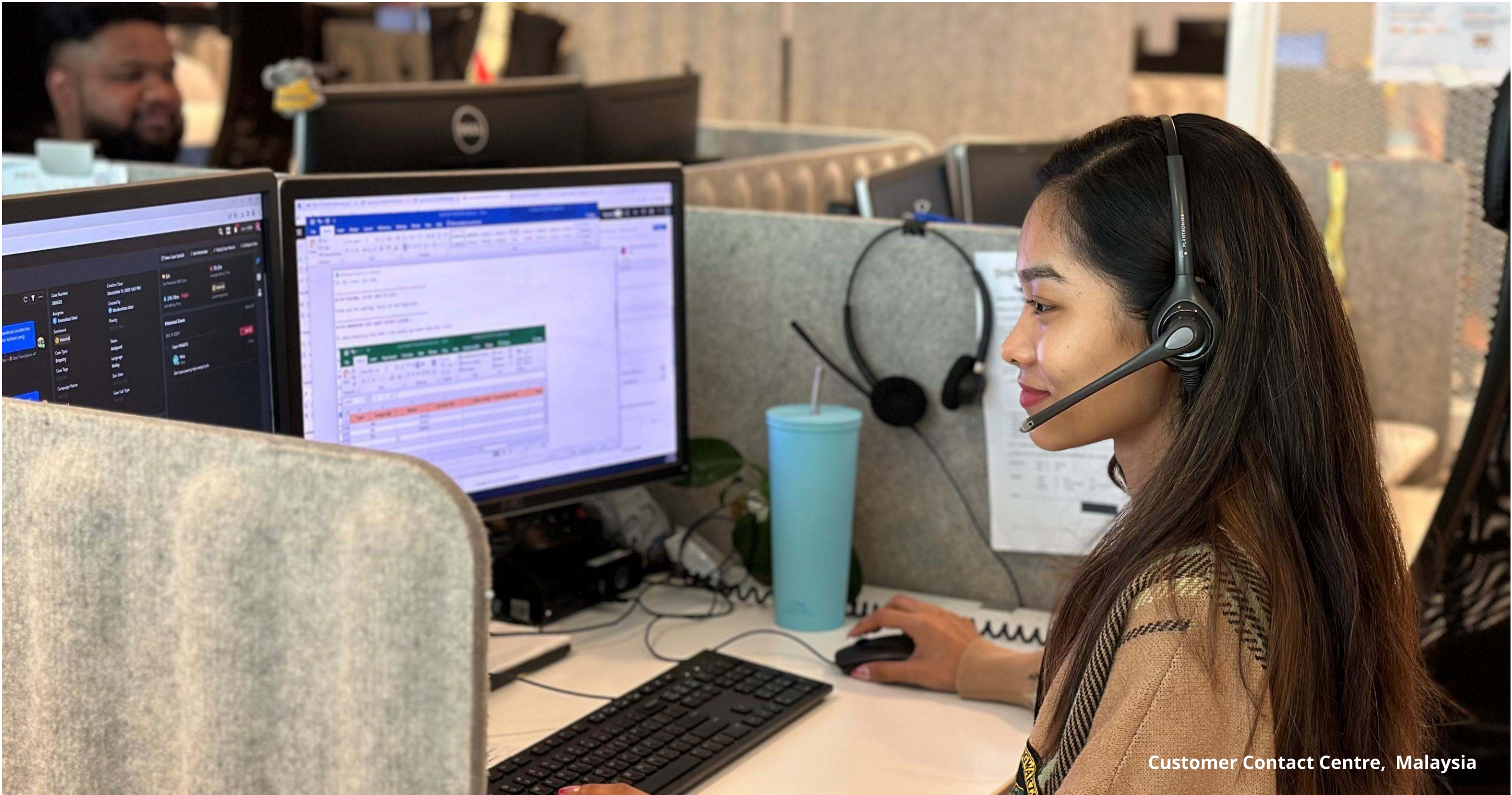
4883 tonnes of CO2eq

▼ 38.2% from FY22



What we measured: emissions based on the financial spend data of goods and services purchased across our businesses — from store equipment and advertising to couriers and uniforms. A new mapping tool has improved the accuracy of the emissions breakdown by unit.

23.7%	Malaysia	
	IKEA Damansara	9.2%
	IKEA Batu Kawan	3.1%
	IKEA Cheras	6.6%
	IKEA Tebrau	3.4%
	Service Office	1.4%
17.2%	Mexico	
	IKEA Oceania	3.0%
	IKEA Puebla	1.9%
	IKEA Guadalajara	0.1%
	MCDC	1.1%
	Service Office	11.1%
18.1%	Thailand	
	IKEA Bangna	10.9%
	IKEA Bang Yai	5.0%
	IKEA Phuket	1.0%
	IKEA Sukhumvit	0.8%
	Service Office	0.4%
15.4%	Philippines	
	IKEA Pasay	15.2%
	Service Office	0.2%
25.6%	Singapore	
	IKEA Alexandra	9.3%
	IKEA Tampines	13.2%
	IKEA Jurong	2.8%
	Service Office	0.3%



Decreased spending on goods and services

Cost-consciousness is embedded in our IKEA culture and values. When sales do not go as planned, we adapt our spending to protect the financial health of our company.

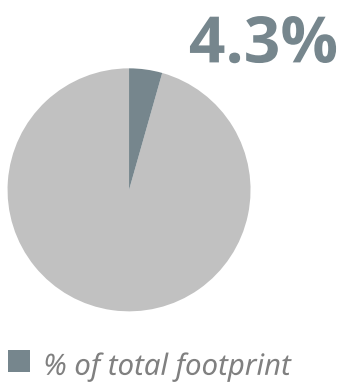
We found smart ways to reduce operational spending in FY23, which drove a decrease in this category of our emissions.



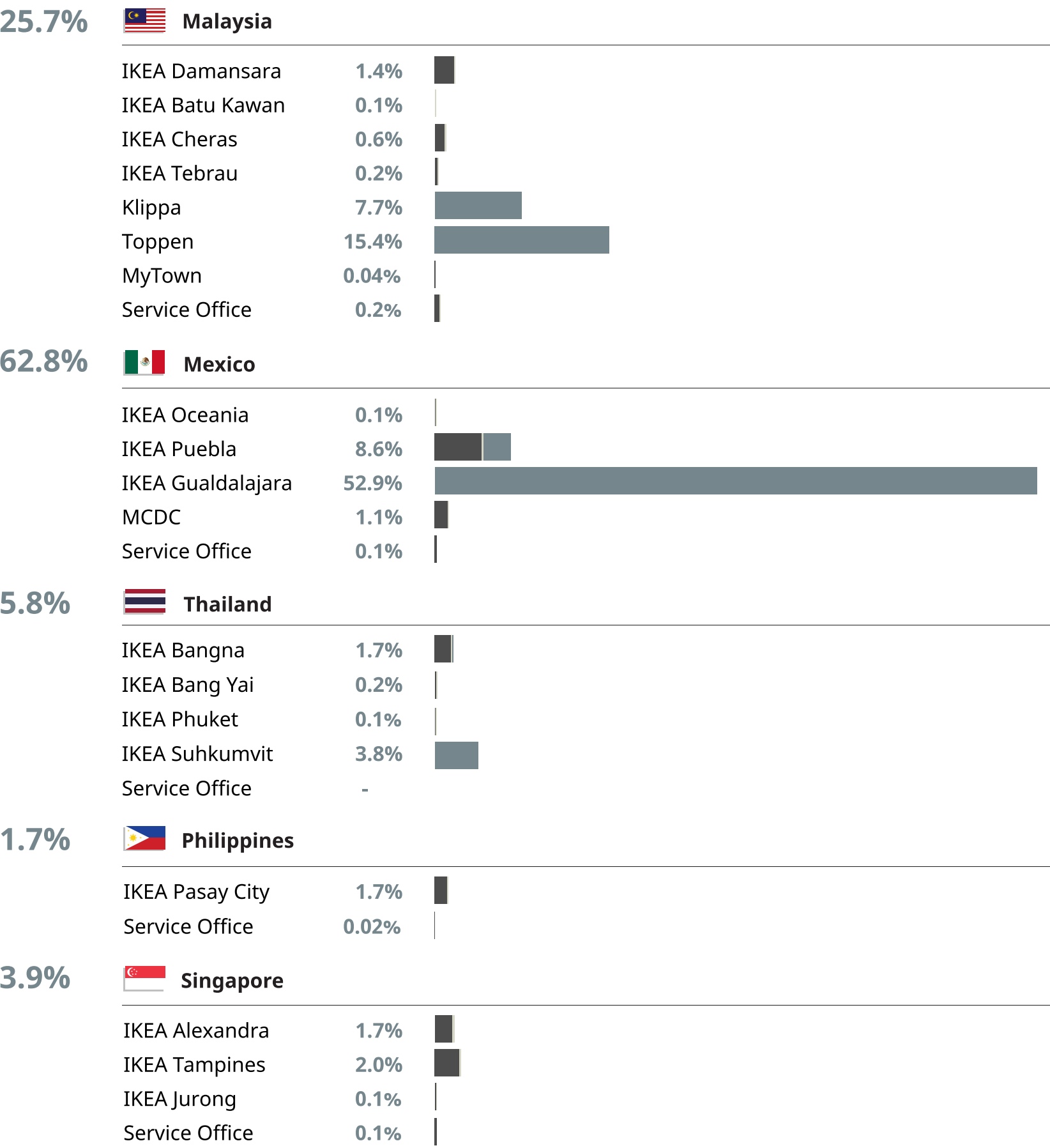
Capital goods

37,646 tonnes of CO2eq

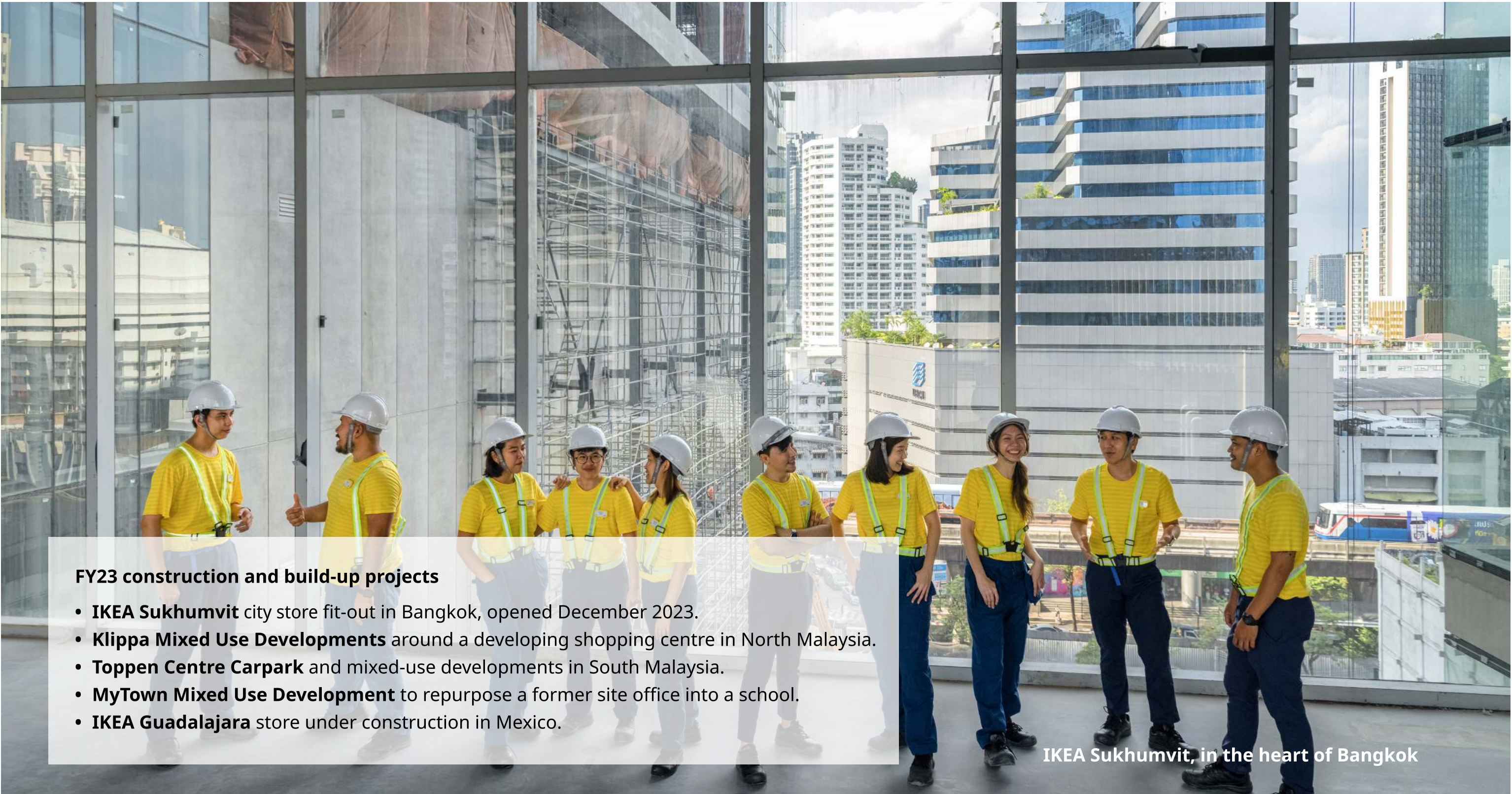
▼ 17.4% from FY22



What we measured: emissions calculated using financial spend data for goods that are part of our capital expenditures – fixed assets, property and equipment. We provide a breakdown for the business units which have made purchases in top-spend categories: construction and fit-out, retail equipment (racking, trolleys, small machinery) and IT hardware.



■ Retail Equipment ■ IT Equipment ■ Construction



Investments to conserve water in Mexico

We design and construct IKEA stores and Ikano shopping centres to earn a minimum of LEED Gold certification — the internationally recognised standard for sustainable properties.

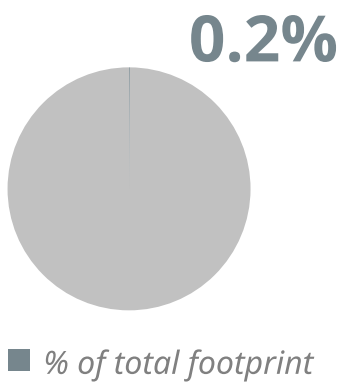
In FY23, our IKEA store under construction in Guadalajara, Mexico has made capital investments that will reduce consumption of potable water by up to 50% - rainwater storage tanks, water recycling equipment, wastewater cleaning systems, sensor taps and more.



Upstream leased assets

1,470 tonnes of CO2eq

▼ 7% from FY22



What we measured: emissions based on financial spend on rent for external warehouses.

9.5%	Malaysia	
	IKEA Damansara	4.8%
	IKEA Batu Kawan	0.9%
	IKEA Cheras	3.3%
	IKEA Tebrau	0.5%
17.3%	Mexico	
	IKEA Oceania	1.1%
	IKEA Puebla	0.2%
	MCDC	16.0%
10.2%	Thailand	
	IKEA Bangna	6.1%
	IKEA Bang Yai	3.6%
	IKEA Phuket	0.01%
	IKEA Sukhumvit	0.5%
	Service Office	0.2%
18.6%	Philippines	
	IKEA Pasay City	18.6%
44%	Singapore	
	IKEA Alexandra	18.2%
	IKEA Tampines	23.1%
	IKEA Jurong	2.8%



IKEA Jurong Collection Point, Singapore
(leased warehousing space)

➔ Reducing our reliance on external warehousing

We lease external space in all of our markets — to manage the storage of stock that fall outside the capacity of our in-store warehouses, or operate customer Collection Points.

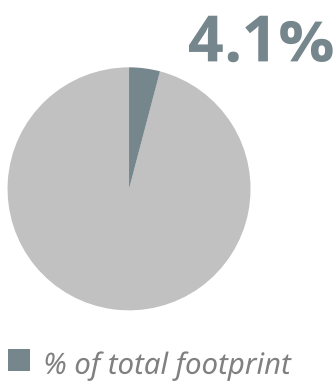
Our footprint in this category reduced slightly last year as we worked to limit our use of external warehouses by improving our forecasting and managing products that passed the end date for sales.



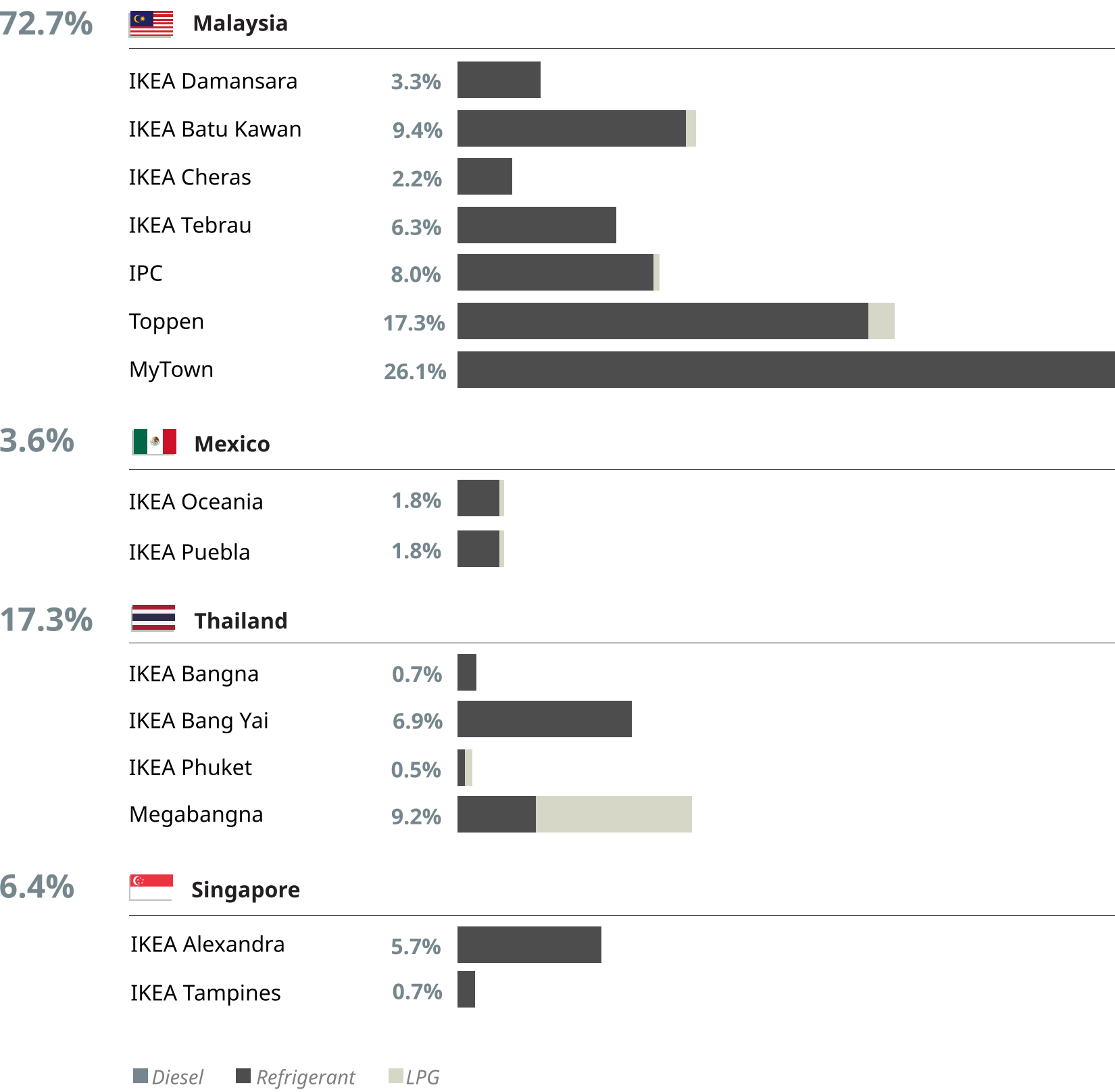
Fuels and refrigerants

38,387 tonnes of CO2eq

▲ 507% from FY22



What we measured: direct emissions from fuels used in operations. This includes a very small quantity of diesel in back-up generators, vehicles we own or lease directly, natural gas consumption in our operations, and emissions from refrigerants, unintentionally released from air-conditioning units. (Greenhouse Gas Protocol - Scope 1)



No available data for: Klippa Centre and IKEA Jurong. IKEA Jurong is a leased assets therefore we do not have operational control. We aim to collect top-up receipts for Klippa next year.



➔ Developing best practices to manage refrigerants

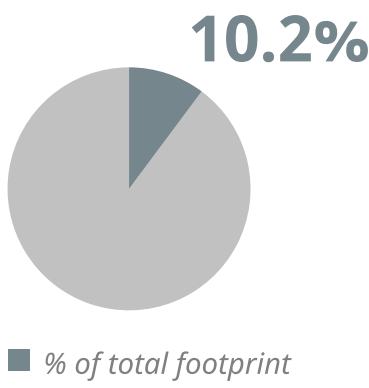
We rely on air-conditioning systems to create a comfortable environment for customers and co-workers in our tropical countries. We also know that refrigerants are super-pollutants with thousands of times the global warming potential of carbon dioxide. So it’s important to ensure that our systems are well sealed, maintained and managed.

In FY23, we started to track precisely the volume of refrigerant ‘top ups’ provided during routine maintenance - and the improved data collection lies behind the increase in emissions attributed to our direct consumption of fuels. We are now developing plans to better control unintentional leakage, transition equipment where needed and use refrigerants with the lowest possible warming potentials.

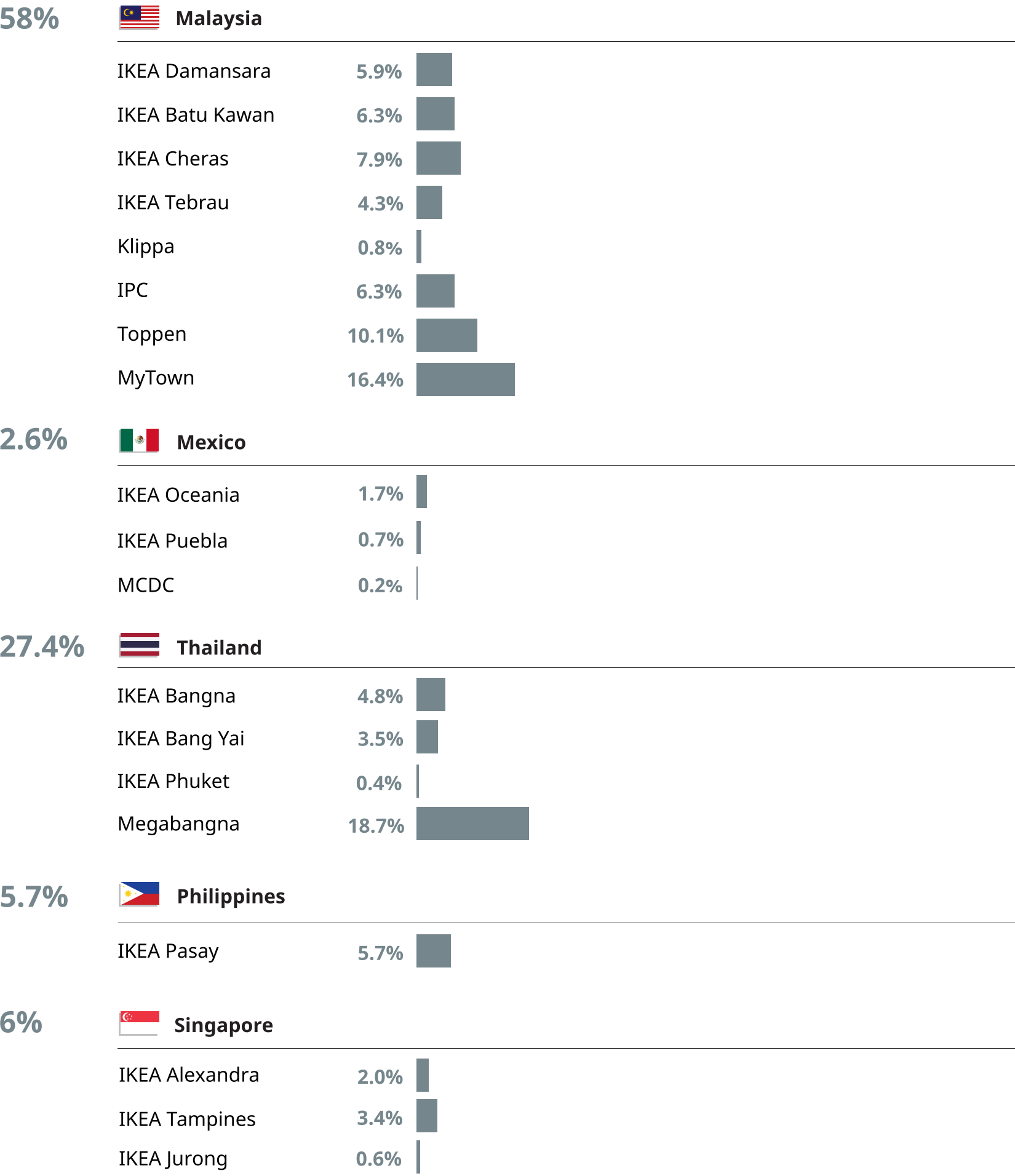
Purchased electricity

88,044 tonnes of CO2eq

▲ 3.8% from FY22



What we measured: emissions from purchased electricity consumed at all our IKEA Stores and from the common areas of our Ikano Centres (Greenhouse Gas Protocol - Scope 2). Emissions related to electricity consumed by our Centres tenants has been reallocated to downstream leased assets following the greenhouse gas protocol guidance.



➔ Our 2030 goal: to transition to 100% renewable energy at all Ikano Retail properties

We met a little more than 10% of our electricity needs at IKEA stores in FY23 from solar farms on our owned roofops, while our large shopping centres covered just 2% of our needs from solar in the last financial year. We plan to maximise on-site generation wherever possible in the next two years, adding almost 40% more solar capacity on our rooftops. In FY23, we added 18,000 solar panels to the rooftop at our largest shopping centre - which we expect will reduce emissions at Megabangna in Thailand by more than 30%.

To meet our ambition we must also secure Power Purchase Agreements with suppliers of off-site renewable energy — a hurdle in markets where such procurement is not readily available. In Mexico, we recently signed our first contract with a solar provider that will meet up to 16% of our electricity needs from renewables within three years.

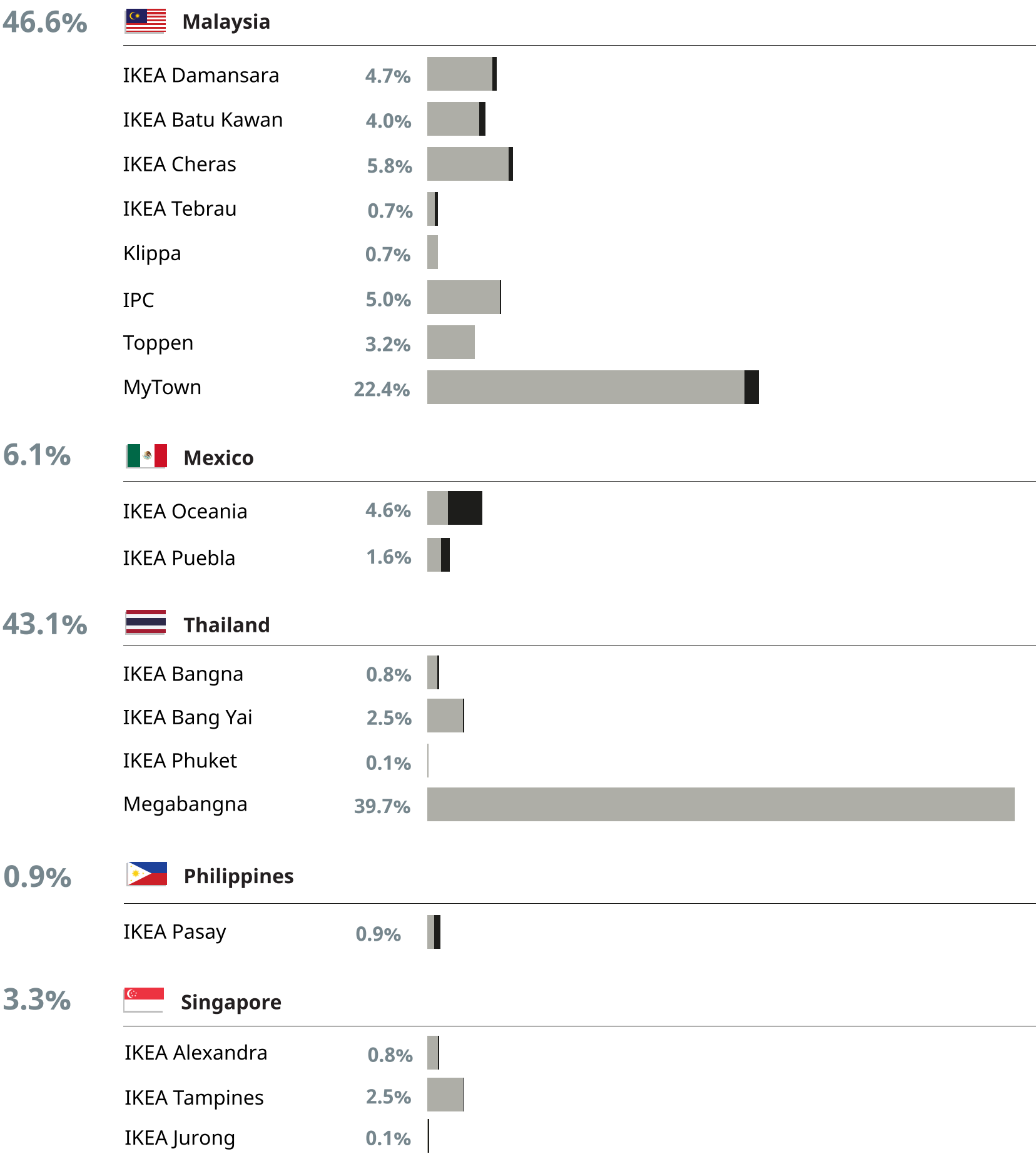
Waste in operations

4650 tonnes of CO2eq

▲ 29.9 from FY22



What we measured: emissions based on operational and food waste weights by type and their treatment methods. We include emissions for both pre- and post consumer food waste. Because post consumer food waste is handled by our facilities teams and provided along with the data for operational waste these two categories are combined below and are represented in the light gray operational waste bars. Black bars represent only pre- consumer food waste.



■ Operational ■ Food Waste



Sustainability Tour - IKEA Pasay City, Philippines

➔ We increased recycling rates in four countries

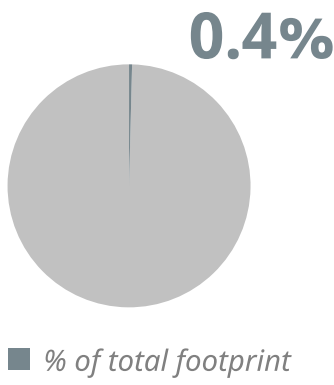
We regard waste as a resource. That’s why we make sorting out used materials — everything from cardboard to coffee grinds — part of our standard operations at every IKEA store and our Ikano Centres. In our last financial year, we managed to increase recycling rates in four countries.

Recycling rate	FY22	FY23
IKEA Malaysia	69%	72%3%
IKEA Mexico	54%	66%12%
IKEA Thailand	72%	72%-
IKEA Philippines	65%	63%2%
IKEA Singapore	69%	82%13%
Centres average	25%	38%13%

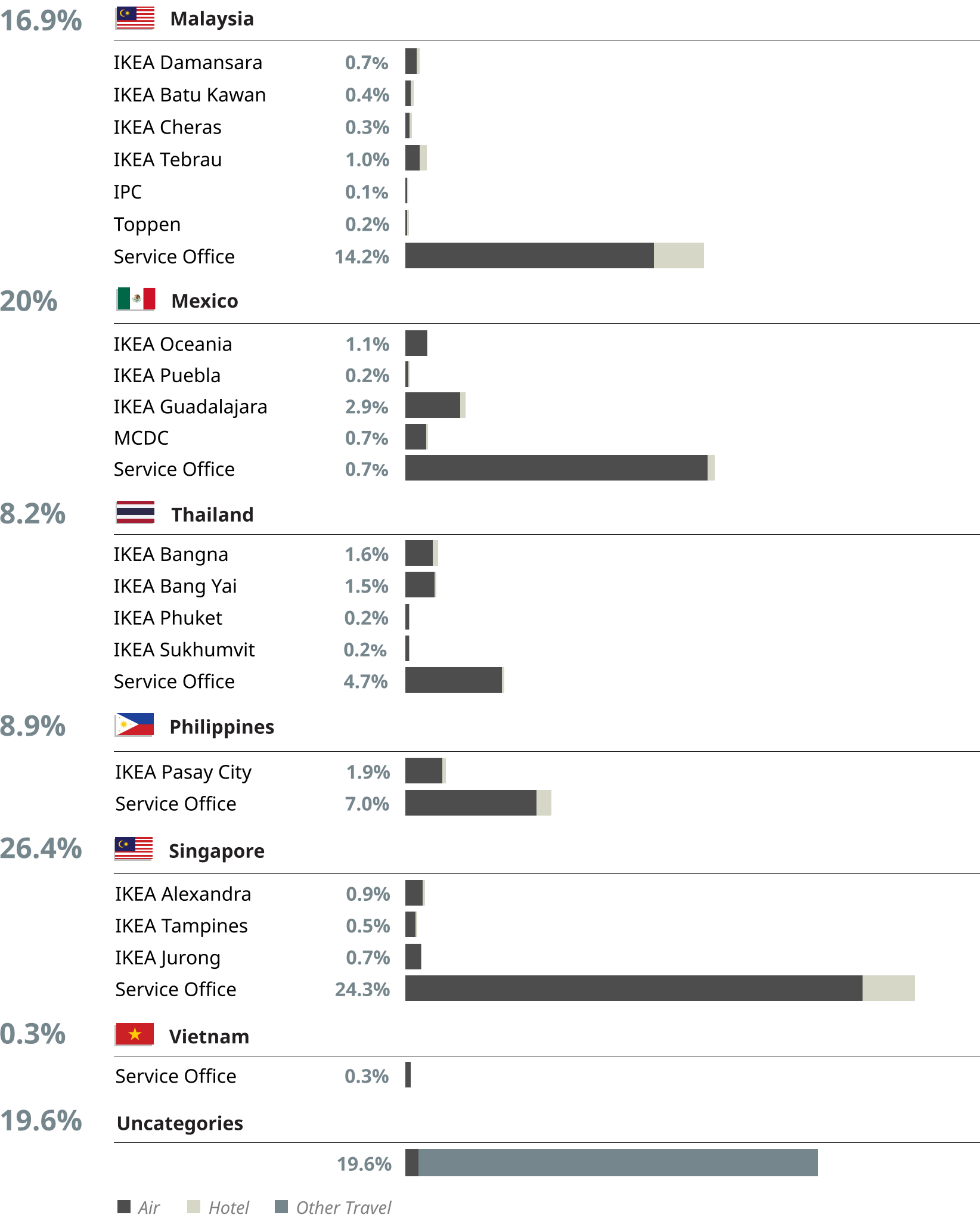
Business travel

3,259 tonnes of CO2eq

▲ 8.3 % from FY22



What we measured: emissions from transportation of employees for business-related activities. Air travel was calculated using the distance-based methodology. Other travel, such as by bus, car and trains, was based on financial spend by travel type.



Singapore digital event

Limiting business travel is part of our cost-conscious IKEA culture and values

We continue to work with many of the digital communication tools developed during the pandemic in order to minimise business travel — which reduces costs and benefits the planet, too.

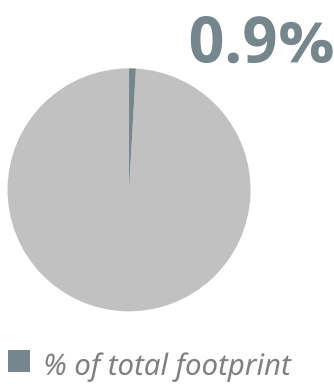
Our annual Business Plan Kick-Off event is streamed live to meeting places in five countries, enabling almost 700 people to learn about our strategic direction without adding to our travel footprint.



Co-worker commute

7,796 tonnes of CO2eq

▲ 17.3% from FY22

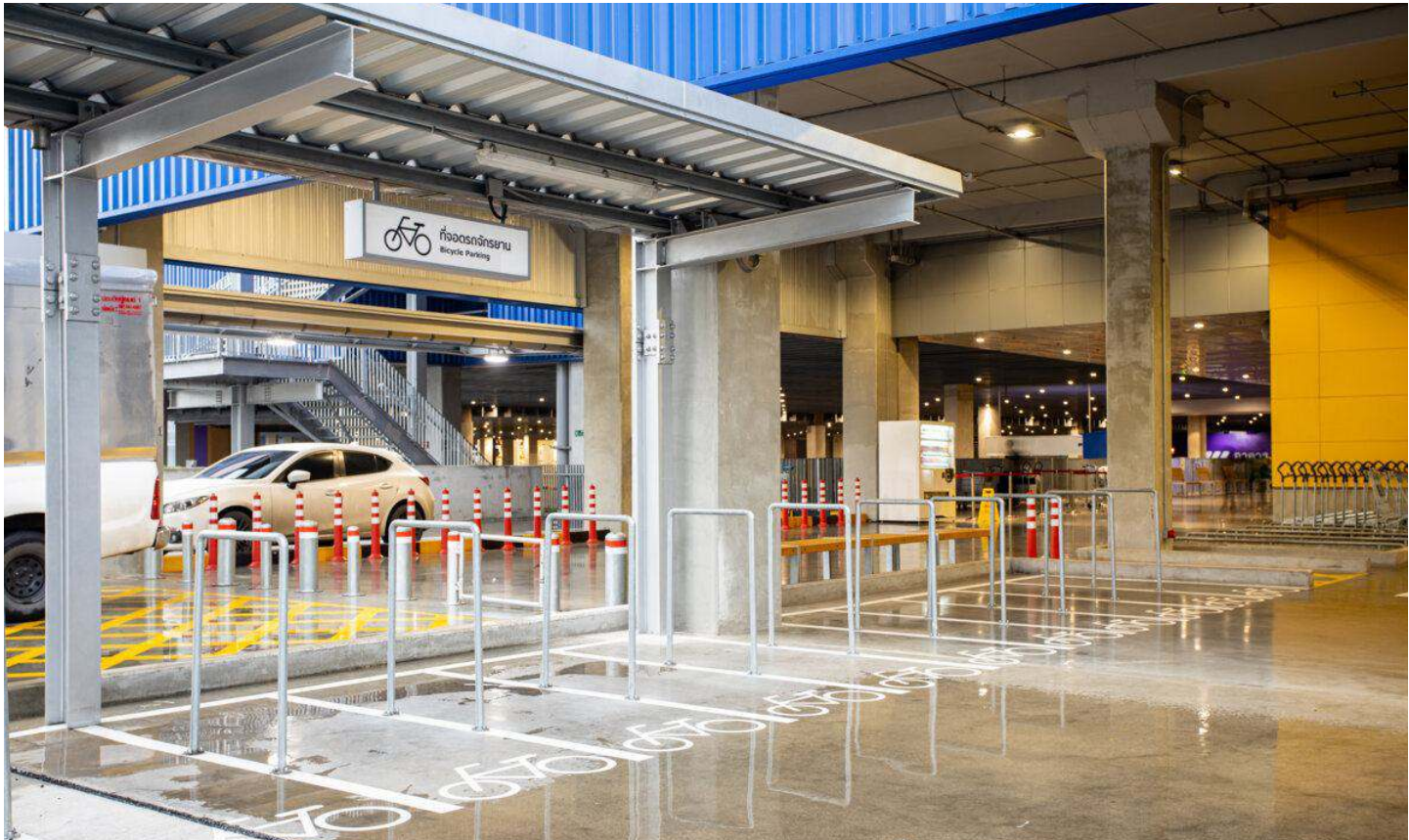


What we measured: emissions based on number of employees and commuting data from employee survey done in 2021. Share of transport mode, number of commuting days per year and average daily commuting distance from this survey are used to estimate the emissions for coworker commute.

38.2%	Malaysia	
	IKEA Damansara	8.1%
	IKEA Batu Kawan	9.0%
	IKEA Cheras	8.2%
	IKEA Tebrau	4.6%
	IPC	0.8%
	Toppen	0.8%
	MyTown	2.5%
	Service Office	4.2%
9.5%	Mexico	
	IKEA Oceania	4.6%
	IKEA Puebla	3.4%
	Service Office	1.5%
21.9%	Thailand	
	IKEA Bangna	8.4%
	IKEA Bang Yai	6.8%
	IKEA Phuket	0.5%
	Megabangna	3.6%
	Service Office	2.6%
14.7%	Philippines	
	IKEA Pasay City	12.4%
	Service Office	2.3%
15%	Singapore	
	IKEA Alexandra	4.7%
	IKEA Tampines	6.1%
	IKEA Jurong	2.8%
	Service Office	1.5%
0.1%	Vietnam	
	Service Office	0.1%
0.6 %	Sweden	
	Service Office	0.6%



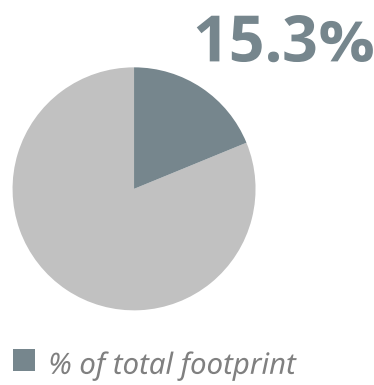
IKEA Tampines co-worker



Customer travel

132,361 tonnes of CO2eq

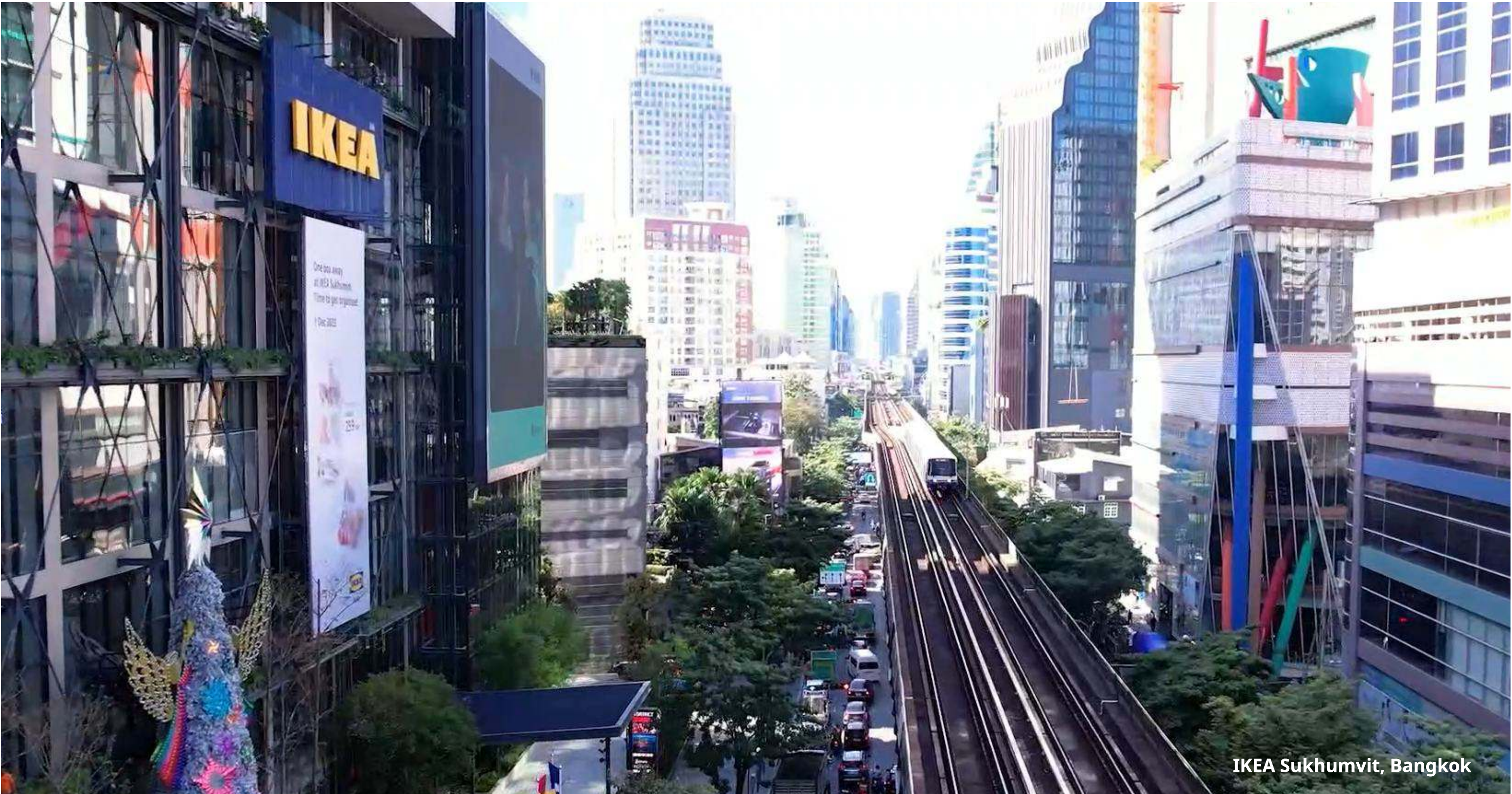
▼ 26% from FY22



What we measured: emissions are calculated using visitation data and customer surveys that help define the various modes of transport used and average distances travelled. Carpark data is used to support Ikano Centres estimations.

35%	Malaysia	
	IKEA Damansara	3.1%
	IKEA Batu Kawan	2.3%
	IKEA Cheras	3.1%
	IKEA Tebrau	2.8%
	IPC	5.9%
	Toppen	8.1%
	MyTown	9.7%
4.6%	Mexico	
	IKEA Oceania	1.8%
	IKEA Puebla	0.9%
	MCDC	1.9%
5.4%	Philippines	
	IKEA Pasay City	5.4%
49.1%	Thailand	
	IKEA Bangna	4.2%
	IKEA Bang Yai	2.2%
	Megabangna	42.7%
5.9%	Singapore	
	IKEA Alexandra	1.9%
	IKEA Tampines	2.6%
	IKEA Jurong	1.4%

No available data for small format store: IKEA Phuket (TH). We aim to improve accounting in this area next year.



➔ EV charge points, shuttle buses and access to public transport

Customer travel is the second-largest category of emissions in our value chain footprint, reflecting the record 120 million visits made to our stores and centres in the last financial year.

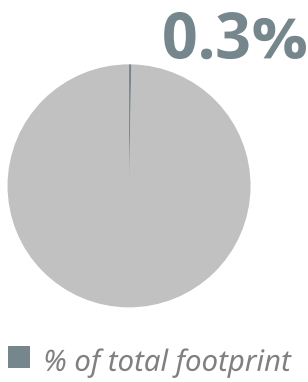
The access to public transport is a consideration in our site selection for new properties at the very start. Several of our stores and centres are connected directly to light rail transit lines. We offer shuttle buses to many of our retail destinations and by, 2025, every carpark we operate will offer EV charge points.



Transport, home deliveries


2,181 tonnes of CO2eq

▼ 39.5% from FY22



What we measured: emissions from transport from IKEA stores to customers’ homes based on service type, truck type, weight of the delivery, and departure and destination of the delivery, which is used to estimate the delivery distance.

57.5%



Malaysia

IKEA Damansara

8.0%

IKEA Batu Kawan

18.5%


IKEA Cheras

5.5%

IKEA Tebrau

25.5%

0.84%



Mexico


IKEA Oceania

0.05%

MCDC

0.79%

37.8%



Thailand


IKEA Bangna

25.8%

IKEA Bang Yai

12.0%

3.6%




Philippines

IKEA Pasay

3.6%

0.4%



Singapore

IKEA Alexandra

0.2%

IKEA Tampines

0.2%



IKEA Damansara, Malaysia

➔ Almost doubled deliveries made in Electric Vehicles in one year

We have made EV a condition for contracts with new transport service providers and are adopting electric vehicles for home deliveries as fast as market conditions will allow. In some countries, a lack of affordable solutions and charging infrastructure presents hurdles.

Our rate of EV delivery declined in Mexico following changes at a transport service provider.

Share of EV deliveries	FY22	FY23
Malaysia	-	0.2% 0.2%
Thailand	-	- -
Mexico	9.6%	6.5% 3.1%
Philippines	1.2%	7.7% 6.5%
Singapore	11.7%	21.3% 9.6%
Total	3.9%	7.2% 3.3%

Use of sold products

93,554 tonnes of CO2eq

▲ 19.6% from FY22

What we measured: emissions from lighting (energy consumption of LED bulbs), appliances (ovens, cookers, fridges, microwaves etc.) and candles (combustion of fuels), according to volume sold through global supply chain.

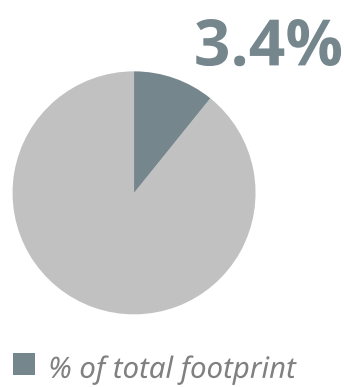
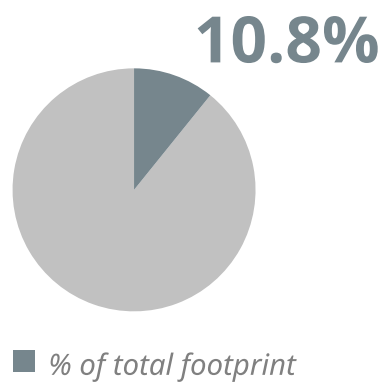


Product End-of-Life

29,608 tonnes of CO2eq

▼ 6.4% from FY22

What we measured: emissions from waste disposal and treatment of IKEA product at the end of their life. These emissions are calculated by IKEA franchisor based on franchisee specific data including sales and weight per article.



➔ Developing more efficient appliances and bulbs

The IKEA franchisor has overall decreased the share of emissions related to the use of its products at home, thanks to sales of products such as SOLHETTA - an LED bulb that is 35% more efficient than older bulbs in the IKEA range.

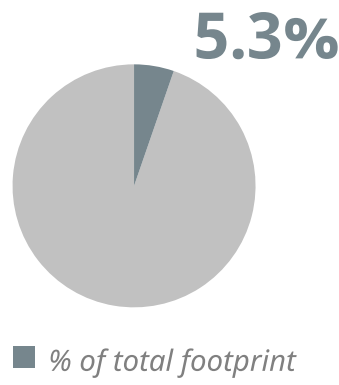
In FY23, we expanded the range of IKEA-branded appliances on offer - increasing our sales volume by 66% on the year before.



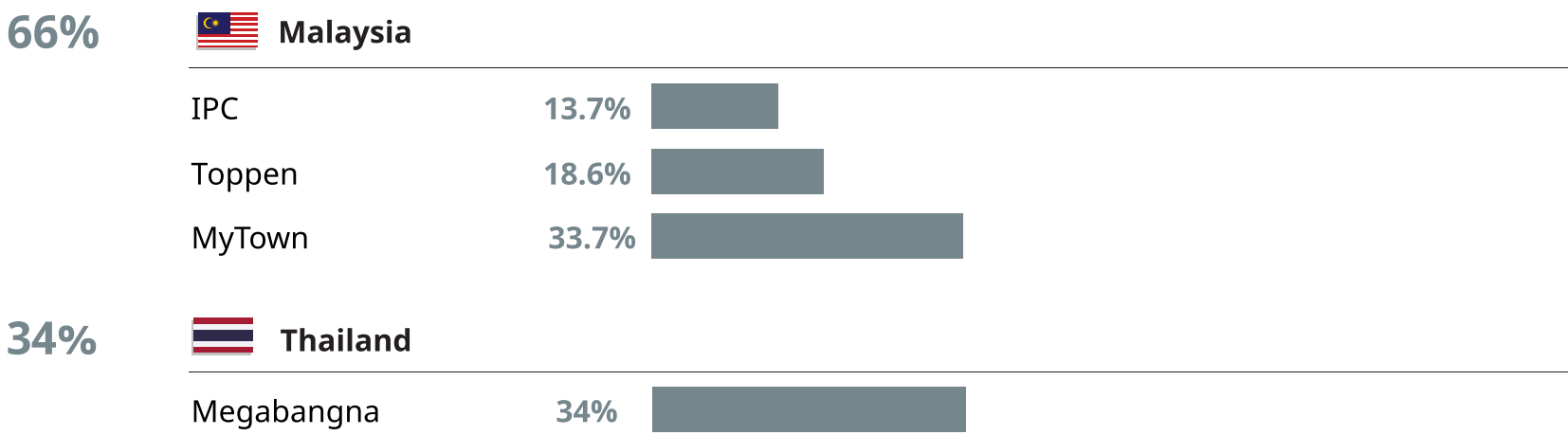
Tenant electrcity

45,562 tonnes of CO2eq

▲ 16.5% from FY22



What we measured: emissions from tenant electricity consumption in our Ikano Centres. This category was previously included in our Scope 2 — Purchased Electricity — but has been moved into our downstream emissions in line with the GHG protocol guidance on carbon accounting.



➔ Supplying renewable electricity to tenants

Our shopping centres supply electricity to some 1,500 tenants in Malaysia and Thailand. In FY23, we accounted separately for the emissions related to tenant consumption in a category known as ‘downstream leased assets’, as recommended by the Greenhouse Gas Protocol.

