

Ikano Retail FY23

Sustainability Report



Ikano Retail
An IKEA retailer



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About Ikano Retail

As one of 12 IKEA franchisees, we own the Swedish home furnishing business in Singapore, Malaysia, Thailand, Philippines, Mexico and, in future, Vietnam. Our Ikano Centres, anchored by IKEA, are retail destinations in the heart of our communities.

This report looks back at our sustainability performance during the 2023 financial year, September 2022 – August 2023. During this period, we were operating 13 IKEA stores and five shopping centres.

Hej,

We are developing an ambitious sustainability agenda from our unique position as retailers who own the IKEA business and Ikano shopping centres in Malaysia, Thailand, Philippines, Singapore, Mexico and, in future, Vietnam – countries that will be home to 480 million people by 2030. In this sustainability report we share stories and a detailed update on our performance to sustainability targets during our 2023 financial year. Our focus is in three areas:

Healthy & Sustainable Living

The scale of our business creates meaningful possibilities to reach many more people with affordable products, circular services, and activities that inspire people to join the movement for more sustainable living. In our last financial year, we increased the share of plant-based food offers in our restaurants, shared ideas with millions of web visitors to our online Sustainable Living Guides and engaged more co-workers than ever in training that raised awareness of climate change and the products we offer to enable sustainable life at home.

Circular & Climate Positive

The IKEA franchisor has updated its climate targets, committing to halving the carbon emissions generated from across the value chain by 2030 (as compared to its 2016 baseline). That's in line with updated science-based standards that describe what is needed to keep global warming below to 1.5 degrees. As an IKEA retailer, we have a big role to play in achieving that ambitious aim.

We are now defining actions and investments we can take to do our part. Sourcing renewable energy. Reducing waste. Electrifying our transport. Last year, together with partners, we launched our biggest solar project yet, doubled deliveries made with electric vehicles and found innovative new ways to reduce packaging waste in our last-mile operations. We also introduced new services to help our customers prolong the life of IKEA products – making it easy to care, repair, resell and give away.

Fair & Inclusive

Making our communities more fair and caring starts with us, in our workplaces. In our diverse business, almost 85 percent of our co-workers say that they feel free to be themselves at work. We secured gender balance across our organisation and in steering teams, and external auditors recently confirmed that we have achieved “excellent” levels of gender pay equity. Last year, we involved more than 1,000 co-workers in our community projects. In Mexico, we collaborated with a social enterprise to develop a new textile range for our stores and, in doing so, created meaningful work at fair pay for 21 seamstresses previously employed in fast fashion factories.

We have some tough work ahead to deliver on our climate action plans and meet the challenges ahead. We remain ruthless optimists – seeking partnerships and solutions to create a better everyday life for the many people and the planet that is home to us all.



Ikano Retail Management Team

Healthy & Sustainable Living

Ikano Retail Direction

We will help shift mindsets and make healthy and sustainable living affordable in six fast-developing countries – home to 480 million people by 2030.

We focus on four movements to make it happen. ➡

UN Sustainability Development Goals in focus:



We enable sustainable living

Our products can help reduce waste, save energy, conserve water.

We enable more sustainable living with products that are affordable for the many, not a luxury for the few.



We create destinations for healthy and sustainable food

Our IKEA restaurants serve almost six million people each year.

We develop balanced menus and increasingly offer delicious, affordable options to help more people make the move from red meat.

We help shift mindsets

Our stores, centres, websites and social media platforms have wide reach.

We leverage our influence to share sustainable living ideas, shift mindsets and motivate positive change in our societies.



We create co-worker passion for the planet

Our businesses employ more than 5,200 people today.

We deliver sustainability learning and inspire co-workers to become ambassadors for sustainable living and knowledge around our business operations – at home and at work.

Our FY23 Highlights



Launched plant balls in Malaysia. Good for people, good for the planet

We are enabling more people to make the move from red meat with our IKEA plant balls – packed with pea protein, oats, potatoes, onion, and apple. IKEA Malaysia was the last of our markets to launch the plant ball last year (Halal certified!). We wowed many meat lovers by offering taste tests, won rave reviews from bloggers and created buzz with more than 103 news and social media stories.



Engaged co-workers in sustainability learning

We went all-in on a learning programme last year that encouraged more than 2,000 co-workers to take up digital sustainability courses as well as hands-on learning sessions about our products, food and operations.

In a new activity called *Climate Week*, our co-workers learned about climate change, toured IKEA recycling facilities and visited our rooftop solar plants. In the Philippines, we extended the excitement to members of our teen loyalty programme, offering behind-the-scenes store tours to show how we work.



Created extra focus on sustainable living solutions

We increased our focus on products that enable sustainable living through their function – such as energy saving – as well as products made from recycled and renewable materials. Our sales teams steered attention to selected products with affordable prices, communication and ready-to-take-home availability.

In FY23, we sold 7.3 million from the selected list of products in focus, and earned almost EUR 40 million in sales through this approach.

Progress Report

Sustainable living

Affordable IKEA Solutions

Each department of the store creates focus on a product that either enables sustainable living through its primary function (reusable food containers, for example) or is made from more sustainable materials (recycled or renewable materials, such as bamboo).

Tenants for sustainable lifestyles

We will lease space at Ikano Centres to tenants that support recreation, learning, healthy eating and solutions or services that promote circular, sustainable living.

Healthy and sustainable food

Menus with more choices

We offer nine main meals in each of our IKEA restaurants. Step by step, we are increasing the share of our offer that features chicken, salmon and plant-based products with a much lower carbon footprint than red meat.

Legends

FY21

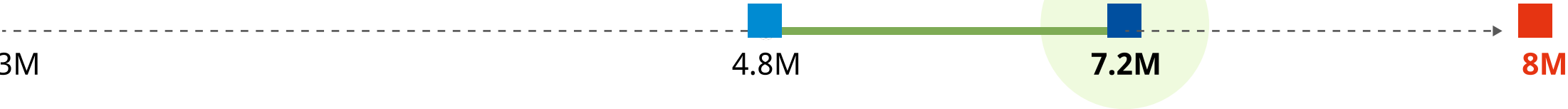
FY22

FY23

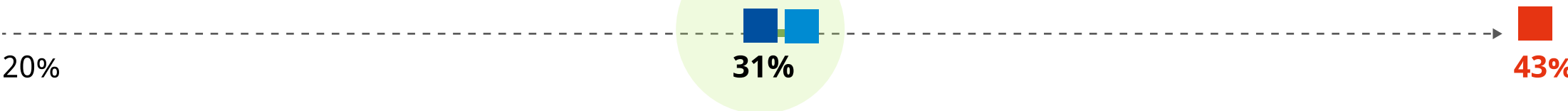
FY25 Target

Performance Indicator

Number of home furnishing items sold from a defined list of sustainable products.



% share of total gross leasable area in our Centres dedicated to a sustainable living offer.



Share of main meals on offer that are plant-based.



Progress Report

Shift mindsets

Our Communication

We feature Sustainable Living Guides on the homepages of our IKEA websites – providing tips on how to reduce waste, save energy, conserve water and more.

EV Charge Points

We inspire our customers to join us on the transition to Electric Vehicles, offering EV charge points in parking lots operated by our IKEA Stores and Ikano Centres.

Co-worker passion

Learning and development

We engage co-workers in sustainability learning activities on the shop floor, in workshops and in digital trainings available online through the IKEA My learning platform.

Involve co-workers

We employed 5,254 co-workers in FY23. Each year, we conduct a co-worker survey called VOICE to measure co-worker engagement on a wide range of topics – including sustainability.

Legends

FY21

FY22

FY23

FY25 Target

Performance Indicator

Views of our six sustainable living guides on IKEA websites, five countries.



% share of parking lots at our stores and centres where we offer EV parking.



Number of unique co-workers engaged in trainings on My Learning platform.



Co-worker VOICE survey: % who say “I know how to help Ikano Retail take care of people and the planet”.



Co-worker VOICE survey: % who say “I actively contribute to our people and planet agenda and development”.



Circular & Climate Positive

Ikano Retail Direction

We will move as far and as fast as we can to develop circular solutions and reduce the climate impact created across our retail value chain.

We focus on four movements to make it happen. ➡

We develop and promote circular services

Our home furnishing products last longer when customers take good care of them and have the options to give used goods a second life.

We give away spare parts. We sell used furniture in our bargain corners. Now, we are developing more services that make it easy for our customers to care for, repair, share, resell, donate or recycle IKEA furniture.



We transition to solar power and sustainable transport

Our big-box retail stores and shopping centres need vast amounts of electricity, and our transport partners also make tens of thousands of trips to customer homes.

We make the transition to green power with solar plants on every rooftop and renewable power purchase agreements wherever possible. We develop fleets of electric vehicles for home delivery and install EV charge points wherever we offer parking.



We drive toward zero waste to landfill

Our stores and centres generate waste in everyday operations – cardboard, plastic, food and more.

We work with recyclers wherever we can to divert waste from landfill.



We will lead with sustainable design and construction

Our 13 stores, five shopping centres and one large warehouse span a total of 1.7 million square meters today – with another property under construction.

We seek the most sustainable ways to design, construct and fit-out our buildings to achieve the highest green building standards.

UN Sustainability Development Goals in focus:



Our FY23 Highlights



Switched on our largest solar project yet

In Thailand, our Megabangna shopping centre started consuming electricity from 18,000 solar panels installed on its rooftop. With this 9.9 megawatt plant, we are reducing the centre's carbon emissions by more than 30 percent.



Innovated to reduce packaging waste

In some stores, we replaced our usual cardboard boxes with reusable crates to deliver smaller products to customers who are also getting furniture deliveries. In others, FRAKTA blue bags are used to pack non-breakable items for home delivery. Our own co-workers came up with the ideas to reduce storage space, packing time and costs. Now we are sharing these examples with all our stores.



Invested in smart solutions to conserve water in Mexico

Water stress is a serious concern in Mexico. That's why we are taking extra care as we construct our first big IKEA blue-box store in the country – installing rainwater storage tanks, water recycling equipment, waste-water cleaning systems, sensor taps, waterless urinals and other smart features to reduce total consumption of potable water by up to 50 per cent.

Our project team is aiming to earn a LEED Gold certification for design and construction on this project – the minimum sustainability standard we have achieved in all new large stores since 2015.

Our FY23 Highlights



Took up a call to tackle waste

Our co-workers at IKEA Pasay City in the Philippines launched Declutter Week, trading in pre-loved clothing, books and household items. In Thailand, our stores challenged customers and co-workers to say no to food waste by taking only what they need – and snapping photos of empty plates.

Our newest store, IKEA Sukhumvit, contracted a local food vendor to supply co-worker meals in reusable IKEA 365+ containers (providing a service to wash them up afterwards, too). We avoided around 40,000 pieces of single-use plastic waste over our 19-week build-up.



Started new circular services

We launched a cleaning service in Thailand and, in the first three months, customers called on our provider to buff up 354 home furnishings – sofas, chairs, mattresses, rugs and curtains. Our stores in Bangkok also offer a buy-back service for used furniture while in Malaysia, we recently began a partnership with *Unearth* to give old furniture a second life – goods are either resold, donated to families in need or recycled right.



Accelerated our transition to electric vehicles for delivery

When Malaysia opened new doors to commercial electric vehicles last year, our IKEA team grabbed one of the first EV delivery vans to arrive in the market – and we aim to add at least ten more during this financial year. Thailand secured electric tuk-tuks for a new city store, joining our other four markets in the journey to use more sustainable transport.

While tackling challenges around cost, infrastructure and supply together with partners, we made 80,000 deliveries in EVs during FY23, up from 45,000 the previous year.



Measuring our climate impact

We live and work in countries that are among the most vulnerable in the world to extreme heat, rising seas and increasingly frequent natural disasters. That’s why we take responsibility to measure our carbon footprint yearly and develop plans to reduce our impact.

Guided by the Global Greenhouse Gas Protocol, we calculated that our retail business generated the equivalent of almost 863,000 tonnes of carbon dioxide. For the first time in our growing business, the emissions from across our value chain moved downward – a 5 percent reduction on the year before. The key movements included:

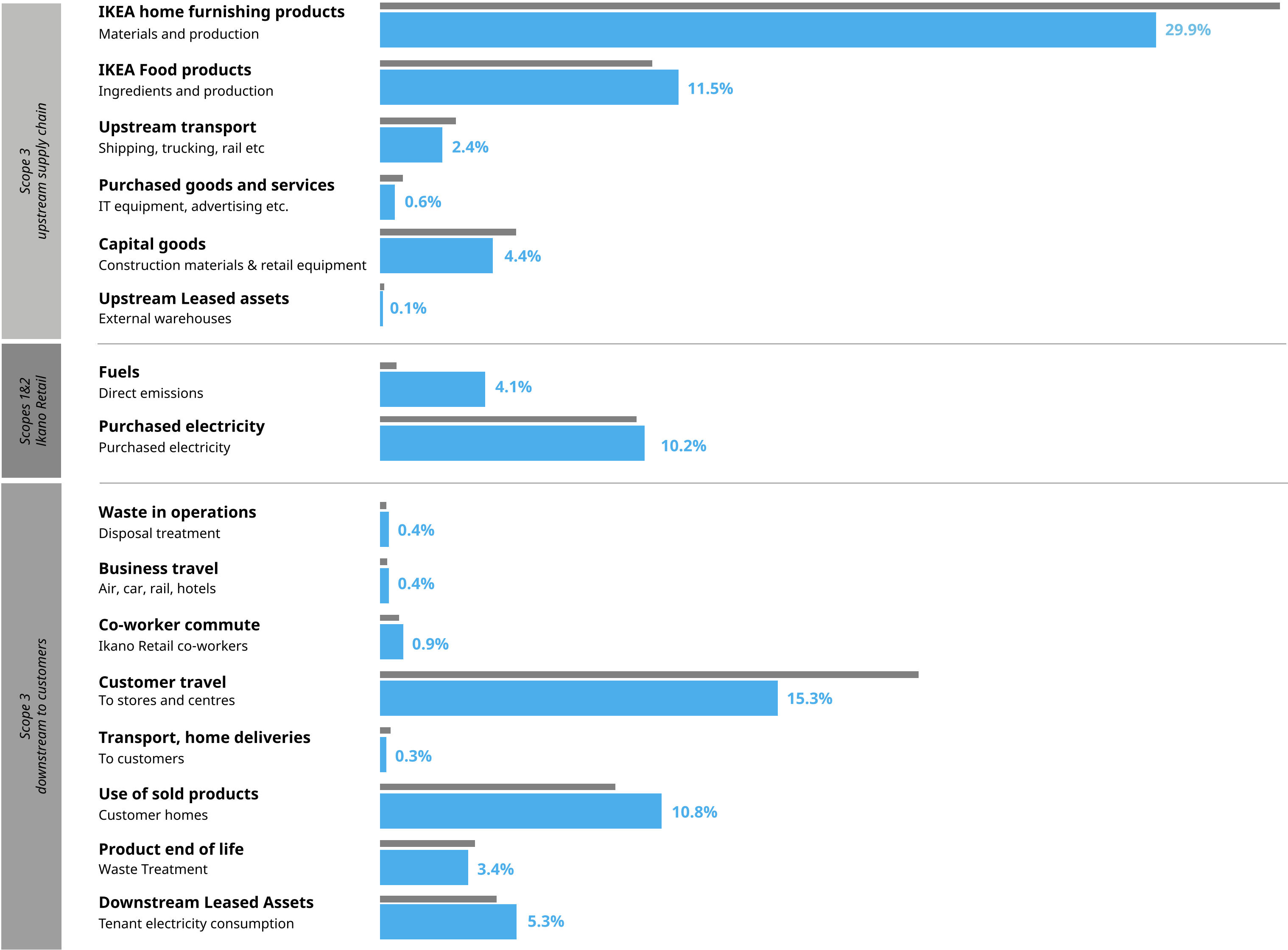
IKEA products: We saw a 14 percent reduction in emissions related to materials and production of the products we sell. This relates in part to a 7 percent decline in our volumes sold as well as progress made by our franchisor in developing the range.

Fuels: An increase in emissions in this category reflects improvements in our data accuracy. While we previously used estimations to measure consumption of refrigerants, last year we tracked the “top-ups” for our air-conditioning units across stores and centres to measure our impact precisely.

Customer travel: With a record level of visitation to our stores and centres (119 million in FY23) the reduction in our customer travel footprint reflects updated methodologies applied by the IKEA franchisor.

862,792 tonnes of CO2eq

Ikano Retail FY23 Carbon Footprint



Emissions FY22
Emissions FY23
% indicates share of total footprint

Progress Report

Circular services

Recovery Operations

Every IKEA store operates a repair workshop to ensure no products go to waste. Damaged goods are sold at discounted prices in our bargain corners. Returned items that have never been assembled are inspected to ensure they are as good as new and repackaged for sale – reducing waste where we operate.

Climate action

Renewable Energy

We maximise solar power plants on our rooftops and procure renewable electricity wherever we can to reduce our emissions. (We are securing our first off-site Power Purchase Agreement in Mexico in FY24.)

Energy Efficiency

We maintain our buildings with care and invest in smart Facilities Management solutions to conserve electricity.

NOTE: COVID impacts in previous years reduced the energy consumption at our properties, decreasing the overall efficiency.

Legends

FY21

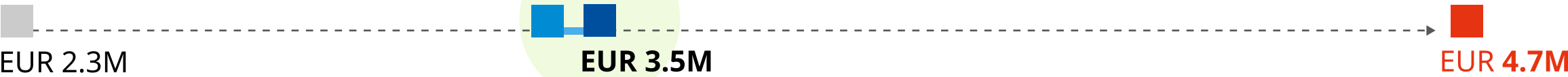
FY22

FY23

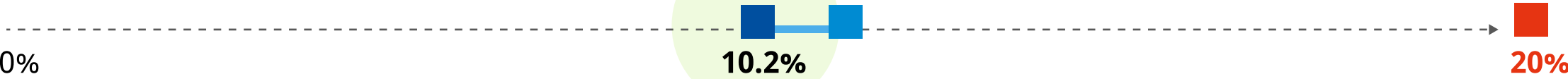
FY25 Target

Performance Indicator

EUR value of IKEA products refurbished and repacked for sale, avoiding waste.



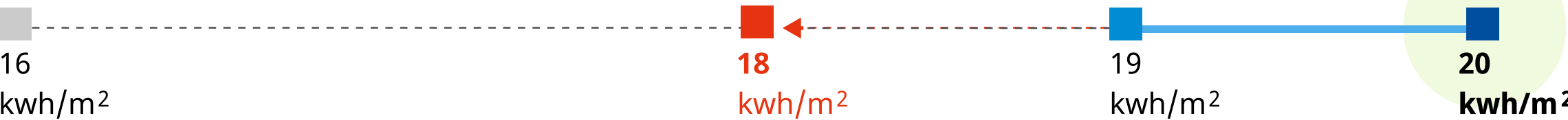
% share of electricity consumed from renewables in our IKEA stores.



Kilowatt hours of purchased energy consumed per square meter, averaged across our IKEA portfolio.



Kilowatt hours of purchased energy consumed per square meter, averaged across our Ikano Centres.



Progress Report

Climate action (continued)

Recycling

We see waste as a resource and develop partnerships and facilities to recycle as much as possible, earning some income and reducing our footprint.

As the landlord at our Shopping Centres, we are responsible for managing the waste of our tenants as well as that from our own operations.

Reducing food waste

We measure all food waste generated within our IKEA kitchens and use a software system to record the reasons – from inventory spoilage to leftovers. We have far exceeded the global goal by keeping pre-consumer food waste well below 16 grams per customer transaction.

More sustainable transport

We are transitioning our delivery fleets to electric vehicles, inspiring and enabling transport service partners to make the switch and leasing some EVs directly (Singapore). By 2030, we aim to reach 100 percent EV.

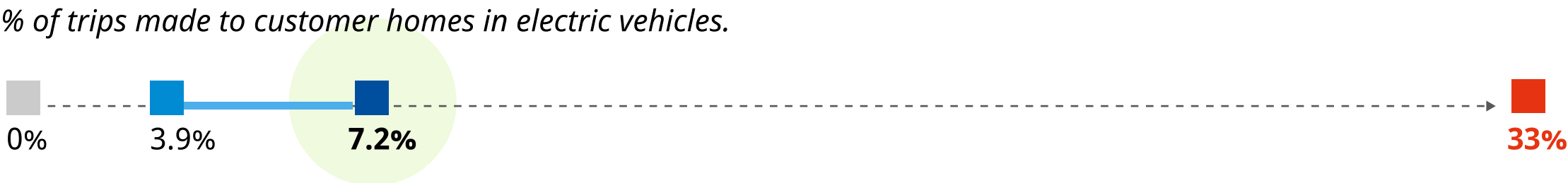
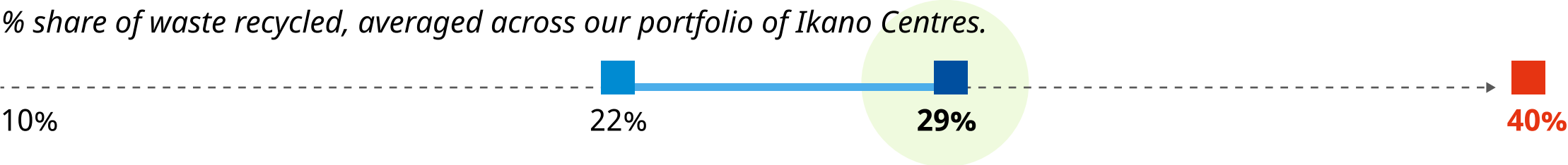
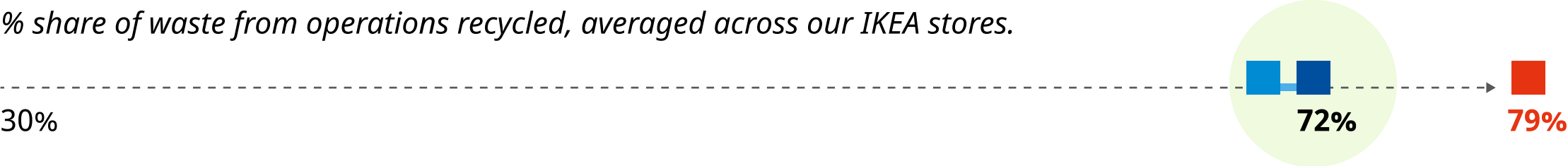
Legends

FY21

FY22

FY23

FY25 Target



Fair & Inclusive

Ikano Retail Direction

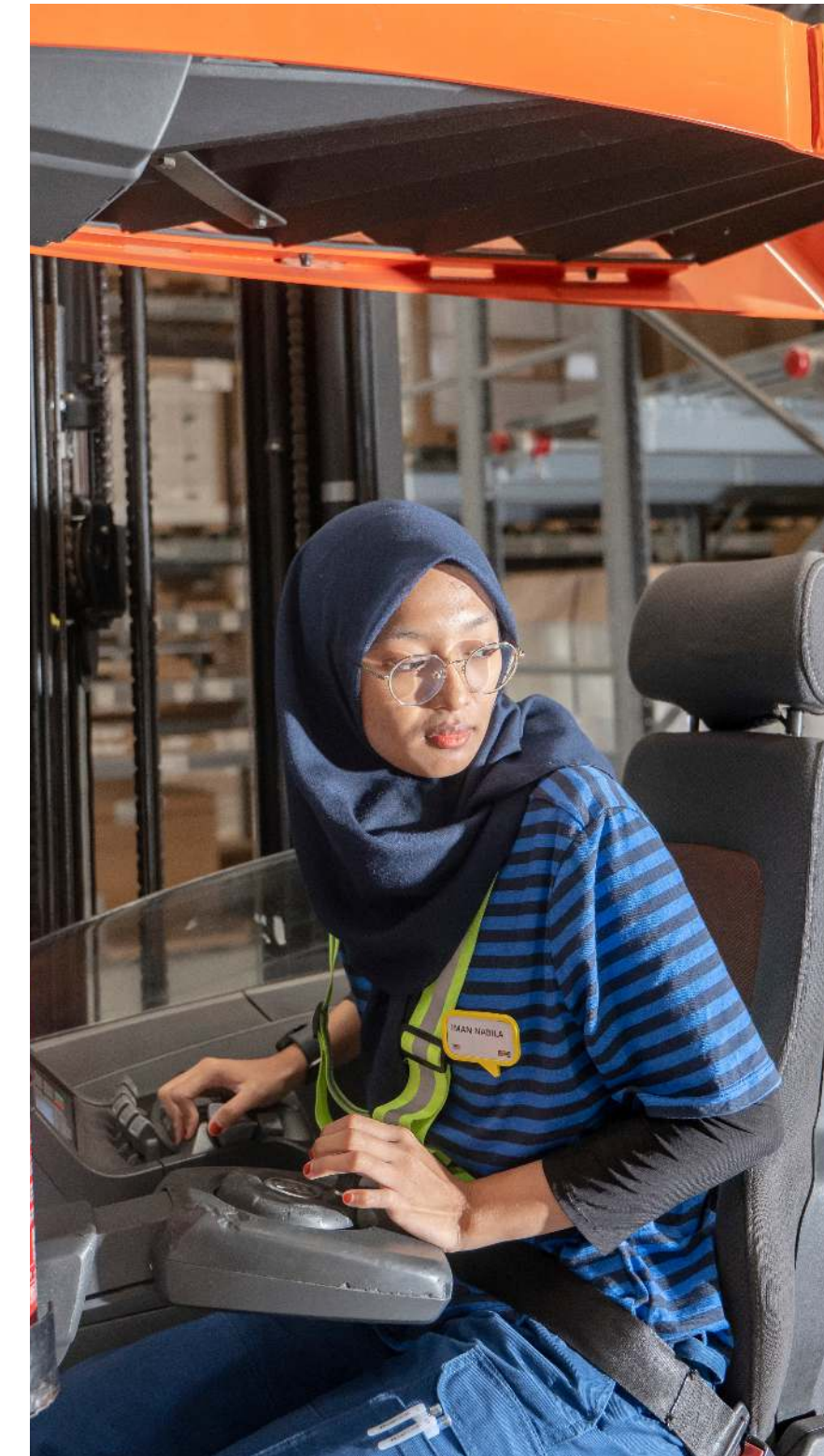
We will stand as a leading example of diversity, create spaces where everyone feels welcome and create partnerships for positive social impact in our communities.

We focus on four movements to make it happen. ➡

We develop caring workplaces

Our stores, centres and service offices employ more than 5,200 people.

We will develop workplaces where diversity, gender balance and gender pay equity are a natural outcome of our inclusive approach. (Sometimes we go out of our way to employ women in roles traditionally filled by men.)



We ensure migrant workers and others in local supply chains are treated fairly, too

Our businesses contracts out services such as cleaning, security and home deliveries.

We treat contractors as part of our extended family and are working with key suppliers to ensure compliance to our IWAY standards – the IKEA code of conduct on human rights, environmental practices, treatment of animals and more.



We support disadvantaged communities

Our communities are facing rising costs, inequality, poverty and environmental challenges.

We collaborate with social enterprises to create meaningful work for disadvantaged people. We donate our products, time and expertise to create better homes, better schools and better lives for people in need.

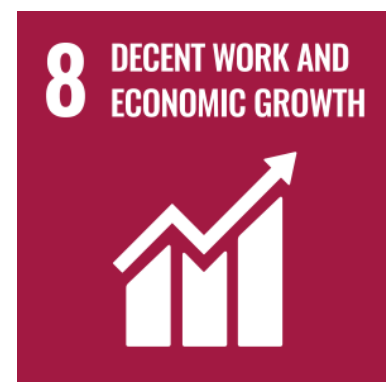


We involve co-workers

Our co-workers all get one day of leave to contribute to a good cause in our communities. This is what we call Social Day.

We organise outings to projects supported by our business so everyone has a chance to get involved.

UN Sustainability Development Goals in focus:

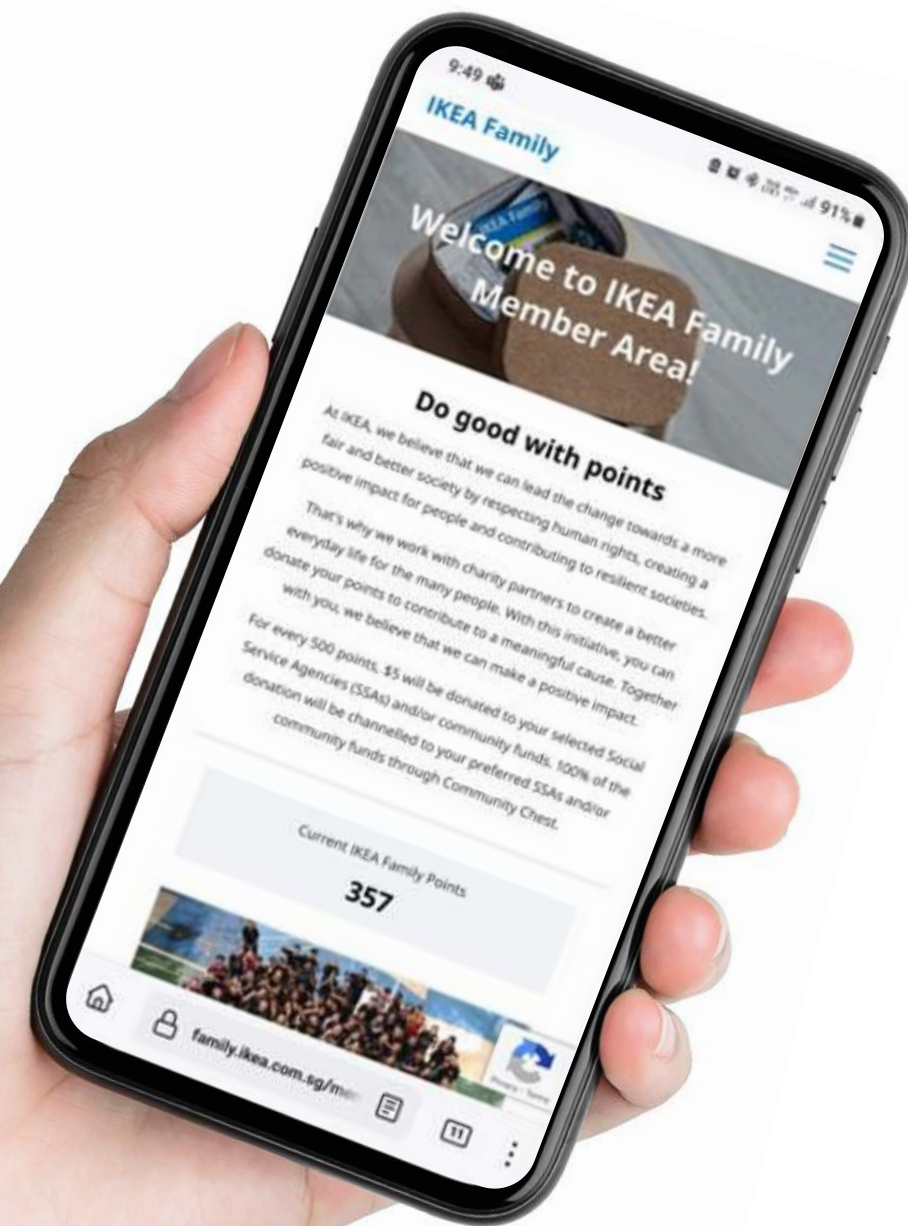
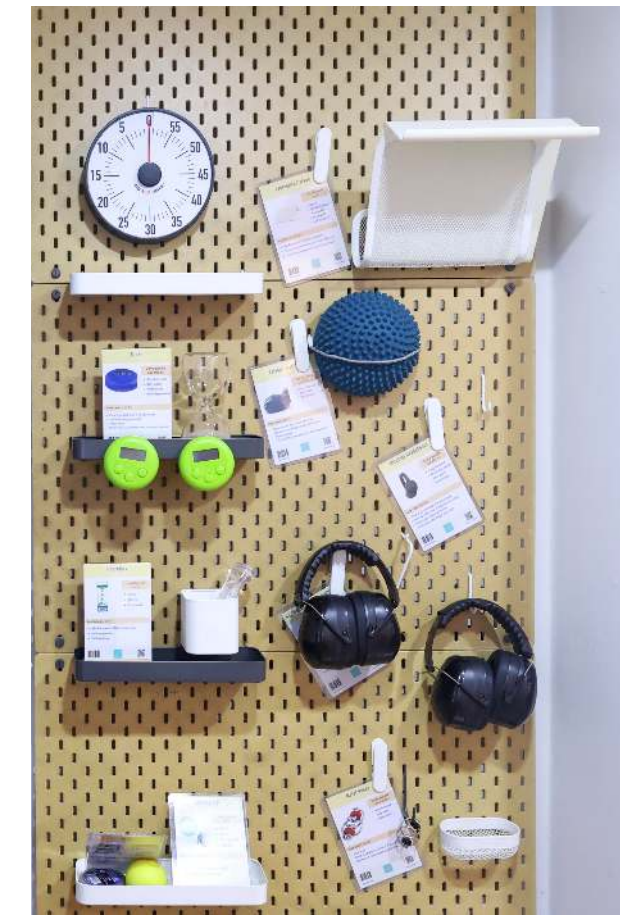


Our FY23 Highlights



Created more inclusive office spaces

In Thailand we teamed up with Steps, a consulting firm that offers education and employment to neurodivergent young people to create an “Inclusive Office” model. Designed to give a helping hand to people's different needs, these everyday solutions can be adapted to fit any space so everyone can enjoy a workplace that welcomes every uniqueness.



Enabled customers to donate IKEA Family points

We made it easy for our customers to get involved in good causes. The IKEA Family programmes in Singapore and the Philippines enabled members to donate their points for corresponding cash donations to selected non-profits working in our local communities.



Helped social enterprises scale their businesses and create jobs

Together with friends at IKEA Social Entrepreneurship and New Ventures, IKEA Mexico gave three social enterprises a chance to scale up by launching their products in our Mexico stores.

Now we have locally produced honey and fish in our Swedish Food Markets and a locally-produced textile range with 30 articles, including tortilla warmers that our customers love. The IKEA project created meaningful work for 21 seamstresses at up to three times the salaries they had earned previously in fast fashion factories.

Progress Report

Caring workplaces

Gender Balance

We aim for gender balance across our organisation as well as among our leaders.

We reached our target of 50:50 gender balance in the teams leading our units in FY22 (as an average across the management teams in our stores and centres.) This year, that balance shifted to 52 percent male and 48 percent female. We expect these slight shifts and our aim now is to ensure that we maintain this healthy balance – and secure it in at the units where we still have work to do.

Local Leaders

We develop local leaders and secure a balance in the steering teams that lead our stores and centres. Local is defined as a person whose nationality/citizenship matches the country in which they are working.

Inclusion

Each year, our annual co-worker survey VOICE asks all co-workers to rate to what extent they feel “I can be myself at IKEA / Ikano Retail”.

Involved co-workers

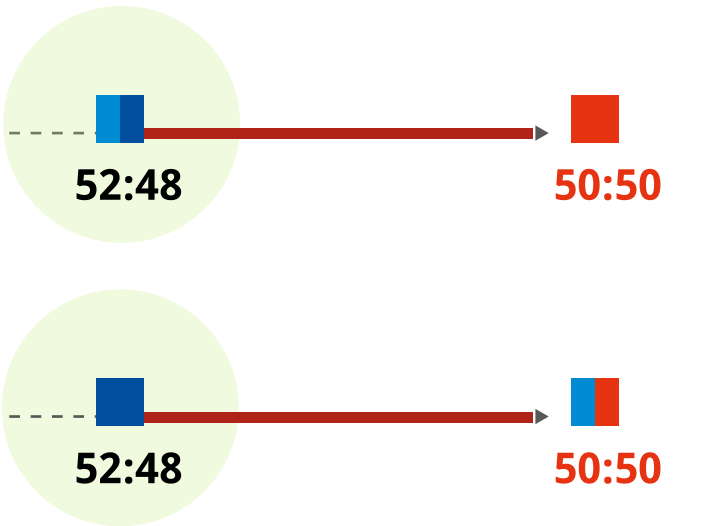
Volunteering

We are all entitled to Social Day leave – one paid day of leave each year to contribute to a good cause in our communities. In FY23, our extra effort to engage co-workers helped almost double the number of participants from the year before and drove us beyond our original long-term goal. We aim to maintain this level of engagement.

Performance Indicator

Gender balance across our organisation – male to female.

60:40



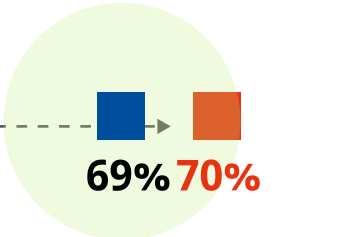
Gender balance among our managers – male to female.

60:40



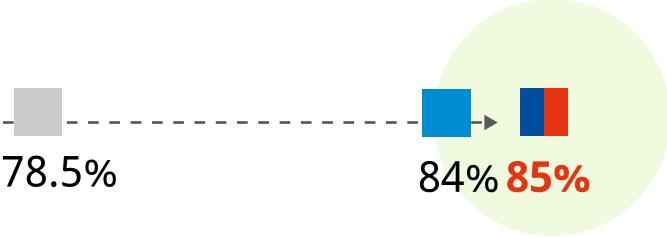
% share of local leaders in Management Teams at our stores and centres.

30%



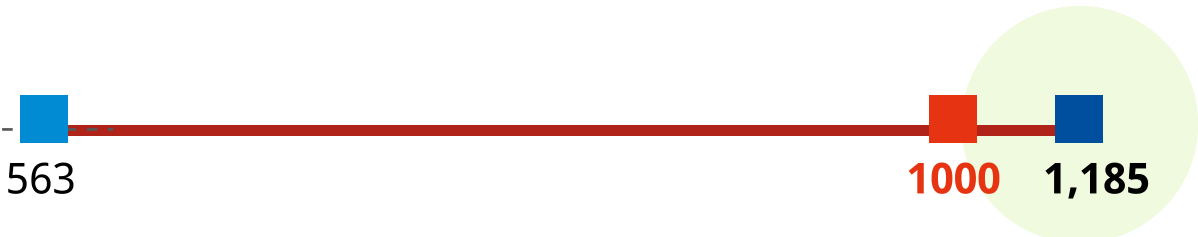
% of co-workers who say “I can be myself at IKEA / Ikano Retail”.

55%



Number of co-worker applications for Social Day.

100



Legends

FY21 FY22 FY23 FY25 Target



We remain ruthless optimists

What is good for the many people and the planet is also good for our business.

Heading into the new year, we see reasons for concern: poverty and inequality in some of our markets is rising amid tough macro-economic conditions. The wallets of many people in our communities are getting thinner, and we must remain affordable and accessible to those who rely upon us for a better everyday life.

While the challenges are tough, we also see reasons for optimism. The energy transition is moving forward. Governments and regulators are getting more demanding. Companies like ours are learning and developing stronger sustainability agendas than ever before.

We have consulted co-workers, suppliers, customers and community groups to define the sustainability topics of greatest importance to our business. We are embracing tough standards outlined by the European Union's Corporate Sustainability Reporting Directive to further develop – including developing a concrete Ikano Retail Climate Transition Plan.

Together with partners and thousands of co-workers, we will steer our performance to live up to all three pillars of our strategic business direction – Profitable, Sustainable, Growth. A performance that will be good for people, the planet and for our business.

For more information, contact:

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