

Ikano Retail FY22

Climate Report



Ikano Retail
An IKEA retailer

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About this report

We calculated our footprint for the second time with a look back at our FY22 financial year, which runs from 1 September 2021 to 31 August 2022. This footprint, the first without a COVID impact on our business, will become the baseline by which we measure our future progress.

This report is published in June 2023 and includes stories that demonstrate how we are tackling our climate footprint today.





IKEA Pasay City brings first e-truck to the Philippines

Moving as far and as fast we can to reduce our climate impact

The changing climate has already become a personal reality for many of us at Ikano Retail, one among 12 IKEA franchisees. 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 it's so important to us to take responsibility for calculating the emissions we generate and develop action plans to reduce our impact on the planet. In this, our second Ikano Retail Climate Report, we provide a clear measure of the greenhouse gases generated throughout our value chain during the 2022 financial year (FY22). It covers our IKEA operations, Ikano Centres and construction projects across five operating markets: Singapore, Malaysia, Thailand, Philippines and Mexico – and corporate support offices in Vietnam and Sweden are reflected in co-worker travel categories as well.

Our footprint increased by 33% in FY22 – a rise that also reflects the increase in volumes sold at a time when COVID restrictions ended and we opened the doors to two new stores (including the world's largest IKEA store in the Philippines). This footprint calculation becomes the 'baseline' by which we will measure our future impact and progress.

We reduced emissions in two key categories: our transport to customers' homes and waste in operations. We continue working side-by-side with transport partners to accelerate our rollout of electric vehicles and are taking further steps to reduce waste in our packaging operations.

As a retailer, our first focus is on dramatically reducing our Scope 1 & 2 emissions - those over which we have the most control. In FY24, we will reduce our direct emissions from fuels, refrigerants and purchased electricity by 10% per square metre, from our FY22 baseline. By 2027, we aim to reduce emissions per square meter by at least 30%.

We are developing solar projects wherever we operate and, as our expansion plans are confirmed, we will review our targets with an ambition to deliver reductions in absolute terms by 2030, in alignment with guidance from the Science Based Targets Initiative.

We will continue our journey together with our franchisor, suppliers, government partners and passionate co-workers to build a business that lasts while helping to ensure our planet remains a healthy home for us all.



Ikano Retail Management Team

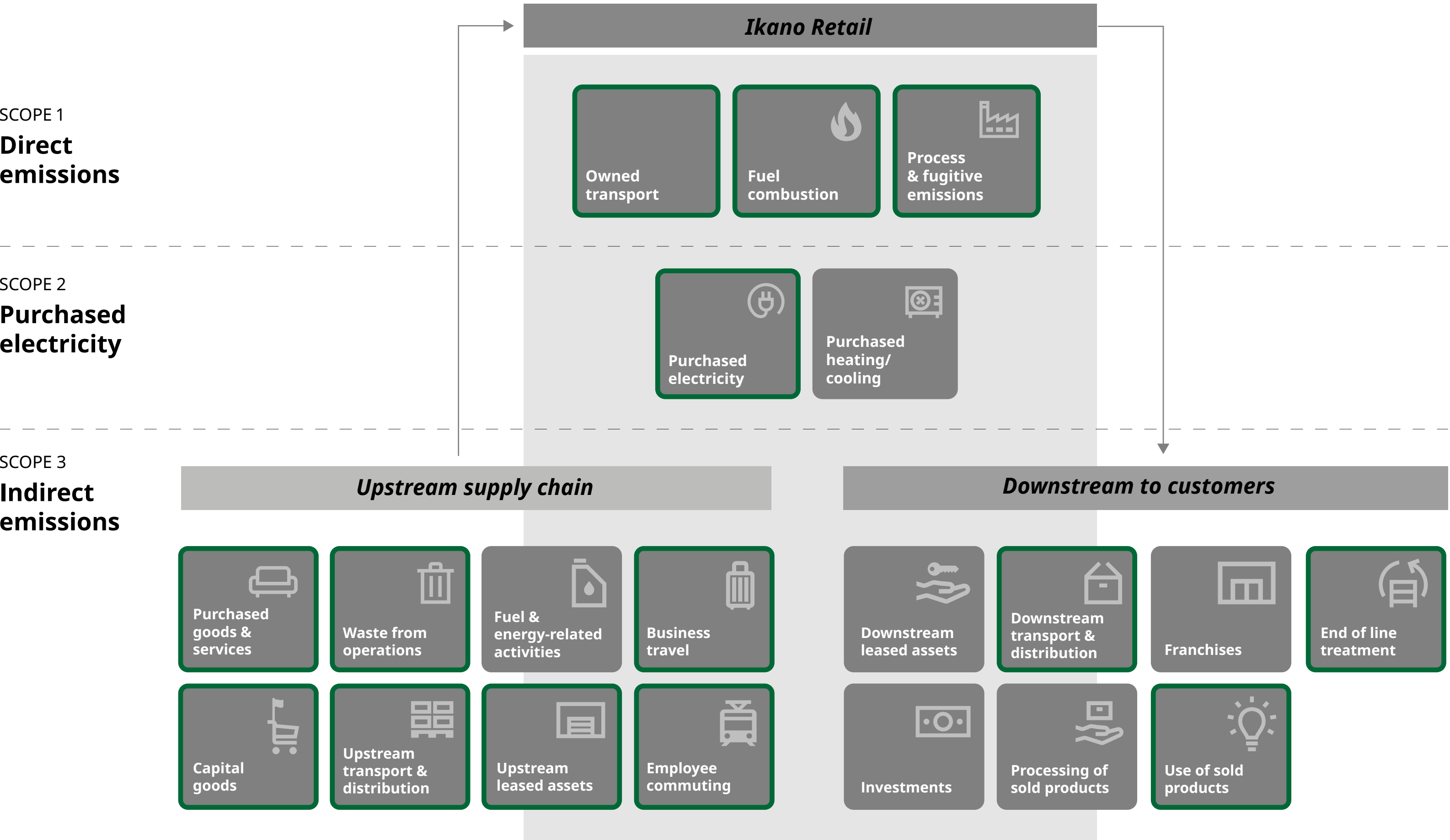


About Ikano Retail

Ikano Retail is one of 12 IKEA franchisees. We own and operate the IKEA retail business in Singapore, Malaysia, Thailand, Mexico and the Philippines – with plans to enter Vietnam in the years ahead. We offer well-designed, functional home furnishing products at prices so low that as many people as possible are able to afford them. 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.

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 13 IKEA stores, 4 Ikano Centres, construction projects and our corporate service offices. Scope 1 covers the fuels we use directly in our operations. Scope 2 relates to purchased electricity. Scope 3 relates to emissions generated upstream and downstream, in 15 categories defined by the protocol. 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.





Life at Home in Singapore

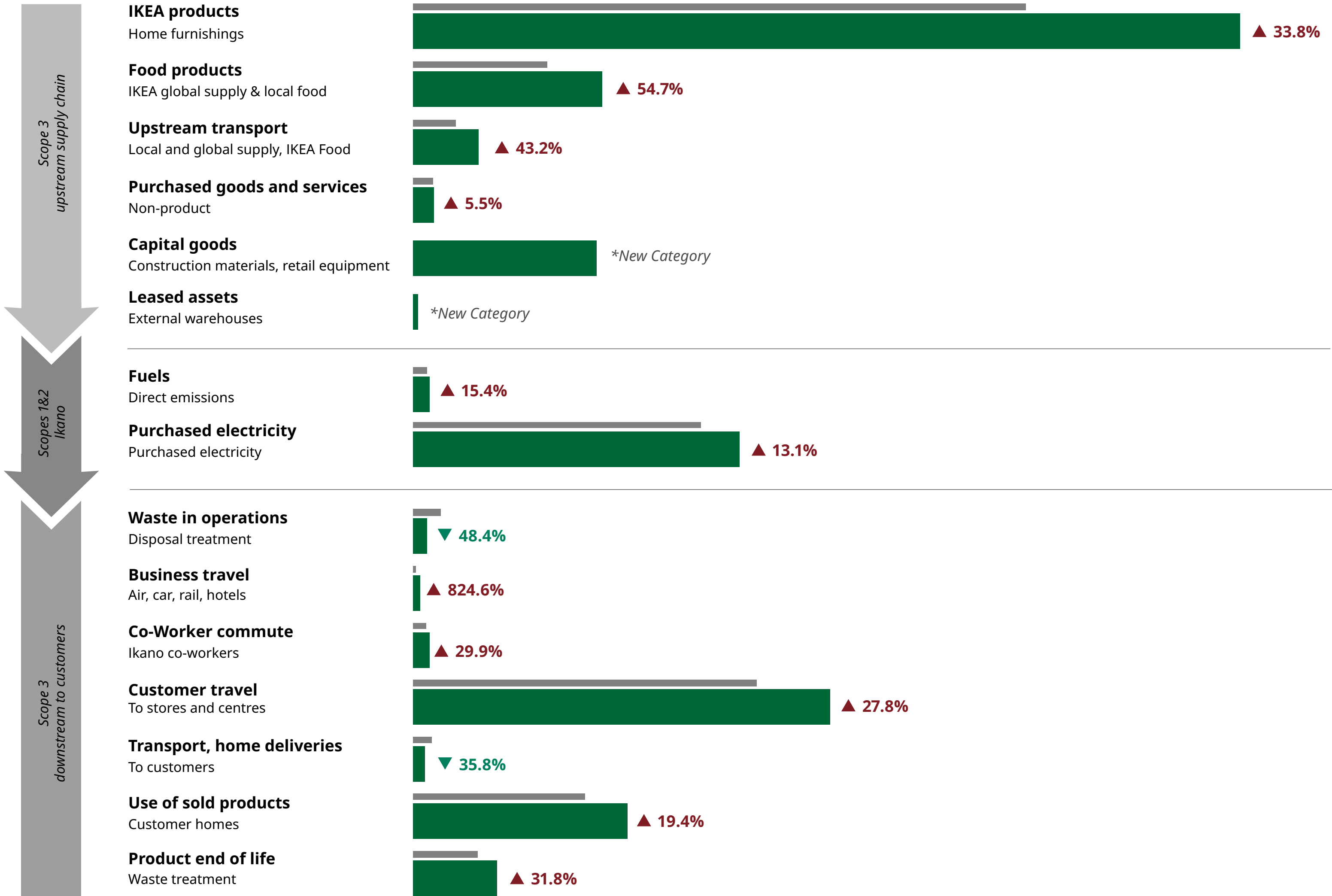
In FY22, our business produced 886,432 tonnes of CO₂eq, a 33% increase in emissions from FY21. In this same year we opened two new stores (in the Philippines and Mexico), emerged from COVID restrictions and welcomed a record 113 million customers to our IKEA stores and Ikano Centres. The increase in emissions is in line with our growth. Our ambition is to de-couple our business growth from the growth of our emissions.

Climate Footprint FY22

886,432 tonnes of CO₂eq ▲ 33% from FY21

Ikano Retail Total Climate Footprint

Emissions FY21
Emissions FY22



IKEA products

298,659 tonnes of CO₂eq

▲ 33.8% from FY21

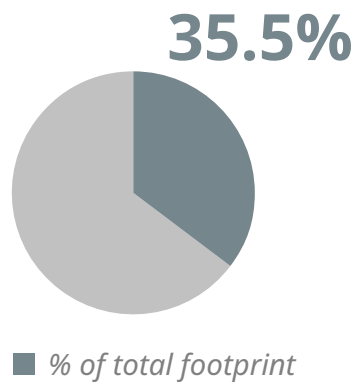
What we measured: upstream cradle-to-gate emissions from tier-1 suppliers of IKEA products, including extraction, processing of raw materials and production of products. This calculation is provided to us by our franchisor, based on sales share to Ikano markets.



➔ **Ambition for 100% recycled and renewable material in IKEA products by 2030.**

The materials used in the IKEA range contribute the most to our climate footprint – in particular, metals, paper, plastics, textile and comfort materials, and wood. Making the transition to new materials presents the biggest challenge to our IKEA Range developers, and to us as a retailer that aims to reduce the carbon footprint of our total value chain. The Range team is continually developing and innovating to use more recycled and renewable materials in our furniture.

Learn more in the [global IKEA Climate Report FY22](#), published by our franchisor, Inter IKEA Group.



With the LINDBYN mirror, IKEA Range developers increased the content of recycled aluminum to 80% as well as reduced the amount of material by making the frame profile thinner and changing to a silver-free back on the mirror.

➔ BLÅVINGAD ocean toy collection

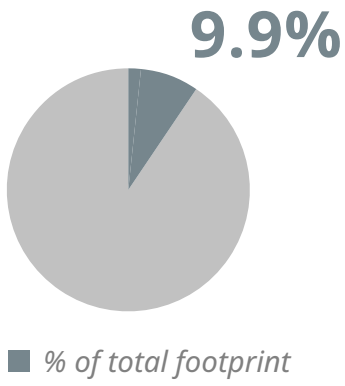
This collection features soft toys, cushions, rugs and storage solutions – all made from oceanbound plastic (recycled polyester). All the hard toys are made without plastic or packaging.



Food products

87,417 tonnes of CO₂eq

▲ 54.7% from FY21



IKEA foods, global sourcing

(1.7%)

15,578 tonnes of CO₂eq

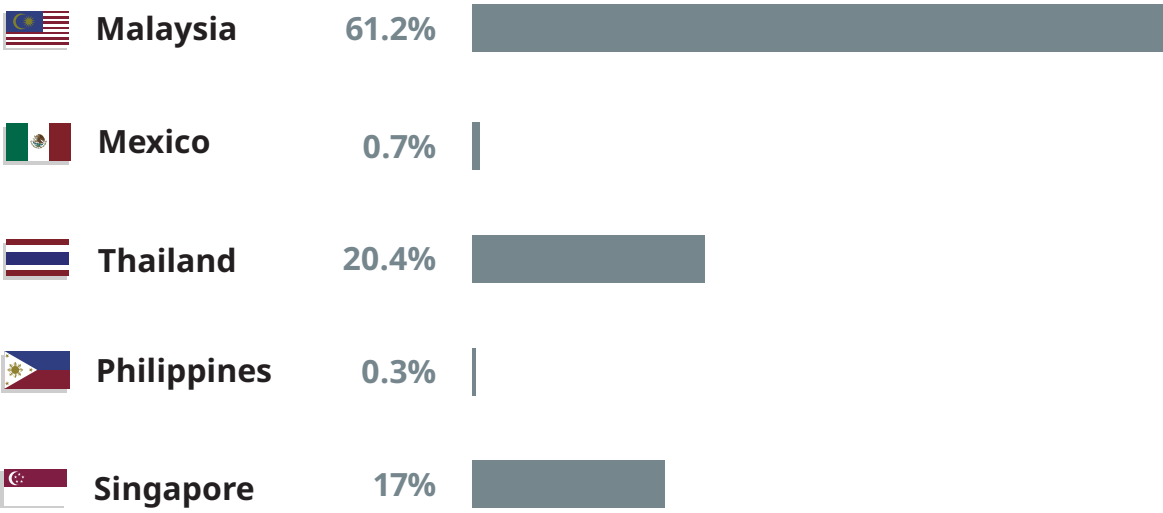
What we measured: upstream cradle-to-gate emissions from the extraction, production and transportation of food ingredients purchased through our global IKEA supply chain (such as Swedish meatballs). The breakdown per country and business unit was not available from the IKEA franchisor.

IKEA foods, local sourcing

(8.1%)

71,839 tonnes of CO₂eq

What we measured: Upstream cradle-to-gate emissions from the extraction, production and transportation 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.



➔ By 2025, 50% of our meals will be plant-based

By making our meals balanced, delicious and affordable, we make it easy for millions of our customers to reduce consumption of red meat and test out plant-based foods.

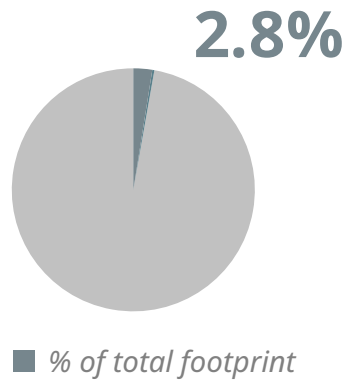
Our IKEA Food teams are on a journey to offer more meals with plant balls, vegetable balls, lean chicken or fish – and making it easy to add helpings of locally sourced vegetables on the side.



Upstream transport

25,057 tonnes of CO₂eq

▲ 43.2% from FY21



Transport, home furnishings

(2.7%)

24,509 tonnes of CO₂eq

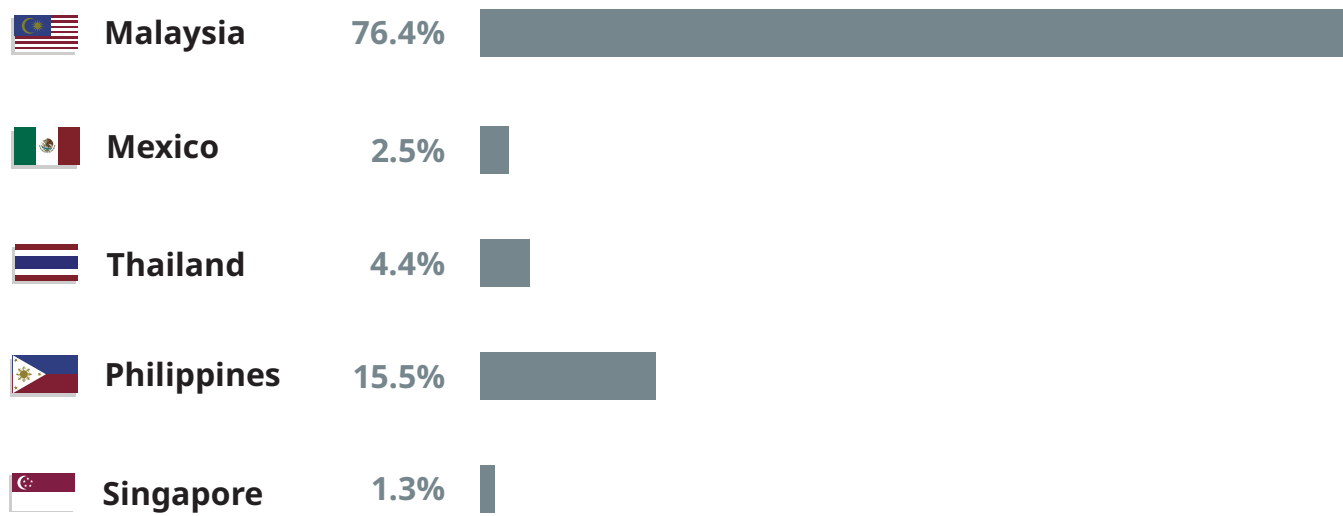
What we measured: emissions related to all modes of transport from home furnishing suppliers around the world to IKEA Distribution Centres that serve our stores - including shipping, trucking, rail and more. Fuel consumption is allocated to Ikano based on sales share. The breakdown per country and business unit was not available from the IKEA franchisor.

Transport, local foods

(0.1%)

548 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.



➔ Exploring ways to electrify heavy duty vehicles

IKEA Supply AG is a large shipper with global reach, making more than 2 million shipments in FY22 – including to Distribution Centres that serve stores within Ikano Retail markets. IKEA Supply AG has committed to reach zero-emissions for product transport by 2040.

Learn more in this presentation from IKEA Supply AG: [Co-creating a decarbonized goods flow.](#)

➔ Converting cooking oils into biofuels

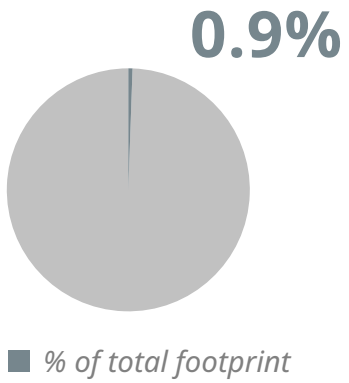
We collected more than 202,000 kilos of used cooking oil from our kitchens in FY22 for recyclers, which convert the waste into biofuels for incinerators, ships or vehicles. (In Singapore, our used oil helped power generators for 2022 Formula 1 car racing events).

We are looking for opportunities to return the biofuels into our business for a fully circular solution.

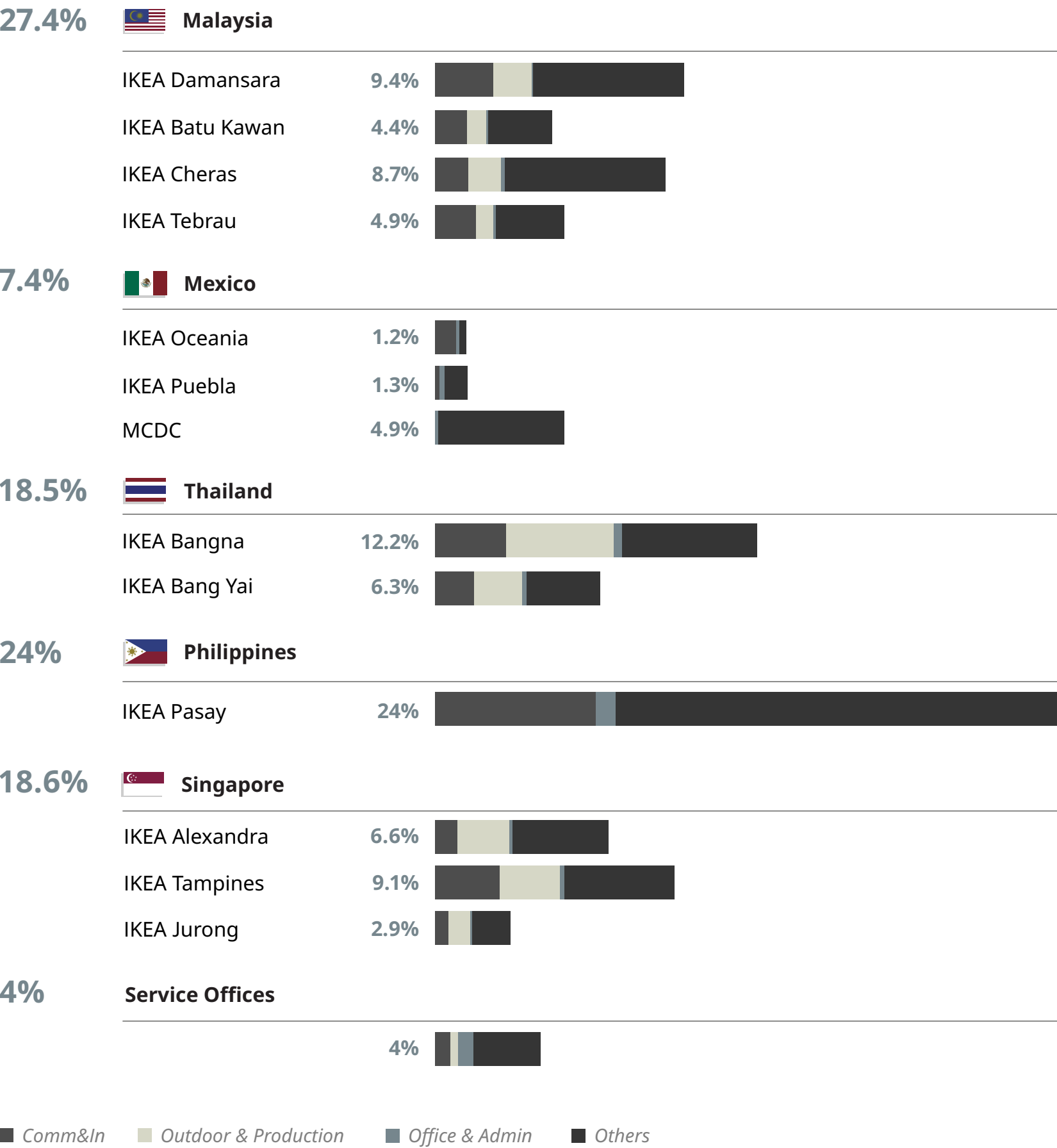
Purchased goods and services

7,896 tonnes of CO₂eq

▲ 5.5% from FY21

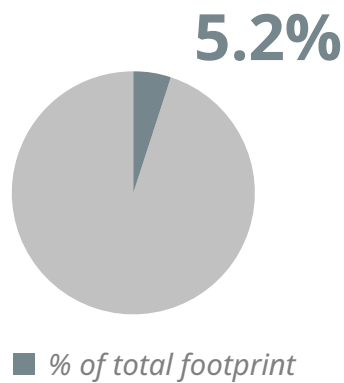


What we measured: emissions based on the financial spend data of goods and services purchased across our businesses - from store equipment and advertising to couriers and uniforms. Below we show the breakdown in three categories: Communication and Interior Design materials, Outdoor advertising materials and Office & Admin supplies. “Other” includes emissions related to all other spending on non-product materials.



Capital goods

45,617 tonnes of CO₂eq



What we measured: emissions calculated using financial spend data for goods that are part of our capital expenditures – fixed assets, property and equipment. (Previously, emissions in this category were included in our ‘purchased goods and services’. This year we have improved our reporting to segregate capital goods and provide a breakdown in to our top-spend categories: construction and fit-out, retail equipment (racking, trolleys, small machinery) and IT hardware.

9.5%	Malaysia
IKEA Damansara	0.5%
IKEA Batu Kawan	1.9%
IKEA Cheras	0.7%
IKEA Tebrau	0.04%
Batu Kawan Link	0.1%
Toppen	6.1%
26.5%	Mexico
IKEA Oceania	0.02%
IKEA Puebla	6.8%
IKEA Guadalajara	19.7%
MCDC	0.002%
0.3%	Thailand
IKEA Bangna	0.06%
IKEA Bang Yai	0.04%
Suhkumvit	0.2%
60.7%	Philippines
IKEA Pasay City	60.7%
1.3%	Singapore
IKEA Alexandra	0.2%
IKEA Tampines	0.3%
IKEA Jurong	0.7%
0.3%	Service Offices
	0.3%

■ Construction - 97.1% ■ Retail Equipment- 2.3% ■ IT Hardware- 0.6%



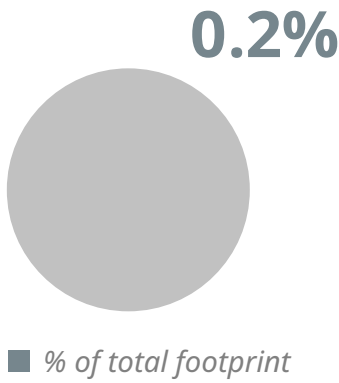
➔ Green Concrete

Steel, concrete and cement are among the highest carbon emitters – largely due to the use of heating kilns and chemical reactions that take place during production processes. That’s why our Expansion team started working with ‘green concrete’ made from waste materials - glass, aluminum and used cement. This material is durable and emits 30% less carbon than regular concrete.

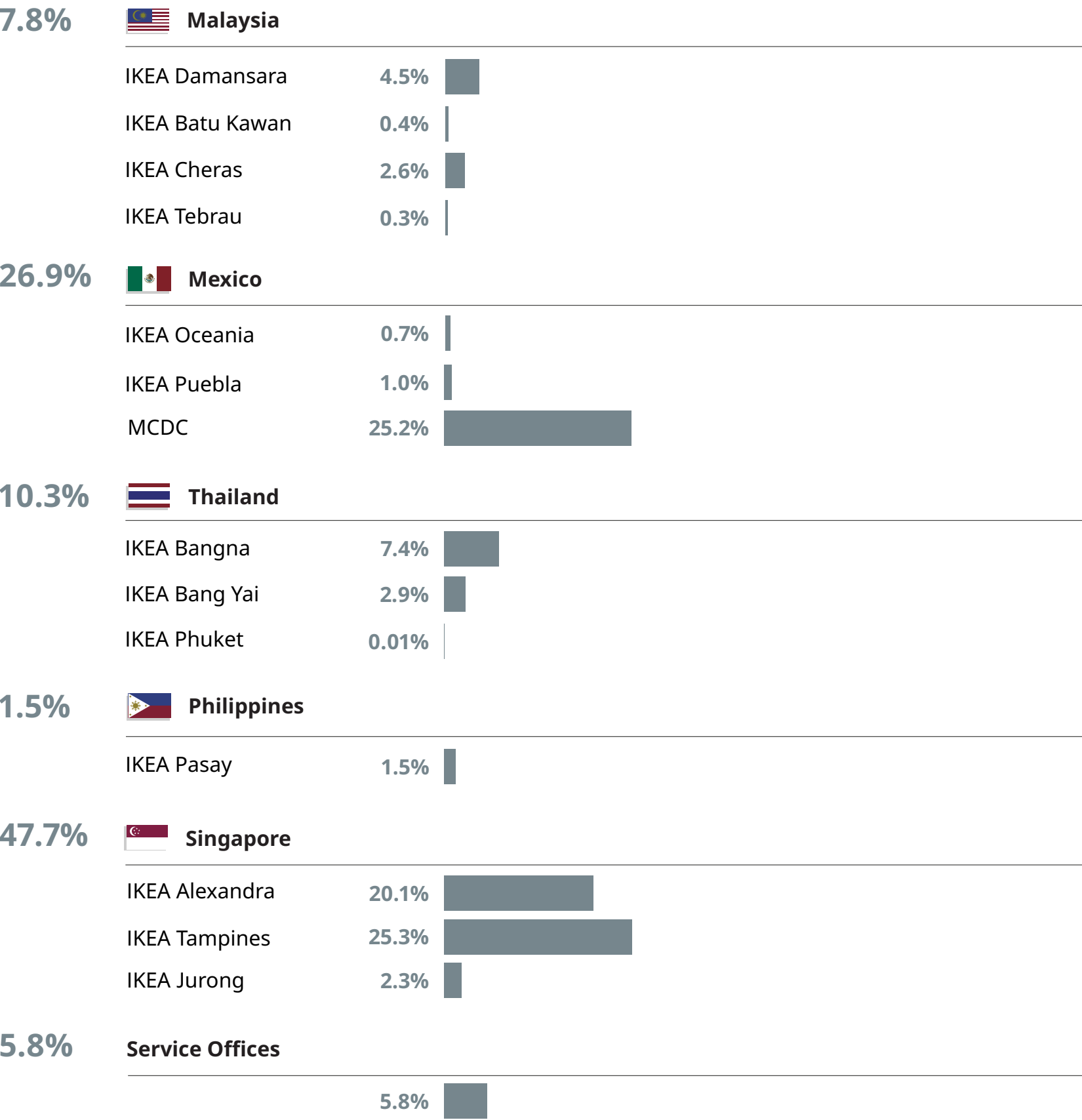


Upstream leased assets

1,580 tonnes of CO₂eq



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



Tackling overstock

We leased warehouse space across all our markets. While some spaces are used as Collection Points for our customers, in FY22 we needed more external space than usual to manage large volumes of overstock created through COVID impacts.

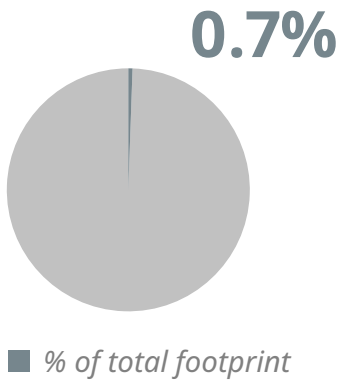
To reduce our costs and also our impact on the planet, we are improving our forecasting accuracy and launching commercial activities to reduce our stocks and limit our need for external warehousing.



Fuels and refrigerants

5,810 tonnes of CO₂eq

▲ 15.4% from FY21



What we measured: direct emissions from fuels used in operations. This includes diesel in back-up generators and vehicles we own or lease directly, as well as ‘fugitive’ emissions unintentionally released from air-conditioning units. (Greenhouse Gas Protocol - Scope 1)

47%	Malaysia	
	IKEA Damansara	4.0%
	IKEA Batu Kawan	8.1%
	IKEA Cheras	0.08%
	IKEA Tebrau	8.5%
	IPC	13.6%
	Toppen	4.3%
	MyTown	8.4%
5.4%	Mexico	
	IKEA Oceania	5.6%
	IKEA Puebla	0.3%
15.9%	Thailand	
	IKEA Bangna	7.6%
	IKEA Bang Yai	7.3%
	IKEA Phuket	0.4%
	Megabangna	0.5%
22.2%	Philippines	
	IKEA Pasay	22.2%
9%	Singapore	
	IKEA Alexandra	8.8%
	IKEA Tampines	0.1%
	IKEA Jurong	0.04%



IKEA Damansara, Malaysia

➔ Solar cooling at IKEA Alexandra, Singapore

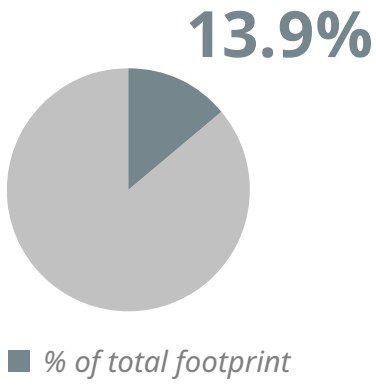
IKEA Singapore was the first business in the country to activate a large-scale solar cooling system, converting heat from the sun into air-conditioning for the store and warehouse.

The system reduces the stores CO₂ by around 430 metric tonnes a year – the equivalent of emissions released by 200 jetliner flights between Singapore and Sydney.

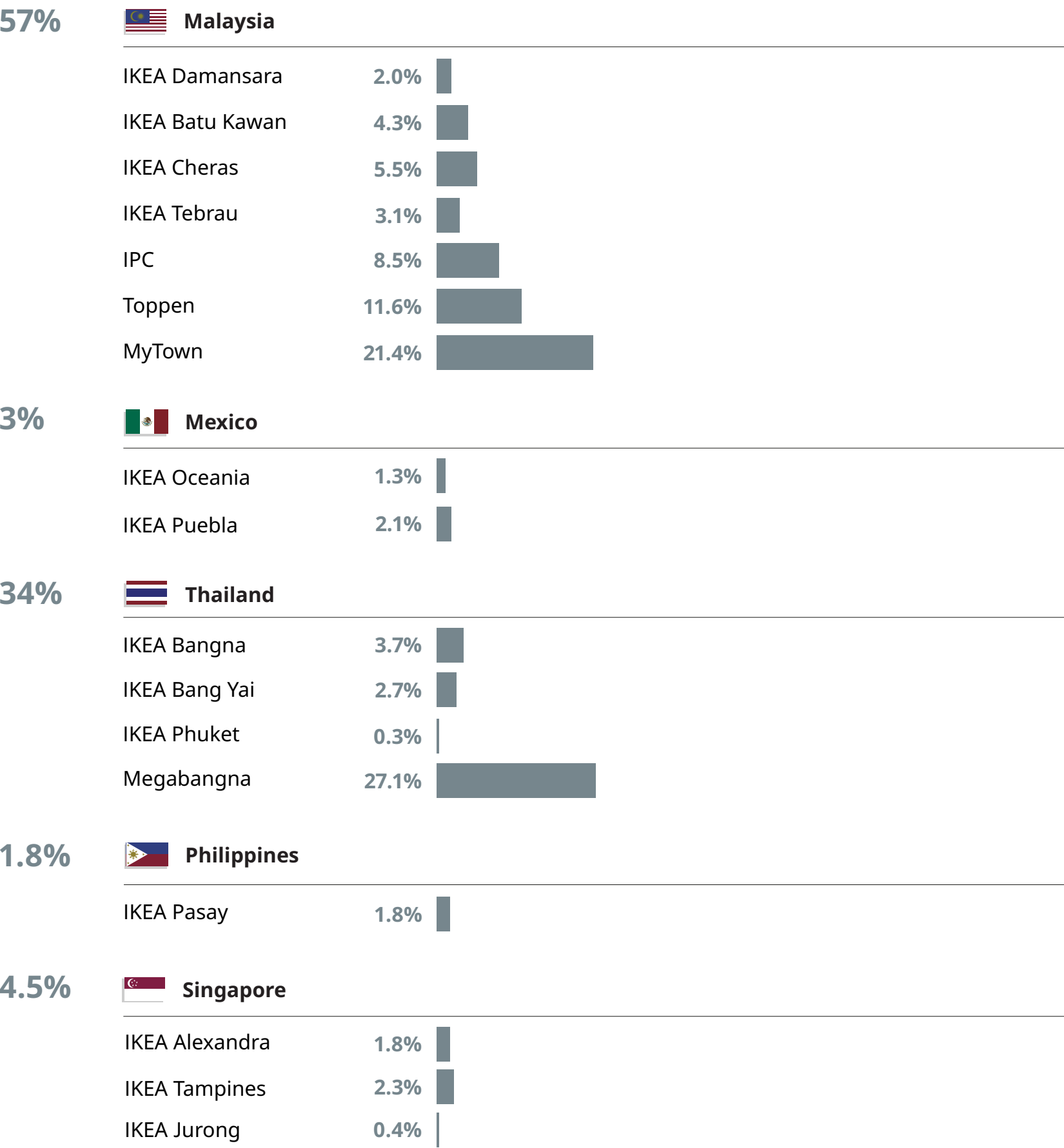
Purchased electricity

123,378 tonnes of CO₂eq

▲ 13.1% from FY21



What we measured: emissions from purchased electricity consumed at all our IKEA stores and Ikano Centres. (Greenhouse Gas Protocol - Scope 2)



➔ **IKEA Bangna installs new and more efficient solar panels**

IKEA Bangna installed 1,834 panels that are four times more efficient than the previous ones and will be generating upwards of 10% of the store's electricity needs. With record-high electricity prices in Thailand, this project will help save more than EUR 130,000 a year. Good for business. Good for the planet.

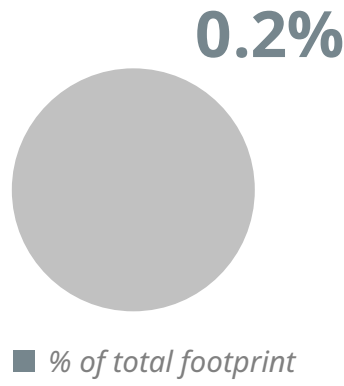
➔ **Aiming for 100% renewable electricity by 2030**

With more than 30,000 solar panels on the rooftops of our stores and centres, our IKEA businesses generated 10% of their total electricity needs from renewables during this measurement period while our centres generated 2.1%. We have ambitious plans to expand our solar projects, procure from off-site suppliers and invest in AI solutions to improve our efficiency, too.

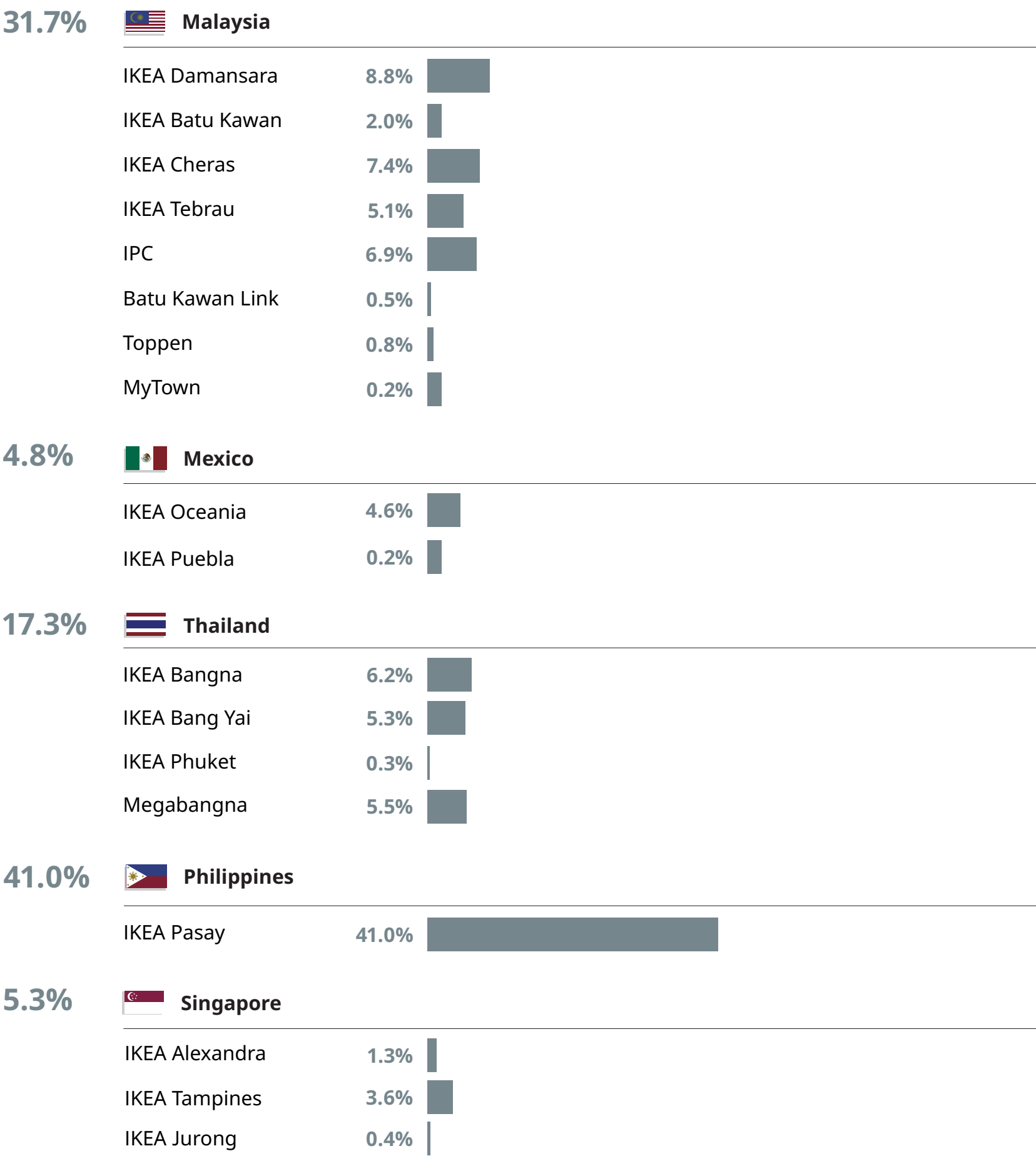
Waste in operations

1,809 tonnes of CO₂eq

▼ 48.4% from FY21



What we measured: emissions based on waste weight by type and their treatment methods.



We recycled 71% of the waste generated at our stores

Waste sorting has been part of our operations from the start, and many of our stores have won recognition for their efforts. We partner with recycling operators to ensure our waste is reused or recycled: cardboard, plastic, glass, metal, wood, bulbs and electronics.

We are exploring new ways to reduce the waste we generate in parcel packing operations. We have eliminated virtually all plastics and are now using collapsible crates, FRAKTA blue bags and reused cardboard from operations to reduce our use of cardboard boxes and paper filler.

Business travel

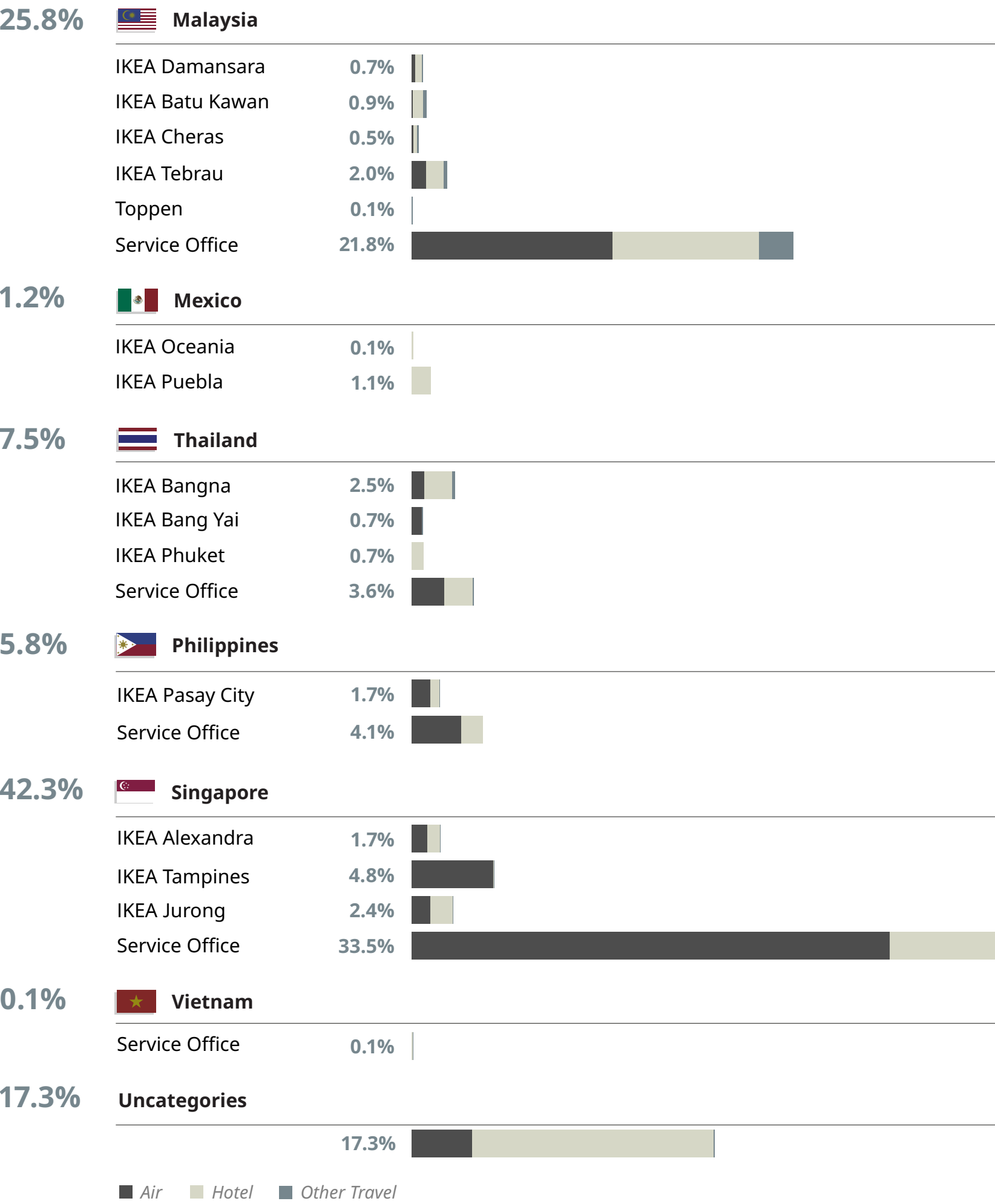
2,683 tonnes of CO₂eq

▲ 824.6% from FY21

0.3%

■ % of total footprint

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



➔ Reconnecting

After almost two years of COVID and travel stops in our countries, the footprint from business travel rebounded as co-workers reconnected to survey new business sites, share competence and meet up with one another and partners.

➔ Digital events

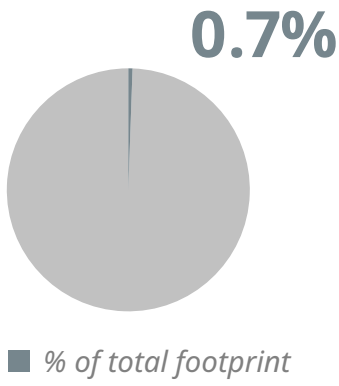
We plan to keep our travel under good control using the new learnings we have gained from two years of online meetings and other digital tools.

We changed how we run our annual business plan kick-off event, broadcasting from one location to more than 700 co-workers gathered together locally in five countries. Air travel and hotels no longer required.

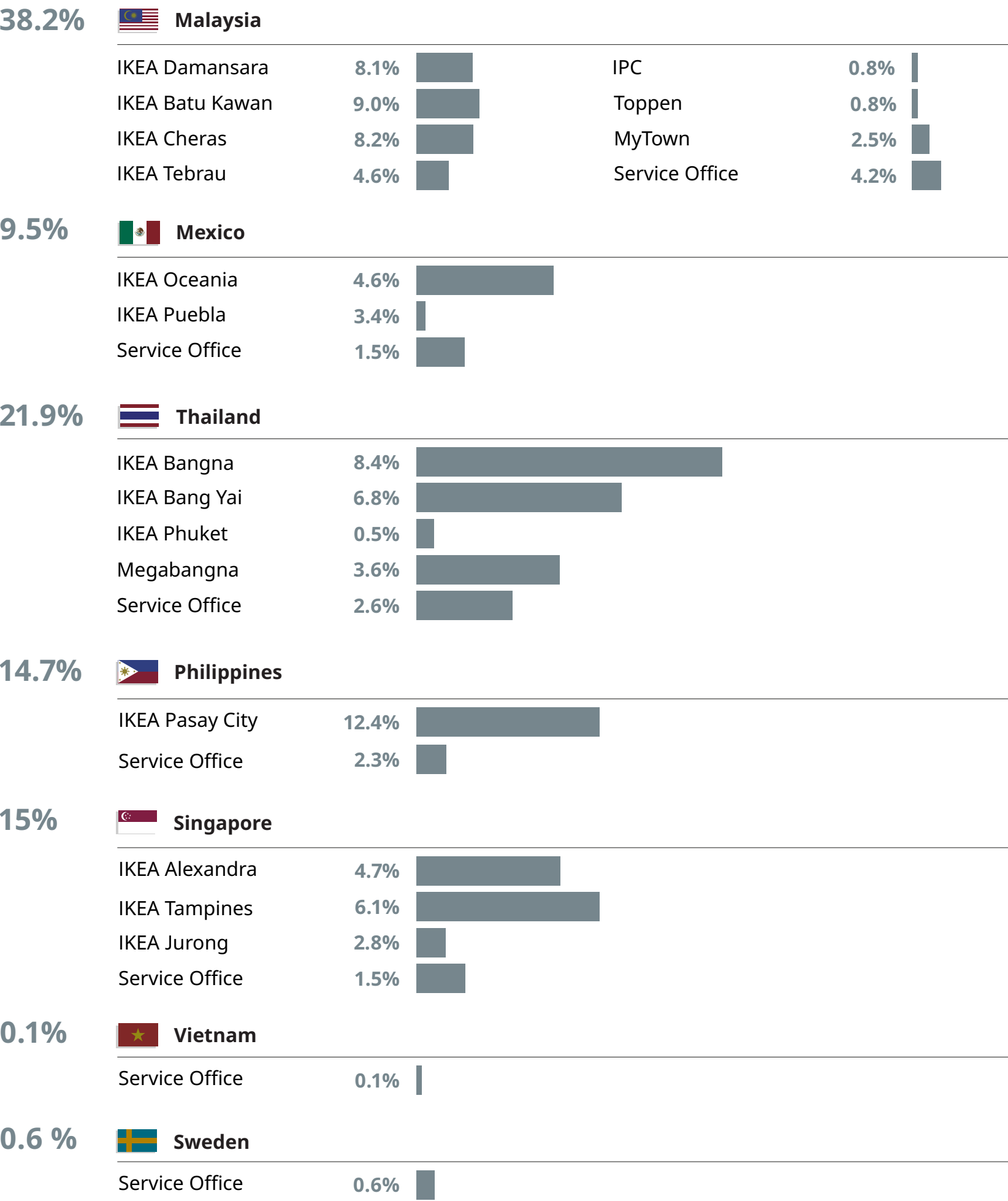
Co-worker commute

5,978 tonnes of CO₂eq

▲ 29.9% from FY21



What we measured: emissions based on number of employees and commuting data from employee survey, including number of commuting days per year, average daily commuting distance and share of mode of transport.



➔ Locating stores and centres near public transport

We make a point of locating our stores and centres near public transport, so many of us already commute by bus or train, or travel with a mix of public and private transport. Some co-workers ride bikes or walk to work despite the heat and traffic in most of our cities (we provide shower facilities and lockers). Moving forward, we will look for new ways to encourage ride sharing.

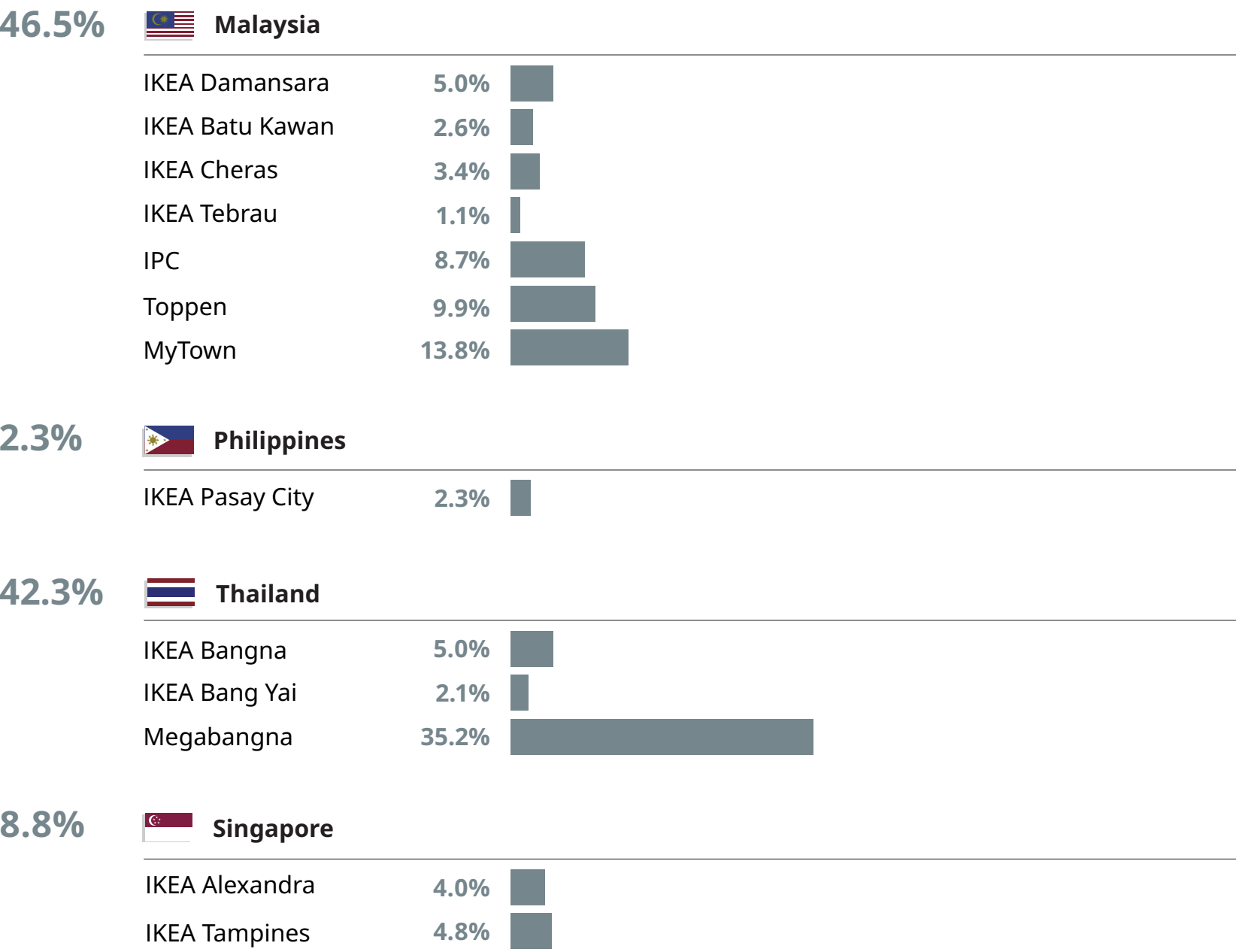
Customer travel

166,504 tonnes of CO₂eq

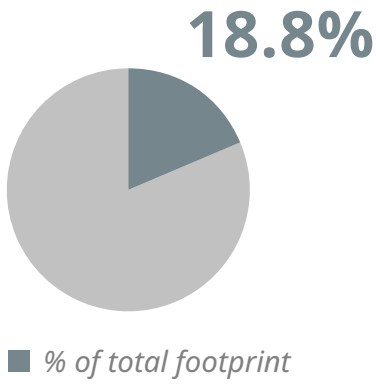
▲ 27.8% from FY21

■ % of total footprint

What we measured: fuel based emissions based on total visitors to 9 customer IKEA meeting points and our four shopping centres, with modes of transport and travel time estimated from customer surveys and desk research (distance-time conversion factor from Numbeo). Carparking data is used for Ikano Centres. The emissions calculations are performed by the IKEA franchisor, Inter IKEA Systems.



Excludes small stores: IKEA Jurong (SG) IKEA Phuket (TH), IKEA Puebla (MX) and IKEA Oceania due to gaps in data. We aim to improve accounting in this area next year.



➔ All our parking lots will have EV charge points

We offer charge points for electric vehicles in two countries today. By 2025, we will offer EV charge points at every store and centre where we operate parking, making it easy for customers to plug in and pay for electricity through a mobile app.

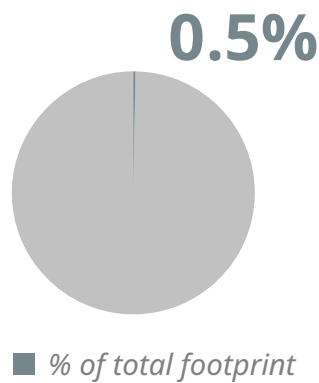
We offer bus services to several centres and stores, as well as parking for bikes. Now we are looking for collaborations with EV-powered car-sharing services.



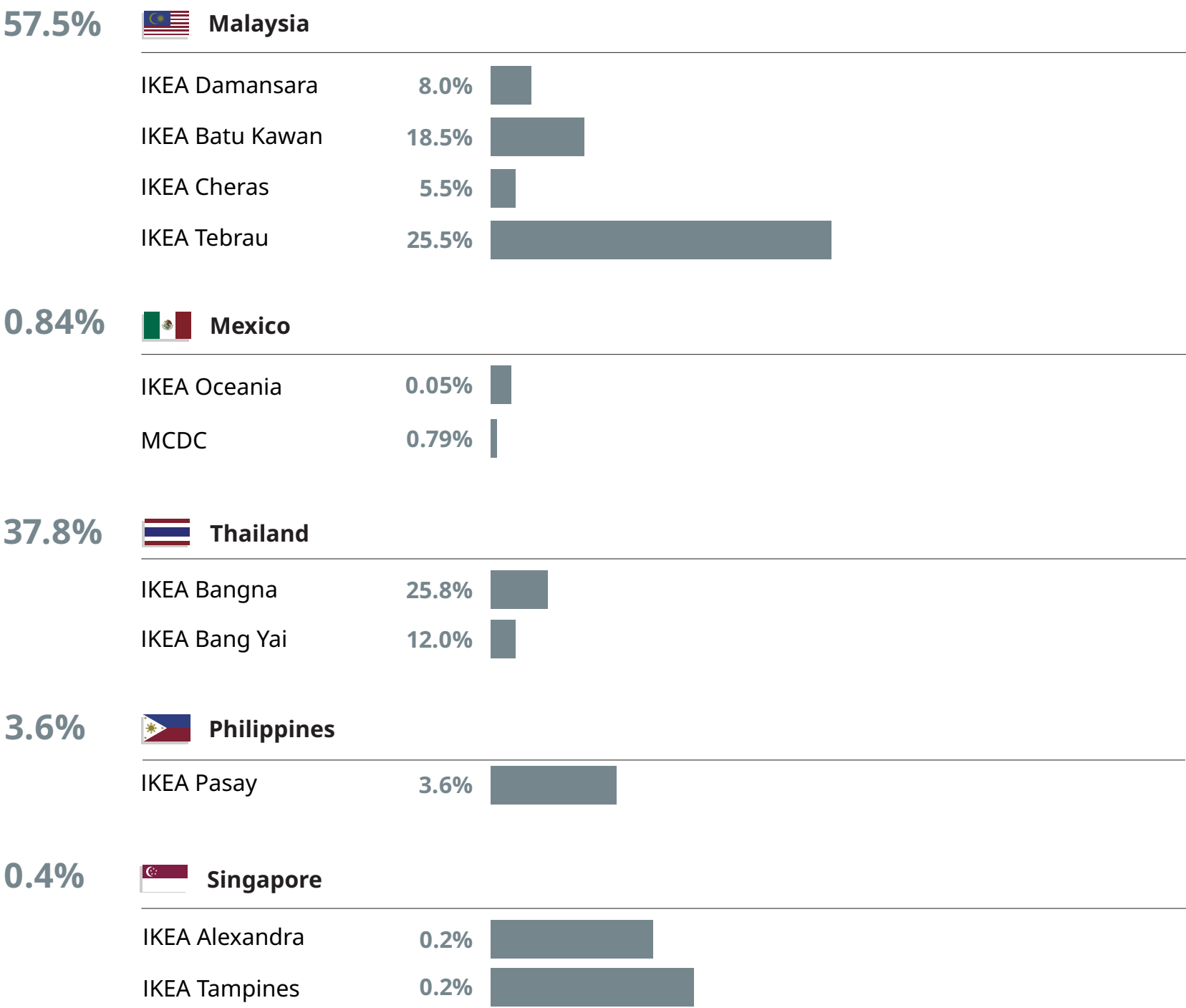
Transport, home deliveries

4,178 tonnes of CO₂eq

▼ 35.8% from FY21



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.



➔ By 2030, we aim to make 100% of all deliveries in Electric Vehicles

We are adopting electric vehicles for last mile deliveries as fast as market conditions will allow. We have supported our transport service partners to make the transition and, across all our IKEA businesses, the total share of EV deliveries in FY22 reached 3.9%. We have almost doubled that by June 2023 and are accelerating fast with Malaysia operating its first EV – and planning to add at least ten more within the new financial year.

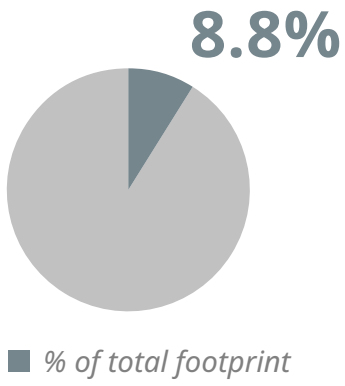
We are working hard to overcome hurdles – including, in some countries, a lack of charging infrastructure.

On the way... Share of EV deliveries FY22	
Mexico	9.6%
Singapore	11.7%
Philippines	1.2%
Malaysia	-
Thailand	-
Total	3.9%

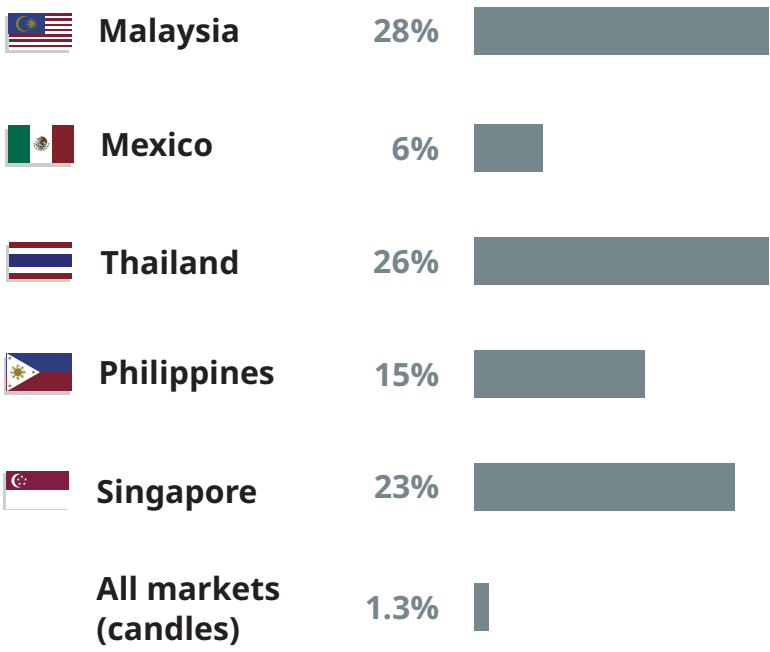
Use of sold products

78,221 tonnes of CO₂eq

▲ 19.3% from FY21



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.



Excludes: emissions from more than 1 million locally sourced appliances sold in our stores, due to a lack of life-cycle emissions data available for an accurate measure.



➔ Even better bulbs

Emissions related to product use at home comes mainly from the electricity consumption needed to power our products, such as lighting and home appliances. IKEA Range developers have innovated to create more efficient lighting with SOLHETTA LED bulbs.

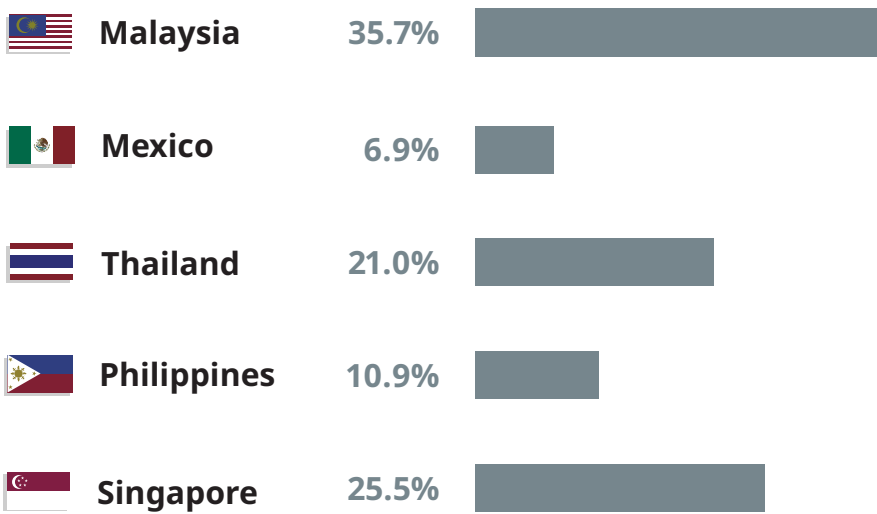
These bulbs last about 25,000 hours and are on average more affordable and 35% more energy efficient than previous IKEA LED bulbs. That means customers can save on the up-front costs of bulbs as well as on their electricity bills - all while reducing their carbon footprint at home.

Product end of life

31,646 tonnes of CO₂eq

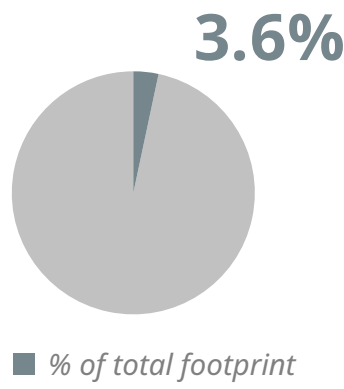
▲ 31.8% from FY21

What we measured: cradle-to-gate upstream emissions from tier-1 suppliers of IKEA products, including extraction, processing of raw materials and production. Calculation based on sales share to Ikano markets.



➡ We inspire customers to repair, reuse, resell

Our IKEA Stores in Thailand encourage customers to bring back used IKEA furniture in good condition. Customers are rewarded with IKEA gift cards. We resell the pieces at bargain prices in our Circular Shop. What we can't sell is donated to a local charity. At IKEA Singapore, we collaborate with a second-hand sales platform, Carousell, to reward customers who buy or sell IKEA home furnishings to one another.



➡ Fix it!

All our IKEA stores make spare parts available to customers for free – inspiring and enabling people to fix furniture and make it last longer.

At our IKEA Damansara store in Malaysia, spare parts are visible and easily available for customers to pickup in vending machines.



Step by step, finding solutions.

Passionate co-workers at every level of our company are testing ideas and taking actions to make our business more circular and reduce our climate impact.



Ikano Retail Climate Week

We have recently raised awareness among thousands of co-workers in our first internal Climate Week. We took tours through our stores and centres to learn about recycling, water harvesting, waste management and solar power generation. In our FY22 co-worker survey, 87% of our people said that they contribute to our sustainability agenda.





17,350 lives illuminated

Around 2.3 million homes in the Philippines do not have access to electricity. That’s why we engaged co-workers all across our business in activities to drive a donation of EUR 150,000 to a social enterprise called Litre of Light.

Our co-workers constructed 2,800 simple solar light solutions and delivered them to people in need.



Earth Hour beyond sixty minutes

On Earth Hour, IKEA Singapore treated customers to a lights-out concert and a plant-based promo with proceeds donated to learning programs provided through WWF Eco Schools. The WWF team has conducted learning sessions to engage student leaders as well as our own co-workers to become changemakers in their own communities.

Christmas tree composts for a greener Bangkok

IKEA Thailand composted returned Christmas trees into 4.6 tonnes of fertiliser. These were handed to organisations like *We!Park* that turns abandoned land around Bangkok into green mini-parks with playgrounds.



Joining forces to “Pioneer the Possible”

IKEA Malaysia has entered a two-year partnership with Business Sweden called *Pioneer the Possible*. In May 2023, we hosted a talk about sustainable transport – hosting government and industry leaders at our store for a conversation about sustainable transport challenges and solutions.

Much more remains to be done

Our greenhouse gas map reminds us that we can not achieve our vision of creating a better everyday life for the many people on our own.

It's clear that making a drastic cut in our total climate footprint will require transformational change in many parts of our value chain, with all of us working together: co-workers, customers, suppliers, governments and our IKEA franchisor. We see this most clearly in the 50% of our climate footprint that relates to products developed and supplied upstream – raw materials, production, transport – as well as the use of our appliances and lights at home and end-of-life treatment in the downstream value chain. With more than 100 million visits to our stores and centres, almost 20% of our total emissions relate to customer travel.

These areas are very challenging for us as a retailer to influence, but we are working on it! We will continue to measure our emissions year on year, improving the quality and quantity of data we collect. We maintain our ambition to achieve the drastic reductions needed to help prevent the worst of global warming and meet science-based targets. With a passionate team, we are now working on a roadmap to get us there.

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