

**IKEA Group**

**Sustainability Report**

**FY14**





**PAGE 11** Read about how we are inspiring and enabling people to live a more sustainable life at home.

**PAGE 79**

Learn about how we work with our suppliers to maintain high standards for workers and the environment.

**PAGE 107**

The complete overview of progress towards the goals in our People & Planet Positive strategy.



See how we are transforming our business by investing in renewable energy, reducing waste and cutting energy use and CO<sub>2</sub> in our supply chain.

**PAGE 92**

Find out how the IKEA Foundation creates lasting change for millions of children in the world's poorest communities.



# Contents

## 0 3 INTRODUCTION

- 04. ABOUT THE IKEA GROUP
- 06. A MESSAGE FROM PETER
- 07. A MESSAGE FROM STEVE
- 08. THE YEAR IN BRIEF
- 09. THE IKEA PEOPLE & PLANET POSITIVE STRATEGY

## 1 1 A MORE SUSTAINABLE LIFE AT HOME

- 13. PRODUCTS AND SOLUTIONS
- 19. ENGAGING CUSTOMERS
- 21. CO-WORKER ENGAGEMENT

## 2 3 RESOURCE AND ENERGY INDEPENDENCE

- 25. RESPONSIBLE SOURCING
- 37. MORE SUSTAINABLE PRODUCTS
- 43. MORE SUSTAINABLE BUILDINGS AND TRANSPORT
- 62. ENERGY AND WATER IN OUR SUPPLY CHAIN

## 7 0 A BETTER LIFE FOR PEOPLE AND COMMUNITIES

- 73. A BETTER EVERYDAY LIFE AT WORK
- 79. BETTER LIVES FOR WORKERS
- 88. SUPPORTING HUMAN RIGHTS
- 92. LASTING CHANGES FOR COMMUNITIES

## 9 6 GOVERNANCE AND ETHICS

- 97. HOW WE WORK
- 98. SUSTAINABILITY GOVERNANCE AND MANAGEMENT
- 102. BUSINESS ETHICS
- 102. PUBLIC POLICY
- 105. ABOUT OUR REPORTING

## 1 0 7 PERFORMANCE AGAINST TARGETS



# Introduction

*At IKEA, sustainability is central to our business. Over seven decades, our company has grown from small beginnings in the woods of southern Sweden to being a major global retailer. But the influence of our Småland origins remains strong – a region where the people have a reputation for working hard, being innovative and making the best use of their limited resources. In this report, you'll read about how we're building on many years of working with social and environmental issues to ensure we have a positive impact on people and the planet.*





## About the IKEA Group

### The IKEA Group has operations in 42 countries

As of 31 August 2014, we had a total of 315 stores in 27 countries; 27 Trading Service Offices in 23 countries; 34 Distribution Centres and 13 Customer Distribution Centres in 17 countries; 44 IKEA Industry production units in 11 countries. In total, we have 1,002 suppliers, including external suppliers.

**€28.7 billion**

### Total sales FY14

Total sales increased by 5.9% in local currencies to €28.7 billion. Translated into Euros, sales increased by 3.0%.

FY04	FY13	FY14
12.8	27.9	28.7

Billions of Euros

**147,000**

### Total co-workers

Europe: 114,000;  
Americas: 19,000;  
Asia & Australia: 14,000;  
Russia (included in Europe total): 12,000.

<sup>1</sup>Includes IKEA Industry which accounts for 12% of the total production with 44 production units in 11 countries. <sup>2</sup>More sustainable sources for cotton are: Better Cotton, cotton grown to other sustainability standards in the US and cotton from farmers working towards the Better Cotton Initiative standards. <sup>3</sup>More sustainable sources for wood are: Forest Stewardship Council® certified or recycled.



**716 million**  
Store visits

In FY14, IKEA Group store visits increased 4.7% over FY13.

**270 million**  
visits to our 14 Shopping Centres in Russia.

**315**  
IKEA Group stores

In FY14, the IKEA Group opened 12 new stores in 10 countries. As of August 31, 2014, the IKEA Group had 315 stores in 27 countries.

FY04	FY13	FY14
179	303	315

Number of IKEA Group stores

**1,002 Suppliers<sup>1</sup>**

In FY14, the IKEA Group had 1,002 home furnishing suppliers in 51 countries.

**1.5 billion**

### Visits to IKEA.com

IKEA.com had more than 1.5 billion visits during FY14, up 15% from FY13.



**76%**

### Cotton from more sustainable sources<sup>2</sup>

More sustainable cotton production uses less water, chemical fertilisers and pesticides, while increasing profit margins for farmers

**41%**

### Wood from more sustainable sources<sup>3</sup>

We're on track to reach 50% by 2017. This is in addition to the requirement that all suppliers meet our IWAY Forestry Standard.



**75%**  
of all lighting  
products sold in  
FY14 were LED or  
LED compatible.



**46 million**  
app visits

The IKEA catalogue app was  
opened 46 million times.



**€104 million**  
Donated by IKEA Foundation

The IKEA Foundation donates to projects  
that work to protect children from child  
labour, provide a better life for refugee  
children, and empower girls and women.  
100 million children will benefit from  
current IKEA Foundation-funded  
programmes by FY15.

**100%** Forest Stewardship  
Council™ certified paper

The IKEA Catalogue is now the largest  
print production ever to be printed on  
100% FSC™ certified paper. 217 million  
copies of the IKEA catalogue were  
printed in 32 languages.

**IKEA Industry**

IKEA Industry manufactures wood-based  
furniture and boards. It's part of the  
IKEA Group and its role is to develop and  
manage production capacities. In total,  
IKEA Industry has 20,100 co-workers in  
44 production units located at 36 sites in  
11 countries.

**€1.46 billion**

**IKEA Food turnover**

IKEA Food is comprised of the  
IKEA Restaurant, IKEA Bistro,  
IKEA Swedish Food Market and  
the IKEA co-worker restaurant.

**224**

**Wind turbines**

We have now committed to own  
and operate 224 wind turbines  
around the world, up from 137  
in FY13. And there are 700,000  
solar panels installed on our  
buildings worldwide.

**9,500 products**

The IKEA range consists of about 9,500 products.  
Every year we renew our range, launching  
about 2,000 new products. We have 15 in-house  
designers and 75 external designers via contracts.





## A message from Peter



*IKEA is about creating a better everyday life for the many people. That's our mission and starting point. Last year we had about 716 million visits to our stores. While that might sound like a lot, with over seven billion people on the planet, most people have not had the opportunity to visit IKEA.*

*If we are to continue to grow and be successful in the long term, it is essential that we work within the limits of the planet. This is why sustainability is an integral part of our business strategy. We have decided that rather than simply reducing the harmful impact of our business, we will go further. We want to make a positive difference for our customers, co-workers, suppliers and the planet. I'm very proud of our People & Planet Positive strategy. The thinking around it is well anchored in everything we do, whether it's developing products, selecting materials or planning our investments. And great things are happening as a consequence.*

*While we have achieved a lot, we still have a long way to go. As we move forward we will share our plans, successes and challenges. And by collaborating with other businesses and organisations, we can learn from one another and have a greater impact.*

*We know that our customers want to live more sustainably at home and this is an area where we can make a significant difference. We also know that people won't accept compromise, which is why 'sustainable' products*

*must be well designed, functional, good quality and be affordable for the many, not a luxury for the few.*

*We are guided by the principle of 'democratic design', which incorporates these four elements along with sustainability. It has to be about better, affordable products that improve people's everyday lives, for example home solar systems that can enable a family in the UK to cut their electricity bill by half.*

*We want to make IKEA completely sustainable which is why we go all-in with 100% targets, for example for LED lighting in our range, key raw materials and renewable energy. When you go all-in, it creates transformational change.*

*Some may find going all-in a little bit scary at first, but the scale of the challenges facing society demands bold action. When I participated in the People's Climate March in New York in September, it was clear that action is what the many people want from businesses and government leaders. It was powerful to see so many different people come together – parents, kids, grandparents, business leaders, actors and politicians. People are asking all leaders to demonstrate real action and move forward.*

*That's why companies have a very important role to play. We are determined to grow our business by becoming people and planet positive, and always acting in a responsible way.*

*Peter Agnefjäll  
President and CEO, IKEA Group*



## A message from Steve



*Many challenges shape society and the world of business today. More and more people are lifted out of poverty yet many people remain extremely poor. Our large global population and growing economy demands more natural resources, like timber, cotton and water. And, of course, we can see very real impacts as climate change goes from a future threat to today's reality.*

*But where there are challenges there are also great opportunities, and at IKEA we can contribute to a more sustainable world. I am co-responsible for sustainability at the IKEA Group with 147,000 co-workers in 42 countries. At IKEA we always do our jobs knowing that we can achieve great things when many people work together - and we only make progress with everyone's contribution.*

*I believe our sustainability strategy - People & Planet Positive - is solid and well-tested; it lays out our plans and goals, and it is well understood by our business leaders throughout the company. Working in collaboration, we have taken sustainability from a topic that some people worked on to the focus of the many.*

*Our supplier code of conduct, called IWAY, is an important example of how sustainability is integrated into the way we work. It is a core part of business relationships with our partners and we only work with home furnishing suppliers that are approved according to IWAY. We are now expanding IWAY beyond our direct product suppliers and further into the supply chain.*

*We have made huge savings in energy, for instance by transforming the way we light our stores, using LED which is the next best thing to daylight - the bulbs are up to 85% more efficient than conventional lighting. As part of People & Planet Positive we decided that by September 2015, LED will be the only kind of lighting we will sell. We have worked hard to reduce the price of LEDs and make great quality, long lasting lights affordable. LEDs last for up to 20 years, and last year we sold many millions of years' worth of light! We know that to make sustainability accessible for many people, it has to be affordable and attractive - it has to be about better products and smarter choices.*

*We want to be energy independent and have so far committed to own and operate 224 wind turbines and have installed 700,000 solar panels on our buildings. These are helping us meet our goal to generate - from renewable sources - as much energy as all the energy we use. We also want to make renewable energy more available for home-owners and, in partnership with the energy company Hanergy, we've started selling affordable solar panels in some markets, so that our customers can have their own energy production.*

*The world is in the middle of a clean revolution and I'm convinced any challenge we face can be solved with the solutions we have today. But to be successful, businesses like ours need to 'go all-in' on sustainability, and fully embrace the innovation and reinvention it entails. Sustainability is no longer about being incrementally less bad, but it is about transformational change and making business fit for the 21st century.*

Steve Howard  
Chief Sustainability Officer, IKEA Group



# The year in brief



## 41% of wood from more sustainable sources

We're one of the world's largest buyers of FSC certified wood in the retail sector. In FY14, 41% of the wood we used was from more sustainable sources (FSC certified or recycled). All suppliers must meet our IWAY Forestry Standard.



## €66 million saved

through energy efficiency efforts in our stores and warehouses since FY10.

## Over 3/4 of cotton from more sustainable sources

We invested EUR1.34 million in projects to help 110,000 farmers improve their incomes and produce cotton using less water and chemicals.



## 58%

increase in sales of products that contribute to a more sustainable life at home, compared with FY13.

## 100% IWAY approved

All home furnishing suppliers IWAY approved, being phased out or pending a scheduled audit.



## Generated renewable energy equivalent to 42% of the total energy used

We've installed 700,000 solar panels on our buildings, and committed to own and operate 224 wind turbines. By 2020, we will generate - from renewable sources - as much energy as we use.

## EUR 104 million donated by the IKEA Foundation

This funded projects supporting millions of children and refugees in some of the world's poorest communities.



## 100% FSC certified catalogue

The IKEA catalogue is now the largest print production ever to be printed on 100% Forest Stewardship Council certified paper (FSC Mix Credit) and to carry the FSC logo.



## Halved the price of one of our most popular LEDARE bulbs (the 40W equivalent)

We're making energy efficient LED lighting more affordable, enabling many more people to live more sustainably and reduce their electricity bills. 3/4 of all the lighting products sold in FY14 were LED or compatible with LED bulbs.



## People & Planet Positive strategy



**We want our business** to have a positive impact on the world. For many years we have been focused on economising with resources and helping to create a better everyday life for the many people; and a better life includes living more sustainably. We have done a lot over the years but with our People & Planet Positive strategy we are taking the next big step and are going to do even more. Our strategy focuses on three areas:

- 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 enable customers to save or generate energy, reduce or sort waste, use less or recycle water: at the lowest possible price. See page 11.
- 2 Strive for resource and energy independence.** Securing long-term access to sustainable raw materials, having a positive impact on the com-

munities 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. See page 23.

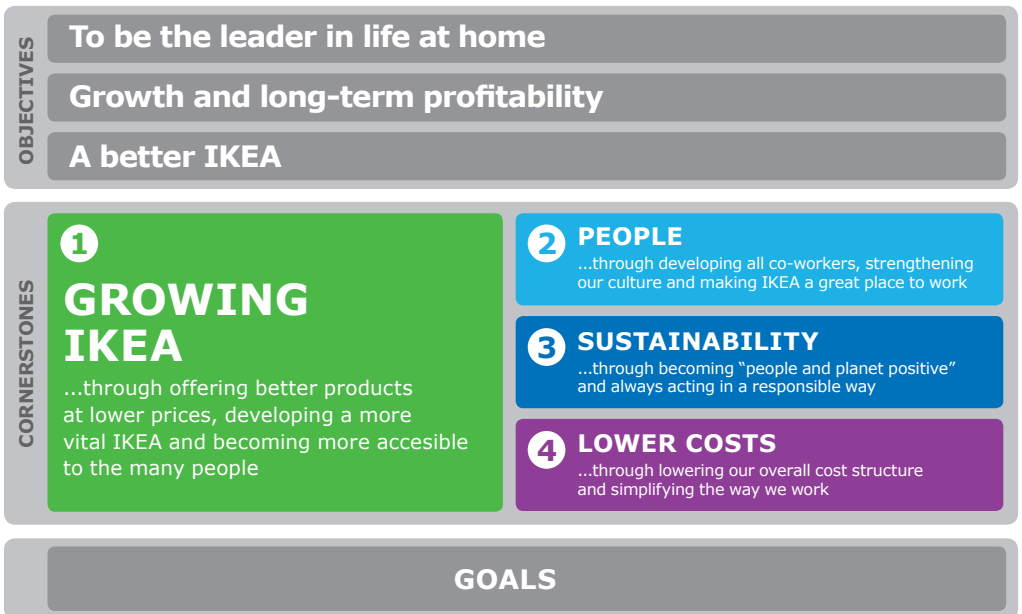
- 3 Take a lead in creating a better life for the people and communities impacted by our business.** Extend our supplier Code of Conduct throughout our value chain; be a good neighbour, support human rights and act in the best interest of children. See page 70.

In FY14, we updated our People & Planet Positive strategy to strengthen our commitments and challenge ourselves even further. For more information about how and why we have made these changes, see page 100.

We measure the success of People & Planet Positive with a number of targets, which are discussed throughout the report. Our key performance indicators are defined on page 10 and give a snapshot of the progress we are making towards our goals.

### The IKEA journey

Our vision is to create a better everyday life for the many people. Our long-term strategic direction, Growing IKEA Together, outlines our aim to create a better IKEA, and to be the leader in life at home with long-term growth and profitability. Sustainability is one of the four cornerstones of our Group strategy, and working together is an essential part of this. We have already achieved a lot, but we have big challenges ahead, and meeting these would not be possible alone.





***We collaborate with customers to develop solutions that work best for them, and their homes are the starting place for all of our product development.***

The average length of our supplier relationships is currently 11 years, and together we discover new ways of working that make IKEA and their companies more sustainable. The success of IKEA depends on the contribution of every co-worker and it's up to all of us to take responsibility. Lastly, we collaborate on a wide range of social and environmental issues with governments, NGOs and other organisations.

PEOPLE & PLANET POSITIVE KEY PERFORMANCE INDICATORS	FY13	FY14	GOAL
<b>Enabling change</b>			
Share of IKEA co-workers that agree with the statement that 'sustainability is a natural part of my everyday work'	70%	79%	95% by FY17
Share of co-workers that view IKEA as a company that takes social and environmental responsibility	82% <sup>1</sup>	83% <sup>2</sup>	95% by FY17
Share of suppliers that view IKEA as a company that takes social and environmental responsibility	89%	NA <sup>3</sup>	95% by FY17
Share of customers that view IKEA as a company that takes social and environmental responsibility	41% <sup>4</sup>	41% <sup>5</sup>	70% by FY15
<b>A more sustainable life at home</b>			
Sales value of products classified as 'more sustainable life at home' products	EUR 641 million	EUR 1,015 million	EUR 2,600 million by FY20
<b>Resource and energy independence</b>			
Share of wood used in IKEA products from more sustainable sources <sup>6</sup>	32%	41%	50% by FY17
Share of cotton used in IKEA products from more sustainable sources <sup>7</sup>	72%	76%	100% by FY15
Renewable energy produced as share of total energy consumption	37%	42%	70% by FY15, 100% by FY20
Home furnishing materials, including packaging, made from renewable, recyclable (in at least one IKEA market on an industrial scale) or recycled materials	98%	98%	100% by FY15
Share of waste from stores and other IKEA operations sorted for recycling <sup>8</sup>	88% <sup>9</sup>	89%	90% by FY15
Share of the total sales value coming from home furnishing products classified as 'more sustainable' (using our product scorecard)	39%	52%	90% by FY20
Reduction in carbon emissions from our own operations (compared with FY10 baseline and relative to sales)	19%	24%	50% by FY15
Reduction in relative carbon emissions from our tier 1 HF suppliers compared to FY12 (%)	0% <sup>10</sup>	11.4%	20% by FY15
<b>A better life for people and communities</b>			
Share of home furnishing suppliers that are IWAY approved <sup>11</sup>	99%	98.6%	100% by FY12 and maintained thereafter
Share of suppliers (within the IWAY scope) that are IWAY approved	68%	92%	100% by FY15
Share of tier 2 home furnishing sub-suppliers identified as providing critical materials and processes and compliant with IWAY Musts	20%	91%	100% by FY17

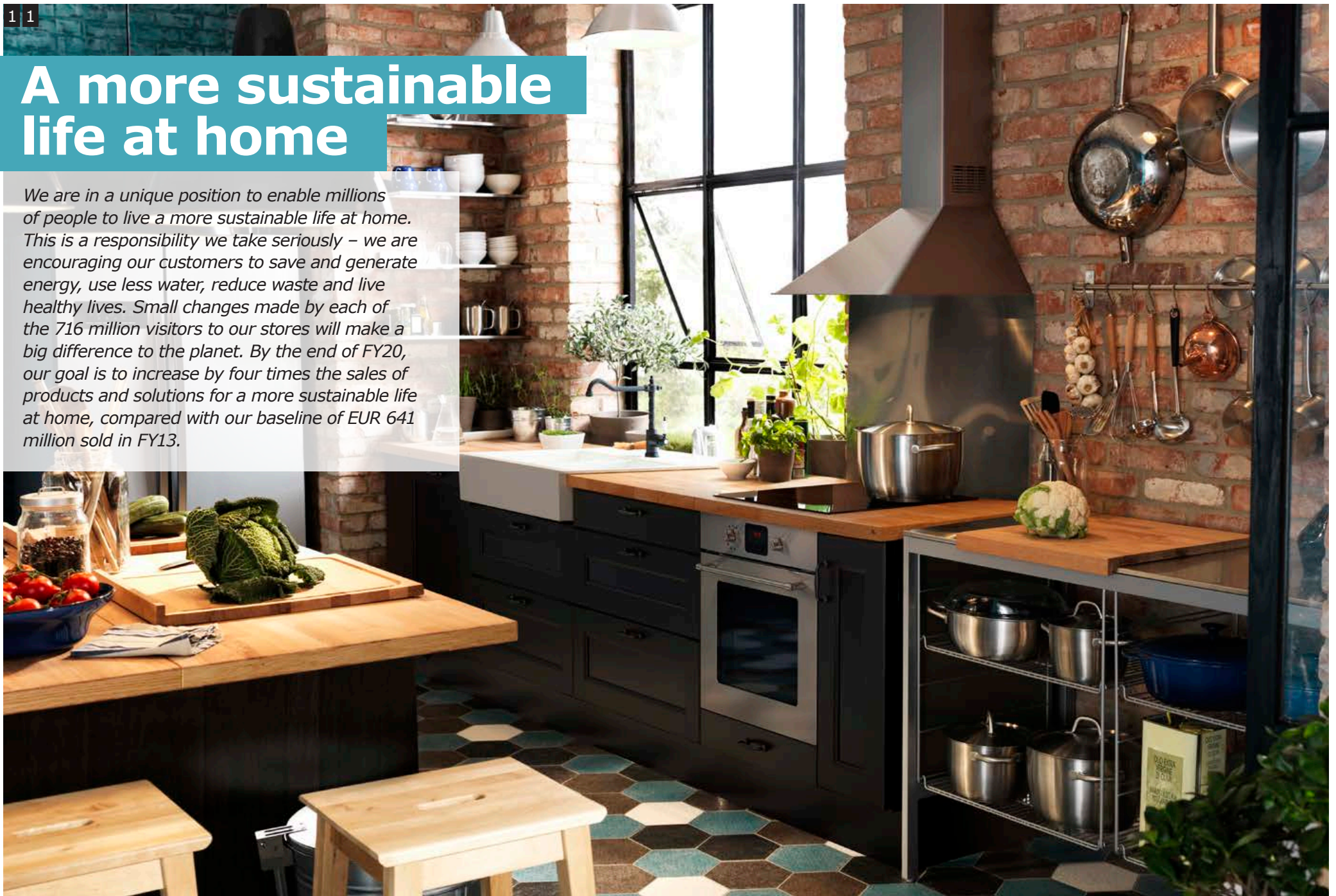
<sup>1</sup> FY13 - Data based on 82,488 participants of our VOICE survey. Not directly comparable with FY12 as different parts of IKEA participate in VOICE each year. <sup>2</sup> FY14 - Data based on 87,644 participants of our VOICE survey. Not directly comparable with FY13 as different parts of IKEA participate in VOICE each year. <sup>3</sup> This data is collected every second year. <sup>4</sup> FY13 - Based on response to Brand Capital survey. Calculated as average between two questions "IKEA takes responsibility for the environment" and "IKEA takes responsibility for the community" <sup>5</sup> FY14 - Based on response to new question in Brand Capital survey. IKEA "is committed to operating in a way that is better for society and the environment" <sup>6</sup> More sustainable sources for wood are: Forest Stewardship Council certified or recycled <sup>7</sup> More sustainable sources for cotton are: Better Cotton, cotton grown to other sustainability standards in the USA and cotton from farmers working towards the Better Cotton Initiative standards. <sup>8</sup> Excludes waste wood used for energy recovery or reused in products. <sup>9</sup> Figures restated from FY13 due to changes in the methodology used in Division Board, and the integration of Division Board and Divisions Flatline and Solid wood (formerly Swedspan and Swedwood). <sup>10</sup> Restated from FY13 (-0.01) due to fine-tuning of calculations <sup>11</sup> Data for home furnishing suppliers includes IKEA Industry factories. Excludes new suppliers that have up to 12 months to be approved. Suppliers where a non-compliance has been identified and are within the 90-day period allowed to correct the non-compliance are categorised as approved. Suppliers pending a scheduled audit are categorised as approved (applies to 0.5% of the total in FY14). In FY14, the remaining 1.4% applies to suppliers being phased out. In China we are working with suppliers to reduce working hours to comply with working hour limits. As an interim step, suppliers can become IWAY approved if working hours do not exceed 60 hours a week including overtime.

**Read the full strategy:**  
**People & Planet Positive**  
**IKEA Group Sustainability**  
**Strategy for 2020**



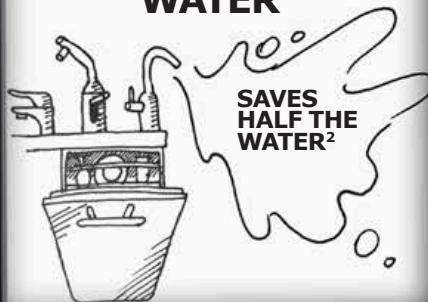
# A more sustainable life at home

*We are in a unique position to enable millions of people to live a more sustainable life at home. This is a responsibility we take seriously – we are encouraging our customers to save and generate energy, use less water, reduce waste and live healthy lives. Small changes made by each of the 716 million visitors to our stores will make a big difference to the planet. By the end of FY20, our goal is to increase by four times the sales of products and solutions for a more sustainable life at home, compared with our baseline of EUR 641 million sold in FY13.*



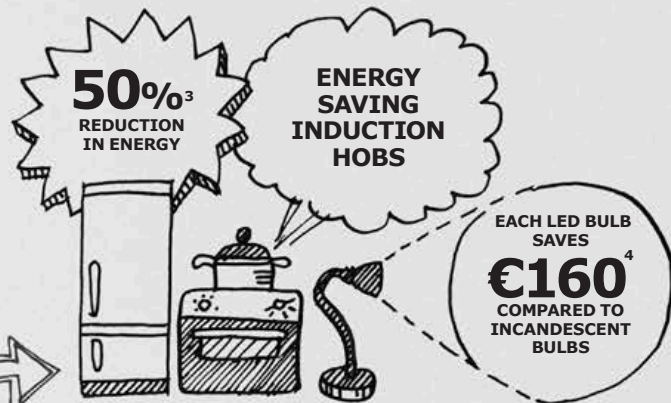


### SAVING WATER



ENASTÄENDE DISHWASHER SAVES 9/10 THE WATER¹

### SAVING ENERGY



# 716 million

people visit our stores every year, finding products and ideas that inspire a more sustainable life at home.



Many small changes add up to make a big difference for the planet and to people's wallets.

### REDUCING WASTE



Space-saving solutions make recycling easy.

Food storage containers help cut food waste, saving money on food bills.

## €500

WORTH OF FOOD IS THROWN AWAY BY EACH HOUSEHOLD EVERY YEAR⁵

¹Our ENASTÄENDE dishwasher uses 10 litres of water compared to 120 litres needed to wash-up using a running tap without an aerator. ²All our taps use an aerator that reduces water flow by up to 50% (compared with the EU standard) while maintaining water pressure. ³Our energy consuming products are on average 50% more efficient than our range was in 2008. ⁴Over the life of a bulb at average EU electricity costs. ⁵Based on UK and Netherlands data (WRAP/Zero Waste Europe).



## Products and solutions



**Our customers** want to live more sustainably at home and our research shows they want IKEA's support.\* We believe that they should not have to spend more money or time doing so. We create products that combine form, quality, function and affordability with sustainability benefits. We call this 'democratic design'. Our solutions for a more sustainable life at home benefit our

customers in the following areas:

- Energy management – including saving, home generation, and using energy more efficiently
- Water management – including saving and reuse
- Waste management – including reducing food waste, recycling and reusing
- Healthy living.

\* From IKEA research: Over 70% of consumers surveyed care about sustainability. They want to live sustainably and would welcome IKEA playing an active role to support them.

### PEOPLE & PLANET POSITIVE TARGETS

### PERFORMANCE in FY14

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 2020, compared to FY13.

In FY14, sales from products for a more sustainable life at home were EUR 1,015 million, compared with EUR 641 million in FY13. In FY13, we allocated EUR 20 million for the development of products for a more sustainable life at home across a five-year period.

Our energy-consuming products will be, on average, at least 50% more efficient than our range was in 2008 by August 2015. By September 2017, offer the most energy-efficient home appliances at the lowest price.

Energy-consuming products are on average 50% more efficient than our range in 2008. This score reflects our progress on energy efficiency. There are some uncertainties in our calculation methodology, and we are reviewing this so that we can implement a new approach from FY15.

By September 2016, all our electric hobs will be energy-efficient induction hobs.

55% of the electric hobs in our range are now induction hobs.

By September 2015, our entire lighting range will switch to LED offered at the lowest price.

In FY14, 75% of all lighting products sold were LED or were compatible with LED bulbs (e.g. lamps which customers can use with an LED bulb).

### PEOPLE & PLANET POSITIVE TARGETS

### NEW targets

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.

Take action in more sustainable food by enabling and encouraging a more balanced diet.

We have added healthy living to the list because we want to play our part in promoting and enabling healthy diets, growing your own food and encouraging movement in your everyday tasks. Read more about how we source the food in our stores and restaurants on page 34.

### Where to go for sustainable living

We are improving our products to offer even more savings on energy, water and waste, and options for healthy living. We have introduced new ways for our customers to live more sustainably, including

*We want to make it easier for our customers to live active and healthy lives. Here are two examples:*



## Promoting healthy living

### EXERCISING ON THE MOVE

The FOLKVÄNLIG rechargeable electric bicycle is on sale at some stores in Sweden and Austria. These battery-assisted bikes are ideal for covering great distances with less effort than a normal bike - and they are emissions-free!

### EAT HEALTHY

We are combining healthy food options in stores with products that enable our customers to grow their own food at home. For example, our ÄPPLARÖ storage benches and wall panels make gardening possible in a small space, allowing our green-fingered customers to plant and grow their own herbs and plants.

ENERGY-EFFICIENT PRODUCTS	FY13	FY14
% of all lighting products which were LED or were compatible with LED bulbs	51	75
% of electric hobs available in range that are induction hobs	43	55

solar panels - purchased and installed in collaboration with Hanergy - and electric bikes, and we are working with our customers to develop ideas for eating, living, sleeping and working more sustainably - see page 19.

We measure sales of products that enable people to live more sustainably at home. This enables us to improve customer information and track progress towards our target to increase sales of these products. In FY14, products classified as 'more sustainable life at home' products had a combined sales value of EUR 1,015 million, compared with EUR 641 million in FY13. This rise is due in part to the increase in the number of products classified as enabling people to live a more sustainable life at home. It is also due to focus in our retail organisation on communicating and marketing these products to customers. Sales of products classified as 'more sustainable life at home' products grew at more than the average across our whole range.

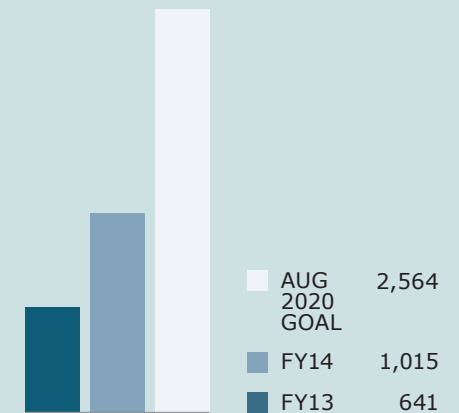
Sustainability is integral to our product design, alongside form, function, quality and low price. These are all important to us, and we do not compromise on any. We call this 'democratic design'.

## Energy

Managing energy use to reduce greenhouse gas emissions plays a really important part in living more sustainably. Every action helps, whether it is changing a light bulb or installing solar panels on the roof.

We are reducing the amount of energy our electrical products use, including

SALES VALUE OF PRODUCTS CLASSIFIED AS "MORE SUSTAINABLE LIFE AT HOME" PRODUCTS (million EUR)





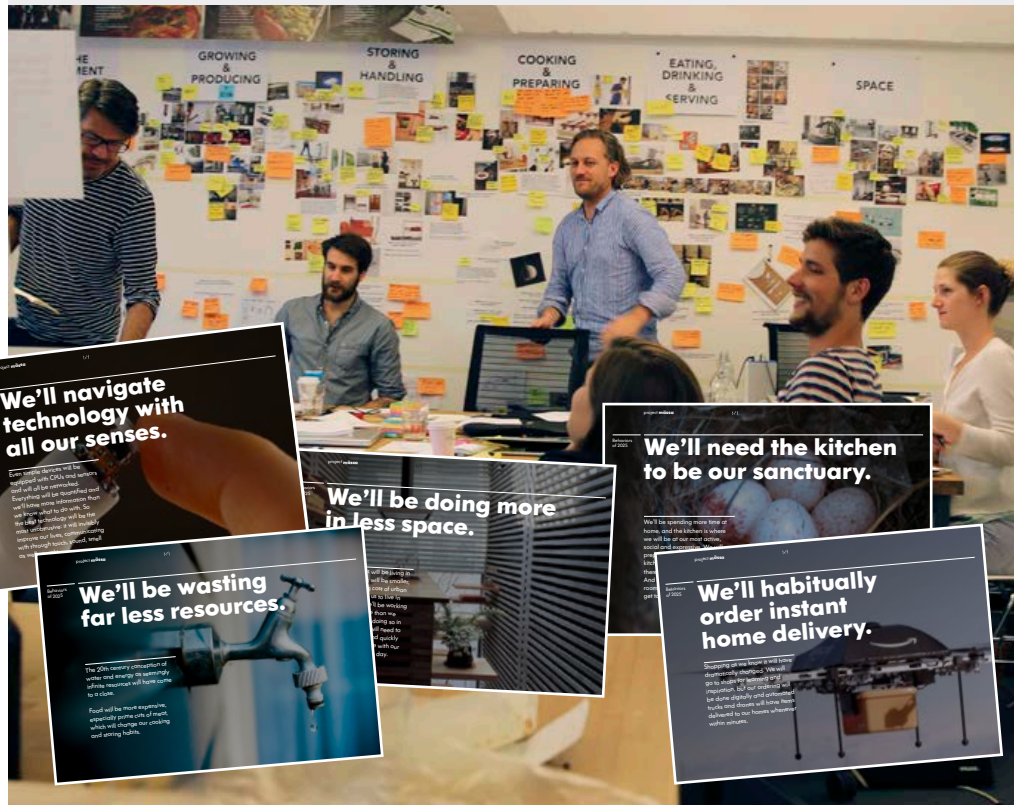
## What will the kitchen of the future look like

Society never stands still, always evolving new ways of living. We want to understand how sustainable living might change so that we can continue to provide relevant products and solutions. That's why we wanted to explore what the kitchen of the future could look like.

We worked with the people who might have the answer – students at Lund University in Sweden and Eindhoven University in the Netherlands.

They produced conceptual ideas based on sustainable behaviour in the kitchen of the future, encouraging life around food through a multi-functional, adaptive space: equally suited to cooking, working and socialising.

We are now developing prototypes. We will show these in Milan during the spring and summer of 2015, coinciding with the Design Week and the World Expo 2015.



lighting, televisions and appliances such as hobs, fridges, ovens and dishwashers. For example, our new VÄLGJORD dishwasher is A++ rated for energy efficiency. It saves both energy and water by washing up to 15 place settings at once using only 7.5 litres of water.

From more efficient pots and pans to insulating window coverings, here are some examples of our products that save energy indirectly:

Our SENSUELL cookware works on all hob types and retains heat really well, using less energy to cook a delicious dinner. In FY14, 55% of the electric hobs in our range were induction models, compared with 43% in FY13. The great thing about induction technology is that energy is transferred directly to pans and pots, so less heat is wasted.

Several of our taps, including our new DANNSKÄR mixer tap, feature a 'cold start' energy-saving design. It automatically releases only cold water when the lever is lifted straight up, without the need to turn the tap to the cold position. This uses 30% less hot water over time compared to taps without a cold start function and saves the energy used to heat it.

The HOPPVALS window blind helps insulate rooms against heat loss, offering a potential 22% energy saving.\*

We are working on a range of features to enable more effective use of energy around the home. For example, we are launching energy management meters in Sweden in FY15 and plan to expand sales to other locations.

\* Compared to a window with no curtain.



**We want our customers to be able to generate their own power at home.**

Our solar panel purchase and installation service in collaboration with Hanergy helps our customers save up to 50% on their energy bills – see page 17.

At the end of FY14, our energy-consuming products are on average 50% more efficient than our range in 2008. This indicates that we are on track, and we have reached our goal a year early, although uncertainties in the calculation methodology mean that this figure is an estimation. Improvements in the energy efficiency of lighting products remain the main reason for this increase - see feature on page 16.





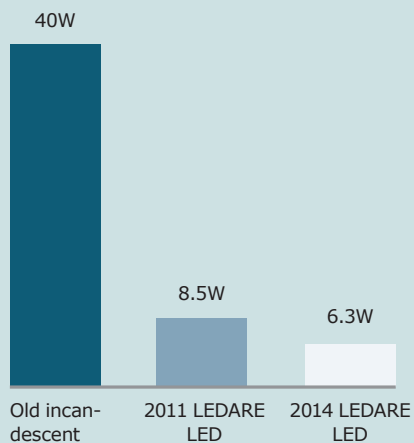
## Encouraging the switch to LED lighting

Using less energy reduces greenhouse gas emissions. It also saves our customers money on their energy bills. We focus on reducing costs so that more people can afford energy-efficient products. For example, our LEDARE LED light bulbs use 85% less energy and last 20 times longer than incandescent bulbs.

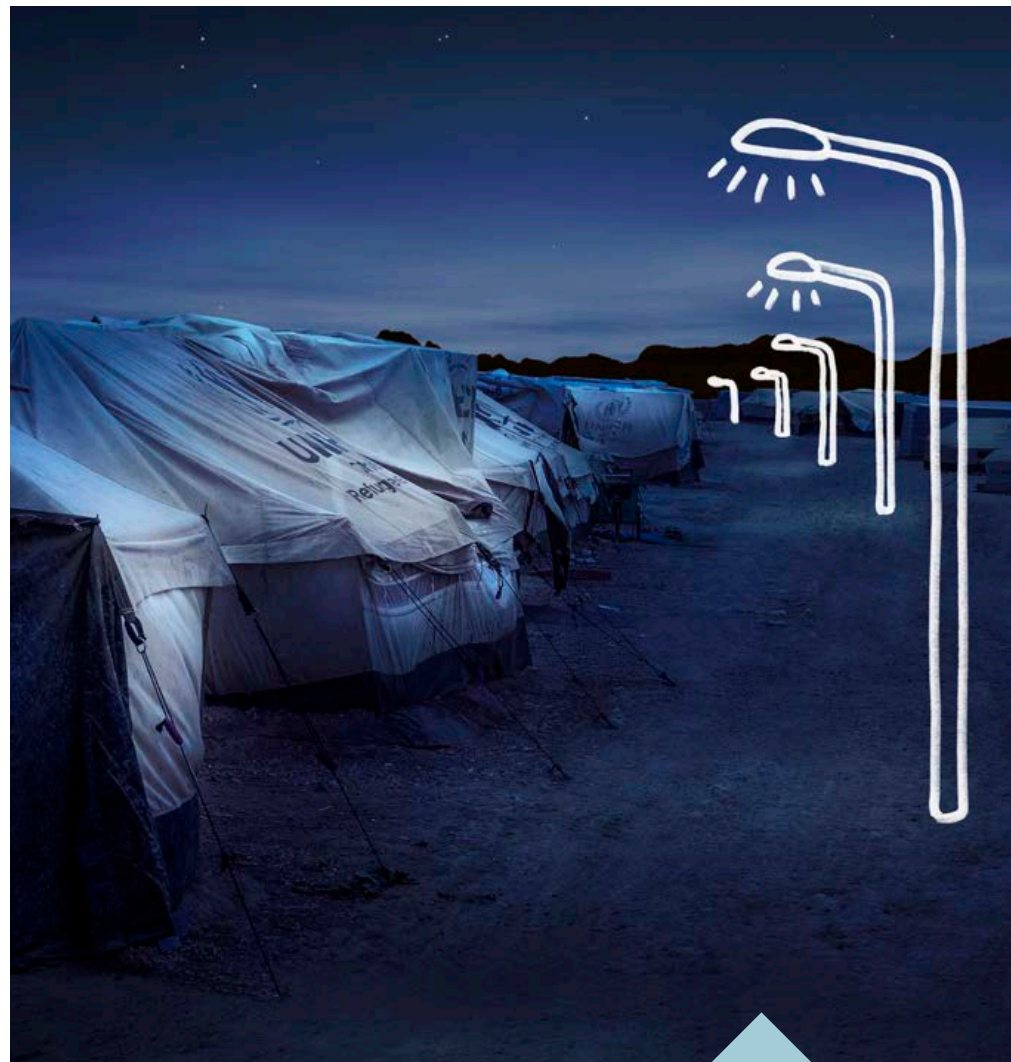
In FY14, we halved the price of one of our most popular LED bulbs (the 40W equivalent), which contributed to many more customers investing in these energy-efficient light sources. We launched nine new LED bulbs and about 25 new LED products in FY14.

In FY08, 25% of the bulbs we sold were low energy and 75% were halogen and incandescent. This trend has now reversed: 68% of the bulbs sold in FY14 were low energy and LED, and 75% of all lighting products sold in FY14 were LED or were compatible with LED bulbs (compared with 51% in FY13).

AMOUNT OF ENERGY NEEDED TO PRODUCE 400LM<sup>1</sup>



<sup>1</sup> For comparison, a low-energy bulb gives about 40 lm for each watt.



Through the Brighter Lives for Refugees project (see page 94), the IKEA Foundation donated EUR 1 to the UN Refugee Agency (UNHCR) for every LEDARE light bulb sold in February and March 2014 – providing sustainable lighting,

renewable energy and primary education in refugee camps across Africa, Asia and the Middle East. In its first year, this campaign raised EUR 7.7 million for UNHCR, while encouraging more people to adopt energy-efficient LEDs.



## Making home solar affordable

"There's really no excuse not to install solar in your home," says Alan Cotton, who has Hanergy solar panels sold through IKEA on his roof near Southampton in the UK.

"Installation was so easy. It took just one day to get it up and running, and we've halved our electricity bills within two months. It's changed our lives."

Solar energy is a great way for families and businesses to reduce energy costs and cut their carbon emissions. During FY14 we completed the roll-out of our solar panel offer to all 18 UK stores at prices affordable to people with smaller homes than the average solar customers. This enables more people to invest in solar, something which was previously out of their reach.

An average UK household can save up to 50% on their electricity bills by

installing solar panels. The payback time for our solar panels can be as little as seven years and we expect this to fall as energy prices rise. After that point the system will produce renewable energy for free and the panels have a lifespan of at least 25 years.

We've teamed up with global solar energy specialist Hanergy to offer in-store advice and easy installation. IKEA FAMILY members get big discounts on the price of a system, and a solar loan enables customers to pay for the system with the money earned from UK feed-in tariffs. There is also a handy monitoring app that enables users to keep an eye on their energy consumption via their mobile phone.

We are rolling out the service at our stores in the Netherlands and Switzerland, and will cover six more countries in FY15 and beyond.

## Water

Water is precious and, in some parts of the world, a scarce resource. Energy is required to clean, heat and transport water. We enable our customers to use less water, without compromising the quality of our products. Our taps and dishwashers are designed to save water. Our customers can also use less water by using a water-efficient dishwasher rather than washing up by hand.

**All IKEA taps use a pressure compensating aerator. This reduces the consumption of water by up to 50% compared with EU standard taps, without affecting the customer's experience.**

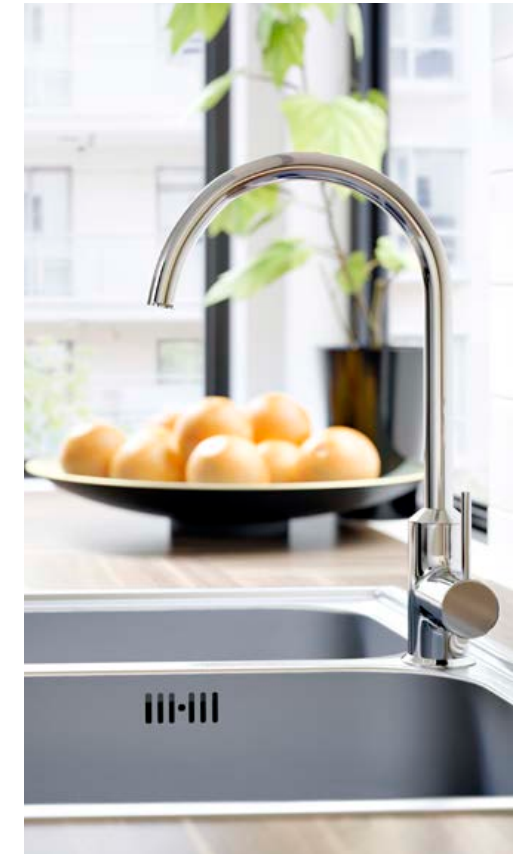
Each IKEA tap used in the average European household saves between 1,800 and 3,000 litres of water per year\*. This reduces costs for customers through lower energy bills for hot water and lower water bills where water use is metered. In FY14, the taps we sold resulted in a combined saving of between 173 and 288 million litres of water, compared with conventional taps without an aerator.

From September 2014, four of our bathroom taps had a cold start function. This saves hot water, which saves energy (see page 15). All new bathroom taps will be equipped with cold start, and from September 2015, so will one model of kitchen taps without an aerator.

\* Compared with EU standard taps without an aerator.

We have already increased water efficiency by up to 50% across our dishwasher range, compared with our range in 2008. We are working on new ways to reduce water consumption. This includes using grey water from showers, baths and basins, and water filtration systems for showers.

Our washing up bowls and drainers offer simple ways to save water and energy. The bowls reduce the amount of hot water needed to wash dishes (saving energy), and cold water used for washing fruit and vegetables.





## Waste

We want to help reduce or stop waste from homes. That is why we provide our customers with products, services and advice that make it easy for them to recycle more and waste less.

Food containers are good for storage but can also reduce waste and save money. For example, our FÖRTROLIG jars can be used to store, reheat and serve food, all in a single container. This reduces food waste and saves on washing up.

Our space-saving kitchen furniture has integrated sorting systems, which make it easier to recycle. Our RATIONELL and VARIERA waste sorting systems can be used with IKEA or non-IKEA kitchens, and even outside the kitchen.

We sell our LADDA rechargeable batteries pre-charged and ready to use. In FY14, we experimented by selling only LADDA batteries in our Swedish stores. The many more customers that bought LADDA instead of single-use batteries during this period will theoretically throw

away 290 million\* fewer batteries as a result, if they use their new batteries for their full life span. We plan to do this internationally, using our Swedish experience to make sure we engage the greatest number of customers.

---

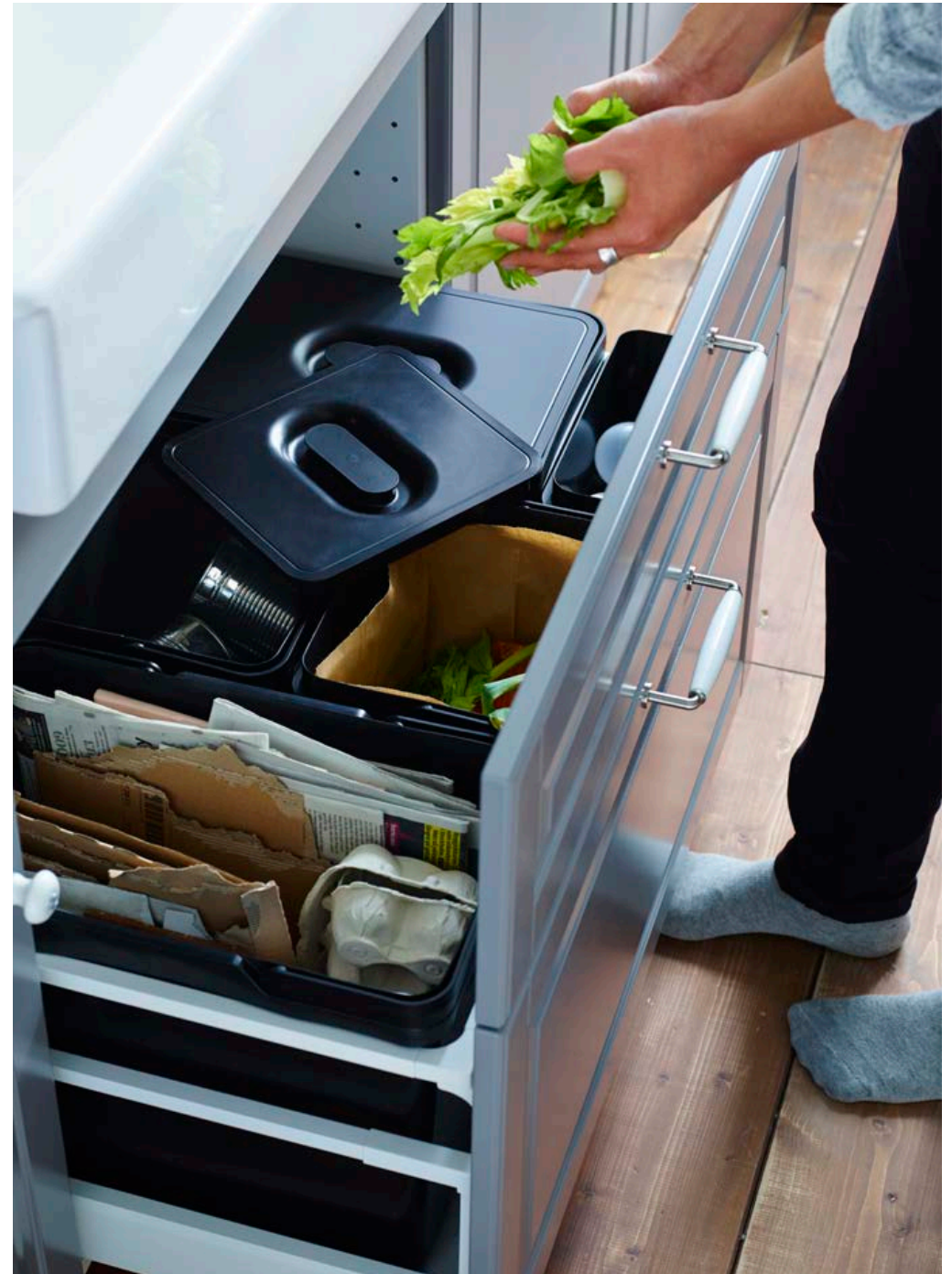
***In an increasing number of markets, we offer customers the opportunity to recycle, sell or donate their furniture at the end of its life.***

---

For example, in Romania there is no infrastructure for people to recycle their furniture. IKEA Bucharest invited customers to bring in old furniture, co-operating with a local NGOs to recycle or redistribute it. In four weeks, 22 tonnes of furniture was collected. See page 60 for more information about our furniture take-back programmes.



\* Calculations are based on all batteries being recharged 500 times.



## Engaging customers



**Our success** at encouraging a more sustainable life at home depends on us getting our customers excited and engaged.

### Increasing customer engagement

In FY13, our consumer tracker survey showed that more than 85% of consumers wanted to reduce energy, waste and wa-

ter use, but less than half of that number was aware that IKEA had the solutions. We have set goals to increase customer awareness of this.

We spend a lot of time learning how our customers live by visiting homes all over the world. This helps us understand how we can enable people to lead more sustainable lives by designing suitable

## PEOPLE & PLANET POSITIVE TARGETS

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.

## PERFORMANCE in FY14

Six out of eight test families have completed their time in the Living Lab trying out the Flexible Space concept – see page 20.



## Walking the talk with a sustainable cook-off

We inform our customers about how our products can save energy, water and money, and reduce waste, but can we prove it?

In April 2014, 29 IKEA stores in France participated in a 'Zero Waste Cook-Off' to demonstrate how IKEA products can be used to create delicious, sustainable food.

Each store formed a team consisting of a local food blogger, an IKEA co-worker and a blog follower. The teams cooked simultaneously across all 29 stores. They each created 50 sustainable canapés every hour, integrating

IKEA Food organic products, producing zero waste and using minimal water. Customers voted for their favourite and Chef Damien, from recipe-sharing website 750g.com, chose the winner.

The cook-off was followed on social media, with several sustainability-focused posts on blogs, and is estimated to have reached almost 13 million unique visitors with messages about more sustainable food. IKEA France was awarded the Sustainability Leadership Prize at the TOP/COM Consumer Awards 2014 for this innovative promotion of sustainable cooking.



solutions and products, and then communicating their many benefits.

We know that our co-workers are our best ambassadors and we make sure that they are inspired by our products so that they can tell our customers about the benefits (see page 21).

### Inspiring our customers to live a more sustainable life at home

We include sustainability information on many of our price tags, on our website, in-store and in our catalogue. IKEA stores around the world tailor sustainability messages to the needs of their customers. For example, IKEA Poland provides online guides to LEDARE lights and Lyocell fabrics – highlighting their practical and environmental benefits.

In February 2014 we launched our first ever sustainability marketing campaign, in the UK and Ireland. The campaign included a television advert and used radio and social media to give tips and ideas to our customers on how to make their homes more waste, energy and water efficient. During the campaign, sales of LED bulbs more than tripled, and the number of visits to IKEA UK's People & Planet Positive web pages grew by over 30 times. We also held an 'Ideas Festival' in our stores with workshops, activities and promotions showcasing a more sustainable life at home. Co-workers took the lead in inspiring customers with ideas for saving energy and water and reducing waste in ways that enhance their quality of life.



### Future homes

The Living Lab is our test apartment. It's where we invite people to come and live and help us evaluate new concepts for an easier and more sustainable life at home. Our focus is on what we call Flexible Living and one of its concepts is Flexible Space, which enables living comfortably in a smaller space. We are experimenting with moveable walls, so that rooms can be converted from one function to another as needs change. For example, a living room could double as a bedroom, saving both money and energy.

We are testing Flexible Living with eight families of different nationalities and background – asking them to host a party or dinner and have a sleepover with guests in our Living Lab. We record their emotional responses and ask them about how they used the different solutions. The reactions have been very positive, and our next step will be to refine the ideas using feedback from the families.

### IKEA Family

Millions of customers worldwide are part of the IKEA FAMILY - our club for loyal customers. Benefits to members include special prices on the IKEA FAMILY product ranges and selected parts of the IKEA range. We also like to engage IKEA FAMILY members in our sustainability efforts.

Products in the IKEA FAMILY range, such as a cookbook for leftover food, can support our customers to live more sustainably. In the UK, IKEA FAMILY members get a discount on our home



solar installation service in collaboration with our partner Hanergy (see page 17). We communicate regularly with IKEA FAMILY members across all countries, telling them about our ambitions to be a sustainable company, and providing inspiration and ideas for a sustainable life.

We have developed two new ideas to inspire IKEA FAMILY members to live a more sustainable life at home:

- The 'Mega Event' is a sustainability-themed day held at a single store, designed to engage, inspire and inform. Each event can include sustainability-themed activities, offers on specific products, and free LED bulbs to IKEA FAMILY members. In FY14, 19 IKEA stores in the UK and Ireland held Mega Events. Many more countries plan to run these events in FY15.
- The Home Furnishing Workshop ranges from a quick 10-minute workshop to a longer in-depth discussion. It inspires and enables IKEA FAMILY members to make changes to the way they live.

## Co-worker engagement



**Our co-workers** are essential to our vision for more a sustainable life at home. They are ambassadors for our products and services, helping customers live more sustainable lives. The more our co-workers know about the environmental and cost savings of our products, the better they can communicate with our customers. It is important to us that every IKEA co-worker

feels proud to work for us and feels able to contribute to making IKEA people and planet positive.

Each year we run an online survey for all co-workers in the IKEA Group – read more on page 77. In FY14, 79% of co-workers agreed with the statement “within my department sustainability is a natural part in everyday work”, compared with

## PEOPLE & PLANET POSITIVE TARGETS

**NEW targets**

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.

70% in FY13 and FY12. At some stores, the change was greater. For example, at IKEA Houston, 80% of co-workers now agree sustainability is a natural everyday part of their work, compared with 66% previously.

We think activities at individual stores combined with the global Co-worker Engagement Project (see below) are increasing our co-workers’ awareness of how we work with sustainability.

Read more about how:

- Our Product Sustainability Scorecard enables our product developers to create more sustainable products, on page 38.
- We are engaging co-workers in making sustainability part of the everyday life at IKEA, on page 44.
- We are improving our stores through the Sustainable Store Project on page 50.

### Co-worker Engagement Project

We launched our global More Sustainable Life at Home Co-worker Engagement Project in FY14. This is designed to build co-worker knowledge about living a more sustainable life at home.

Co-workers in each country and store can choose IKEA products to save water,

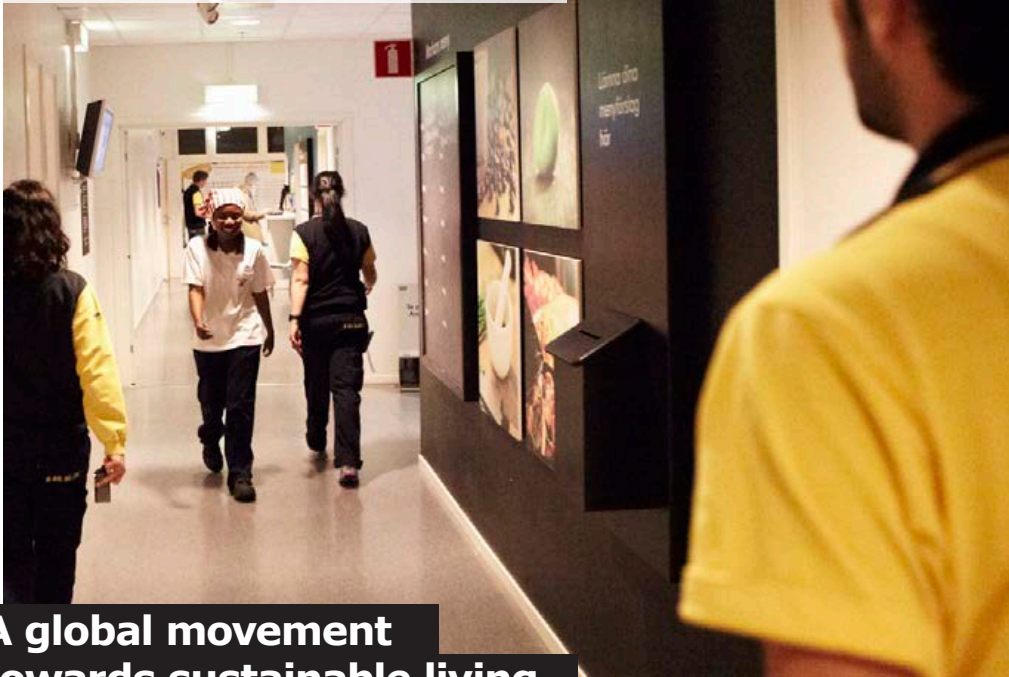
energy or reduce waste in their homes. To support the project, we produced a co-worker engagement handbook, which provides recommendations on everything from budgeting to sharing project results. In FY14, 10 countries joined the project, engaging 1,773 co-workers. These countries will engage more co-workers in FY15, alongside a further 10 countries that are planning to join. We expect thousands of IKEA co-workers to join the movement in the coming years.

Co-workers involved in the project share their experiences on our internal social media platform and Facebook. In March and April 2014, the co-worker engagement project group was the most active of all our social media groups within IKEA globally.

Our aim is for the project to reach all our co-workers – either as ambassadors or by being inspired by their co-workers – by FY16. We want them to understand the relevance of sustainability in their personal and work lives, in turn increasing sales of products and solutions that inspire and enable customers to live a more sustainable life at home. Read more about our experience with the Co-worker Engagement Project around the world on page 22.



*Around the world, our co-workers are becoming better prepared to be ambassadors for all the things we are doing to become more sustainable, especially in enabling our customers to live more sustainable lives at home.*



## A global movement towards sustainable living

Our More Sustainable Life at Home Co-worker Engagement Project has created much of this progress:

- Co-workers in Canada wanted to learn about the sustainability features of our products and how this links to our identity
- Stores in Italy have rolled out sustainability training workshops
- for management teams, and aim to train all co-workers by the end of FY15
- Stores in the Netherlands organised activities around national sustainability day
- Co-workers in Russia have been discussing ways to create 'zero landfill' lunches.

### CREATING INSPIRED AMBASSADORS FOR SUSTAINABLE LIVING

Test and tell. This was the motto of the project that led to 313 UK co-workers being chosen to become ambassadors for a more sustainable life at home. They were given a budget of GBP 450 (EUR 560) towards IKEA products that save water, consume less energy or reduce waste in their homes over a four-month period.

Following the first round of the project, scores from our annual online survey measuring co-workers' opinions about our approach to sustainability rose significantly, we think directly as a result of this initiative. UK sales of energy-, water- and waste-saving products rose by 29% compared with FY13.

Our Contact Centre co-workers worked particularly hard, delivering some great results. Sarah Garwell saved more than 600 litres of water a week by changing her family's behaviour to have more showers instead of baths. Over a year this would work out to a saving of 31,200 litres and a saving of GBP 120 (EUR 150) per year on energy. Chris Messer saved over GBP 216 (EUR 270) per year by upgrading his old oven to an A-rated appliance. Simon Blakemore saved GBP 21 (EUR 26) a month on his energy bills – GBP 252 (EUR 316) per year!



Sarah Garwell



Chris Messer



Simon Blakemore



***"I was easily the worst at sustainability in the entire store. I recycled nothing, wasted food and plugged in everything for hours on end. I horrified the other ambassadors with my disregard for the planet. But now the whole store – me included – is infected with enthusiasm. We're all committed to the cause."***

*Carole Gutherson, Unit Project Leader for Co-worker Engagement Project, IKEA Gateshead, UK.*



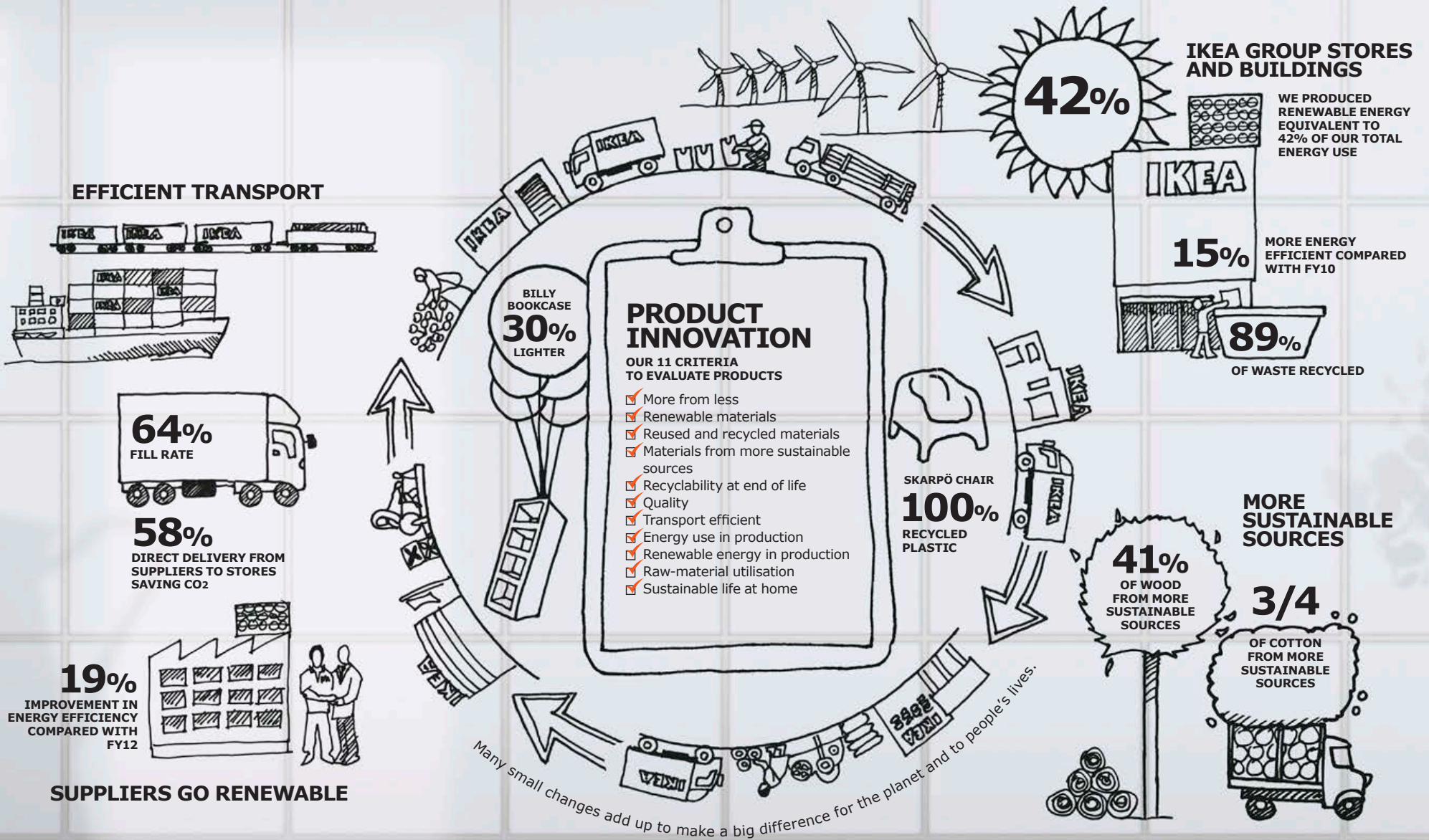
# Resource and energy independence

*We want to be less dependent on conventional supplies of natural resources and energy. This will help us reduce the potential risks to our business from climate change and keep costs low so that we can continue offering our customers inspiring, functional and sustainable products at affordable prices.*

*We have the most control over our own operations and our products. By focusing on where we can make the biggest difference, we are seeing significant improvements in efficiency across our buildings. Our products are continually assessed to ensure that they are better for people and the planet.*







## Responsible sourcing



**We aim to make** a positive difference to industries that produce the key raw materials in our products. By working closely with our suppliers and other partners, we try to ensure the materials we use are produced using methods that are better for people and the environment. This helps us to safeguard valuable natural resources for future generations and sustains our business by providing access to an afford-

able and reliable supply.

We buy a lot of wood and cotton and focus our attention on these materials. Other important materials are leather, palm oil, coffee, cocoa and natural fibres, including rattan, down and feathers. Although we purchase relatively small quantities of these, we take seriously the potential impacts of their production on people, communities and the environment.

### PEOPLE & PLANET POSITIVE TARGETS

### PERFORMANCE in FY14

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 complementary fibres with improved sustainability performance relative to cotton.

We sourced 76% of our cotton from more sustainable sources\* in FY14, up from 72% in FY13. We support the Better Cotton Initiative to train cotton farmers around the world in more sustainable farming methods.

\* More sustainable sources for cotton are: Better Cotton, cotton grown to other sustainability standards in the USA and cotton from farmers working towards the Better Cotton Initiative standards.

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.

From FY14 we require greater chain of custody transparency in high risk areas. We have developed draft guidelines for responsible leather sourcing that are under implementation.

By August 2017, at least 50% of our wood will come from more sustainable sources. These sources are currently defined as FSC certified or recycled wood.

We sourced 41% of all wood from more sustainable sources\*, up from 32% in FY13.

\* More sustainable sources for wood are: Forest Stewardship Council certified or recycled

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.

Palm oil from segregated, certified sources made up 32% of the amount we purchased in FY14.

### PEOPLE & PLANET POSITIVE TARGETS

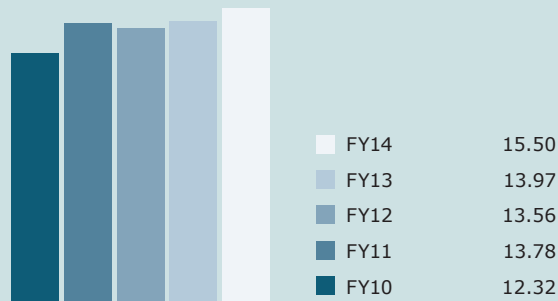
### NEW targets

By August 2020, we aim to source 100% of our wood, paper and cardboard from more sustainable sources.

\* 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.

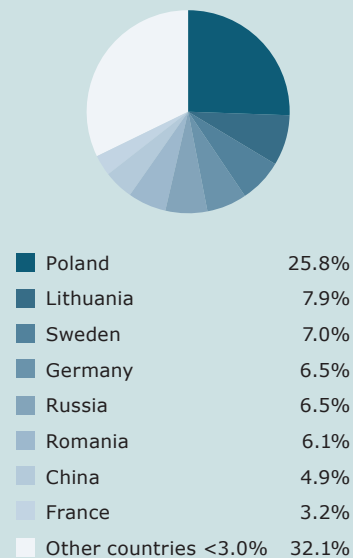


TOTAL WOOD IN IKEA PRODUCTS (million m<sup>3</sup>rwe)\*

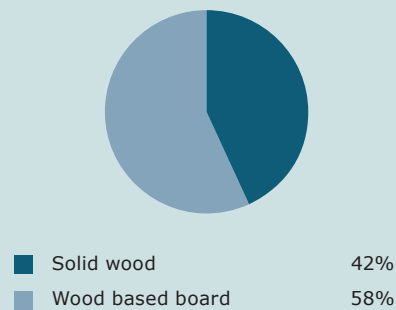


\* Roundwood equivalent (rwe) is the volume of roundwood (logs) required to produce our products. Data covers all solid wood and wood-based board used in IKEA products, but excludes wood used in packaging and printing and paper used in products such as napkins.

COUNTRIES WE SOURCE WOOD FROM FY14 (% wood sourced)



TYPES OF WOOD SOURCED (%)



## Wood

Wood is essential for our business. And it is a sustainable material, as long as it comes from responsibly managed forests. Wood is renewable, recyclable and biodegradable and expanding responsibly managed forests is better for people and the planet.

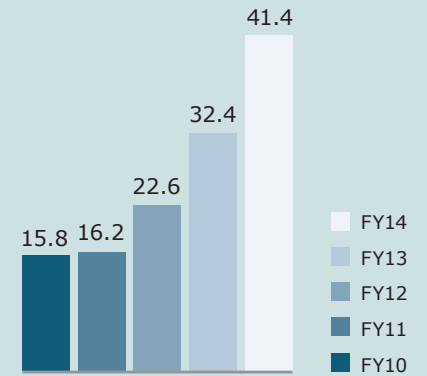
**As one of the largest users of wood in the retail sector, we can use our influence to change things for the better.**

By August 2017, at least 50% of our wood will come from more sustainable sources. This means wood that is recycled or certified to Forest Stewardship Council (FSC) standards. And by August 2020, our target is to buy 100% from more sustainable sources.

Our 'forest positive' approach (see page 29) goes beyond the immediate needs of our business to help change how forests are managed in the long term. We do this by working with partners, such as the global conservation organisation WWF, to improve forestry management practices and to fight illegal logging and deforestation.

Suppliers must comply with our IWAY Forestry Standard so that we can ensure that the bamboo, board material and solid wood in our products has not been grown or harvested in a way that harms the environment. We support suppliers that don't meet our standards, but if they show no improvement we are forced to end the relationship.

WOOD FROM MORE SUSTAINABLE SOURCES\* (% wood sourced)



\* From forests certified to the FSC Forest Management standard and recycled wood. Includes solid wood and wood-based board.

### Performance in FY14

The equivalent of 15.5 million m<sup>3</sup> of roundwood was sourced for the solid wood and wood-based board materials in IKEA products in FY14 (not including paper and packaging), 11% more than in FY13, due to business growth. The proportion from more sustainable sources (FSC certified or recycled) increased to 41.4%, of which 37.2% is FSC certified. We are on track for 50% of our total wood volume to come from more sustainable sources by FY17. Of the wood volumes that underwent an IKEA audit, 99% complied with IKEA minimum forestry requirements.

We will continue to focus on improving

practices in areas where there is a higher risk of illegal or irresponsible forestry practices, such as Eastern Europe, Greater China and South East Asia. In these areas, we have set a separate target to reach 100% wood from more sustainable sources by FY17.

**All co-workers who purchase products containing wood must be trained as part of their professional development.**

During FY14, we trained 250 co-workers on our standards, relevant laws and FSC certification. Upgrades to our IT systems will improve our data and due diligence processes, further supporting our co-workers in all their responsible roles.

We use paper in a wide range of products and office supplies, including packaging, products in our paper shop, our catalogues, and napkins and cups in our restaurants. In FY14 we mapped all the different ways we use paper across the IKEA Group and evaluated the relevant sustainability challenges for each. This work will enable us to align our paper and wood principles. In FY14, we achieved 100% FSC certification in all editions of the IKEA catalogue (see page 68).

**Auditing and compliance**

Auditing in our timber supply chain includes:

- Annual auditing by accredited FSC certification bodies of suppliers who have FSC Chain of Custody (CoC) certification
- IKEA audits of wood suppliers who are handling wood not covered by FSC CoC certification, are carried out by us or occasionally by independent auditors
- IKEA wood supply chain audits for higher risk areas, which can cover the entire supply chain back to the forest.

Using these procedures, most of our timber suppliers are audited annually (almost 100% in FY14). A small number of suppliers that are considered low risk because of their location, or the type of timber they provide, are audited every two years.

The Chain of Custody standard verifies FSC certified material and products and is designed to prevent illegally logged and other types of unwanted wood from entering the supply chain. We encourage all manufacturers, processors and traders of products containing wood to achieve certification according to the FSC Chain of Custody standard by undergoing regular third-party audits – this is one way for suppliers to demonstrate IWAY compliance.

The proportion of suppliers that are Chain of Custody certified increased from 52.5% in FY13 to 66.1% in FY14. These suppliers provided over 90% of the volume of wood we bought, although not all the wood we received from each supplier was FSC certified. The suppliers not certified tend to be those that provide a very small proportion of our wood.

AUDITS OF OUR WOOD SUPPLY CHAIN	FY10	FY11	FY12	FY13	FY14
Share of IKEA suppliers that are FSC Chain of Custody certified	20.3%	34.9%	42.2%	52.5%	66.1%
Share of total wood volume from FSC Chain of Custody certified suppliers	47.0%	62.0%	63.5%	84.5%	94.8%
Number of IKEA audits – under IWAY Forestry Standard and IKEA wood supply chain audits (number performed by 3 <sup>rd</sup> party auditors)	124 (7)	139 (5)	116 (5)	149 (11)	143 (4)
Share of total wood volume from suppliers which underwent an IKEA audit during the year	10.3%	12.3%	17.3%	12.4%	19.7%
Wood volumes that underwent an IKEA audit that comply with IKEA minimum forestry requirements	97.0%	94.0%	95.2%	99.1%	99.0%
<b>Share of total wood volume from suppliers audited during the year (as part of FSC chain of custody audit or IKEA audit)</b>	<b>57.3%</b>	<b>74.3%</b>	<b>80.8%</b>	<b>97.8%</b>	<b>94.8%</b>

In February 2014, the FSC certificate for our forestry operations in Karelia, Northern Europe, was temporarily suspended. However, the temporary suspension was withdrawn a few weeks later after the appeal committee judged that a number of the deviations were incorrectly classified.

Working with smallholders can present significant challenges. The holdings may comprise just one or two hectares of forest and meeting our requirements may be very difficult, costly or impossible for the smallholders. But excluding them from our supply chain is unfair. We are working on

a solution that supports our ambition to create a better life for workers throughout our supply chain. For example, we are partnering with WWF to support smallholders who produce acacia and rattan in Cambodia, Laos and Vietnam to improve their forest management, and to move towards FSC certification in Laos and Vietnam (see page 30).

**Government relations**

Forest management is heavily influenced by government policies and regulations. We collaborate with governments so that we can improve forest management practices



## Making forest certification the norm in Russian Siberia

"By changing the attitudes of our suppliers in China, we have boosted demand for certification in Russia where they source their wood. The entire wood supply chain now understands that good forest management is critical to doing business with IKEA."

Mikhail Tarasov is Greater China Forestry Manager for IKEA and, together with his team of forestry and business co-workers, is making dramatic changes in the places our wood comes from.

"When IKEA first inspected the forestry operations in Russian Siberia, we found that many weren't following the law," says Mikhail. "Some were cutting irresponsibly – outside their allowed areas and using poor techniques. They also lacked the right standards for workers' safety."

Through our partnership with WWF's Global Forest & Trade Network (GFTN), we promote better forest management throughout the supply chain. Instead of imposing rules on

forest managers (normally second or third tier suppliers and therefore removed from IKEA), we have been working with our direct suppliers to promote better forest management. Any wood in the products they sell us must now be certified to Forest Stewardship Council (FSC) standards.

Kristina Svyazhina works for IKEA supplier Liaoyang Ningfeng Woodware in Russia, and has noticed the difference in the forests where they source wood. "Forest managers are realising that there's more to certification than following the rules, like more efficient production and healthier, happier workers."

We are making good progress in China and Russia, and Mikhail feels positive: "Three Russian forest management units supplying our Chinese suppliers have been FSC certified in FY14. It's really exciting – and it's a good sign that we're on track to meet our goal of getting 100% of Chinese solid wood products from more sustainable sources by FY15."

## IWAY - FORESTRY STANDARD

IWAY, the Code of Conduct for all IKEA suppliers, contains specific criteria for wood and board suppliers. The IWAY Forestry Standard states that these materials should:

- Only come from forests that have been legally harvested
- Not come from forestry operations engaged in forest-related social conflicts
- Not be harvested in geographically identified intact natural forests (INF) or high conservation value forests, unless they are certified as responsibly managed
- Not be harvested from natural forests in the tropical and sub-tropical regions being converted to plantations or for non-forest use
- Not come from officially recognised and geo-graphically identified commercial genetically modified (GM) tree plantations.

We ensure that all suppliers have procedures in place to implement these standards throughout their operations and supply chains. They must demonstrate that they can track and report the origin of their wood.

We update IWAY regularly, and in FY13 added new requirements for bamboo suppliers.

### Forest Stewardship Council (FSC) standards

FSC principles and criteria outline best practices for forest management. These are then applied regionally and nationally, taking into account local conditions, stakeholder interests and forest types. The 10 principles outline the FSC's vision and include:

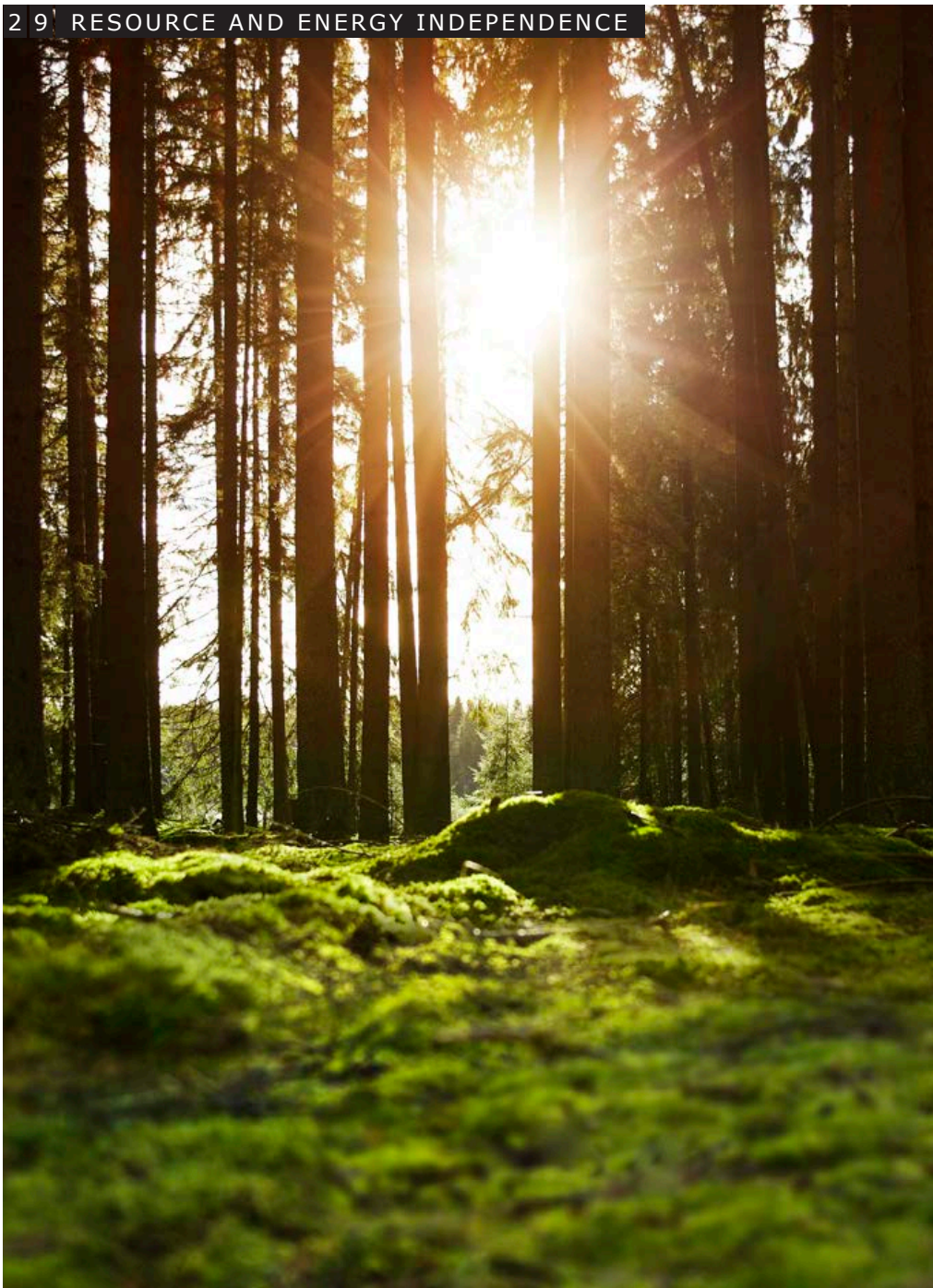
- Protecting the natural environment and its biodiversity
- Ensuring long-term economic and social benefits from the forest
- Upholding the rights of the forest's indigenous communities
- Implementing and monitoring a comprehensive forest management plan.

Find out more about the FSC at [www.ic.fsc.org](http://www.ic.fsc.org).

in each country where we source wood (see page 103).

For example, in the EU, 17 of 28 member countries have now fully implemented the new EU Timber Regulation, introduced in FY13. Interpretation and application of

the regulation varies in each country. We are working with governments where we source wood to explain our due diligence systems, to minimise the risk of illegally harvested timber entering our supply chain.



## TOWARDS FOREST POSITIVE

We have a goal to become forest positive by 2020, which means going beyond our own supply chain. We want responsible forest management to be the norm, not just in the forests we use for our own products. We will contribute to ending deforestation by promoting the adoption of sustainable forestry methods across the whole industry, not just our business. Our forest positive commitment includes these targets:

- By August 2017, at least 50% of our wood will come from more sustainable sources – Forest Stewardship Council (FSC) certified or recycled wood. Based on current projections, this is expected to represent more than 9 million m<sup>3</sup>.
- By August 2017, 100% of our wood sourced from priority areas<sup>1</sup> will be from more sustainable sources.
- By August 2020, we aim to source 100% of our wood, paper and cardboard from more sustainable sources.<sup>2</sup>
- By August 2020, we will contribute to FSC certification of another 10 million hectares of forest in priority areas – which is equivalent to more than double the total area needed to supply IKEA. This is in addition to 35 million hectares of FSC forest already added through our earlier partnership projects.

In FY14 we have been supporting 13 projects in 11 countries that contribute to increasing FSC certification. These projects also focus on:

- Strengthening the protection of high conservation value forests – those that are particularly important because of their biodiversity and other local factors
- Raising awareness of responsible forestry management
- Promoting responsible trade in forest products
- Combating the illegal timber trade.

We support other initiatives to improve forest management through funding NGOs as well as government training and education initiatives. These include a conservation study centre in the Maliau Basin, Borneo, that will share research with scientists and students worldwide.

We have committed to not source wood from areas linked with deforestation (see IWAY forestry standard, page 28). Deforestation is usually linked to land use changes caused by expanding agriculture. We also consider palm oil and leather in our commitment to becoming forest positive (see page 33).

<sup>1</sup> Countries where IKEA, along with our partners, has identified a higher risk of sustainability challenges.

<sup>2</sup> 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.





## Achieving impact through collaboration – a partnership for change with WWF

Collaboration is essential to tackle the biggest social and environmental challenges we all face.

That is why in 2002 we joined forces with WWF, a leading conservation organisation, with a shared ambition to have a positive impact on forests and the cultivation of cotton. More than 12 years later, we are excited to be entering the fifth phase of the partnership.

Working with WWF, we have secured FSC certification for responsible management for 35 million hectares of forest worldwide, and by August 2020, IKEA will have contributed an additional 10 million hectares of forest in priority areas. We have prioritised credible forest certification, combating illegal logging, promoting a responsible timber trade and protecting high conservation value forests (HCVF).

We are also ensuring that people

and communities are supported. In the Greater Mekong region, we are working with small-scale producers of acacia, rattan and bamboo in developing their business management skills, including resource planning and market co-ordination. And in Indonesia, where we buy wood from smallholders and community-owned forests, we are supporting the growth of FSC certification.

Cotton is one of the world's most important natural fibres. But conventional cotton farming techniques can harm the environment and communities. Our work with WWF began with a small group of 500 uncertain cotton farmers in Pakistan. Today, around 110,000 farmers in a number of countries have adopted more sustainable farming practices, such as the Better Cotton Initiative, which IKEA and WWF joined as founding members. Our own cotton

supply chain has been transformed, with 76% of cotton now from more sustainable sources.

Sustainable farming methods can make a big difference in reducing the harmful impacts of cotton farming. In Pakistan and India, our projects to improve farming practices are helping to protect the environment, improving working conditions, and making farmers more profitable.

We are using what we have learned to increase the scope and scale of our work, particularly in vulnerable regions where a lack of water availability would threaten the viability of communities. The first projects will begin in Jalna, a district in Maharashtra, India, and in Punjab, Pakistan. For more on our strategy for becoming water positive, see page 35.

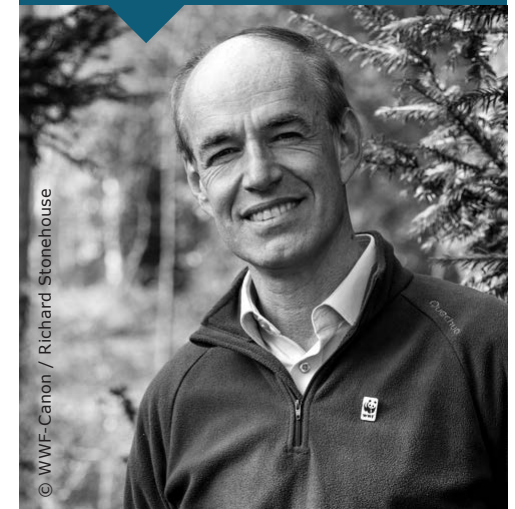
*"The IKEA and WWF partnership is unique – in its ambition, its results and the manner in which both organisations have brought together their values, expertise, presence on the ground and solutions for a better future.*

*After 12 years our partnership is more solid than ever and we always focus on delivering results at scale.*

*Our shared ambition is to help secure a real and long-lasting positive impact on forests and the cultivation of cotton, in a manner that benefits nature and its wildlife, people and their livelihoods, and the planet we all live on.*

*Should we be proud of our results? Certainly. Will we do more together to achieve our shared ambition? Absolutely."*

*Marco Lambertini, Director General,  
WWF International*



© WWF-Canon / Richard Stonehouse

## Cotton

We use cotton in many of our home furnishing products, including sofas, cushions, bed sheets and lampshades. Each year we use around 0.6 to 0.7% of the world's cotton supply.

The cotton industry provides jobs and incomes for many, particularly smallholders. But it has also brought problems such as child labour, health issues for farmers, and damage to natural resources including water supplies through the use of agricultural chemicals and wasteful irrigation. We are working to transform the social and environmental standards of cotton production through our partnership with WWF and others (see page 30).

As a founding member of the Better Cotton Initiative (BCI), a multi-stakeholder organisation that sets social and environmental criteria for more sustainable cotton, we are supporting increased traceability of Better Cotton (produced to BCI standards). We are encouraging better practices and verification through farm audits. IKEA is the largest consumer of Better Cotton in the world, and we want to create positive change beyond our business, throughout the whole cotton industry.

***Our goal is to buy all our cotton from more sustainable sources by the end of FY15.***



## Making more sustainable cotton a success

Since 2005, we have been working with WWF to make cotton farming more sustainable. We helped set up the Better Cotton Initiative (BCI), which aims to reduce the use of pesticide, water and chemical fertilisers while increasing earnings and social benefits for workers. The Better Cotton Initiative has so far issued licences to 240,000 farmers around the world.

In FY14 we used 134,000 tonnes of cotton from more sustainable sources\* in our products. This makes us one of the world's largest consumers of Better

Cotton, and we are totally committed to the initiative – so much so that we set ourselves the ambitious target of procuring 100% of our cotton from more sustainable sources by the end of FY15.

Farmers like Swarupchand Maher, who has a 28 acre cotton plantation in Maharashtra, India, have increased their gross margins by 45% and are using 24% less water. He says: "Before, it was hard to make enough money from selling our cotton. With the new techniques, our yields have improved. We don't have to spend so much time on weeding and

watering and we're using less pesticide."

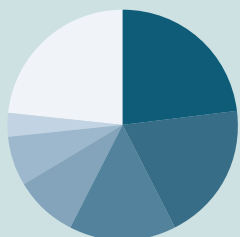
Although IKEA's cotton programme is under 10 years old, it has improved farming livelihoods and the environment. Our vision is that more sustainable cotton becomes a mainstream commodity before 2020.

We want to promote lasting change – not only for our customers, but for everyone in the cotton supply chain.

\* This includes Better Cotton (BC), cotton from farmers working towards the Better Cotton Initiative (BCI) standards, and cotton grown to other regional sustainability standards.

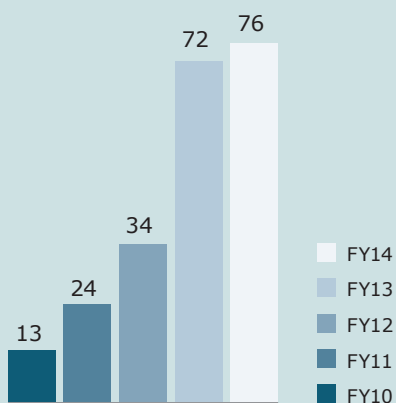


COUNTRIES WE SOURCE COTTON FROM FY14 (% of cotton sourced)



India	23.1%
Pakistan	19.5%
Turkey	15.0%
USA	8.8%
China	7.0%
Brazil	3.5%
Others	23.1%

COTTON FROM MORE SUSTAINABLE SOURCES (% COTTON SOURCED)



Cotton from more sustainable sources is defined as:

- Better Cotton (BC)
- Cotton grown by farmers working towards the Better Cotton Initiative (BCI) standards
- Sustainable cotton from the USA (such as e3 Cotton Program).

To support the growth of the Better Cotton market, we source our cotton from more sustainable sources in nine countries including Brazil, China, India, Pakistan and Turkey. Spreading our supply in this way enables other companies to buy Better Cotton, encouraging uptake and demand, and preventing market distortions.

We also look for ways to reduce the volume of cotton we buy by improving efficiency, blending it with other materials and replacing it with alternative materials such as cellulose fibres (see page 38 for more on how we use alternative materials).

**Performance in FY14**

We sourced 178,000 tonnes of cotton, almost 62% more than in FY13. The increase is due to business growth and improved data collection. The share of cotton from more sustainable sources increased to 76%, compared with 72% in FY13. We sourced 70% more cotton from more sustainable sources (134,000 tonnes in FY14 compared with 79,000 tonnes in FY13), but due to the increase in overall cotton volumes, the share of cotton from

more sustainable sources did not increase proportionally.

We have also developed detailed product specifications for how we work with cotton from more sustainable sources in new and existing products. These include a directive stating that recycled cotton does not need to have originally been from more sustainable sources, and a guide to the reporting process we require from cotton suppliers. The specifications should clarify and align our practices across the whole business.

**We invested EUR1.34 million in sustainable cotton farming projects, and reached around 110,000 farmers.**

Working with WWF in developing countries, we are focusing on smallholder farmers. We are supporting them to apply more sustainable farming techniques, such as using less water, chemical pesticides and chemical fertilisers (see page 31).

In the fifth phase of our partnership with WWF we will focus on reducing the amount of water it takes to produce cotton in water-scarce regions, with the aim of protecting water levels in reservoirs and water tables. Pilot projects in India and Pakistan are developing and implementing effective water management techniques that can be scaled up and adopted by a large number of farmers in both rain-fed and irrigated cotton growing areas (see page 30).

For more on how we are supporting cotton-growing communities, see page 93.



## Palm oil

Palm oil is an ingredient in our candles and some of our food products, and is sometimes used for processing rattan for furniture. Its cultivation can cause environmental and social harm, including deforestation and loss of biodiversity in tropical regions, which is why we are committed to buying palm oil that is produced responsibly and sustainably.

We believe that Roundtable on Sustainable Palm Oil (RSPO) certification is currently the best tool available to improve the palm oil industry. By December 2015 we aim for 100% of our palm oil to come from segregated RSPO-certified sources. This will give us the confidence that our palm oil comes from certified sustainable sources, and is not mixed with conventional sources.

### Performance in FY14

Palm oil from segregated, certified sources made up 32% of the amount we purchased in FY14.

***We want all of our palm oil to come from certified segregated sources by December 2015, or to replace it if more sustainable alternative materials are available.***

We also want to contribute to the continuous improvement of standards, including the RSPO Principles and Criteria. To this end, during FY14 we have updated our

requirements to include two additional criteria:

- No deforestation. Forests of high value, for conservation and carbon storage purposes, will be protected. All new palm oil developments should be on land where biodiversity and natural vegetation are already highly degraded.
- No new development on peat, regardless of depth. Peat wetlands also have high conservation value due to their unique biodiversity and ability to store carbon and methane.



In addition to securing segregated sustainable palm oil for our products, we purchase GreenPalm certificates for each of the 44,000 tonnes of palm oil in our products. The GreenPalm programme – approved by the RSPO – supports the production of sustainable palm oil and sells tradeable GreenPalm certificates to users.

We are in the third year of working with Johnson & Johnson, Mondelēz and the United Nations Development Programme (UNDP) to support the Indonesian government and the Sustainable Palm Oil Initiative, which encourages sustainable palm oil production, particularly to protect the environment, reduce greenhouse gas emissions and support smallholders in improving their livelihoods.

## Leather

Cattle farming and leather production can create environmental problems like deforestation and pollution from tanning. There are also related impacts on communities, such as the displacement of indigenous people and forced labour. We work closely with our suppliers and other stakeholders to improve standards in the production of the leather used in our sofas, rugs and other home furnishings.

By August FY15, all our leather will be produced using 'wet-white' or other alternatives to chromium. We are working with a number of chemical companies to ensure continuous improvement in the impact of the tanning process, reducing toxicity, carbon footprint and water impacts.

### Performance in FY14

For a number of years, all our suppliers have been required to document the source of their leather, right back to the slaughterhouse. In FY14 we went a step further, asking for greater chain of custody in high risk areas, back to farms directly supplying the slaughterhouses.

In FY14 we made progress in defining guidelines with key stakeholders for responsible leather sourcing related to issues such as deforestation, indigenous peoples' rights and animal welfare. We aim to implement these guidelines in FY15. This will result in all the leather we buy being produced to standards that protect forests, prevent pollution and respect animal welfare. The guidelines will complement our work with our suppliers on IWAY, our supplier Code of Conduct, and IWAY Must criteria for critical sub-contractors (see page 79 for more on IWAY).

In FY14, we used 3.7 million m<sup>2</sup> of leather in upholstery.\* Some of the leather we buy comes from Brazil, a country where social and environmental problems in the leather supply chain have been identified. We have been implementing additional minimum requirements for suppliers there on issues such as traceability, deforestation and forced and bonded labour since FY13. We will build on these requirements as we roll out the leather sourcing guidelines.

\* Excludes rugs (cattle hides, sheep and goat skins).



**Food**

From the products we sell in our Swedish Food Markets to the famous IKEA meatballs served in our restaurants, over 600 million customers enjoy our food every year\*. We estimate the total carbon footprint of our food products is around 651,000 tonnes of CO<sub>2</sub>. We source our food from around 600 global and local suppliers.

***In FY14 we have been engaging with external stakeholders through meetings and workshops, to develop our understanding of important global trends and issues.***

These have included animal welfare, health and nutrition, food waste and social conditions throughout the value chain. This process is helping us to develop an effective Food strategy and plan for how we can be as sustainable as possible in the future – see page 99 for more on our stakeholder engagement.

These discussions have informed our updated People & Planet Positive strategy,

which includes a new approach to food. We aim to take a lead in providing a sustainable and healthy diet by promoting a balanced diet of more vegetarian food.

To support this, we are introducing vegetarian meatballs in stores in 2015. These have a lower water and carbon footprint, and are healthier than the original beef and pork variety.

Reducing the levels of salt, sugar, fat, artificial additives and allergens will improve the nutritional value of our meals and products. Better labelling and communication with customers will enable them to make more informed choices. To implement this we will create guidelines that will be used by our product developers when designing new food products and dishes.

By certifying ingredients in more of our products, we will continue to ensure that they are produced sustainably. We will also work more closely with sub-suppliers like farmers to improve standards in animal welfare and shrink their environmental footprints.

**CERTIFIED FOOD ITEMS**

**FY14**

% of coffee that is UTZ certified

100

% of chocolate that is UTZ certified

25

\* Based on 282 million receipts, and at least two customers per receipt.



***"IKEA's commitment to supply exclusively certified, sustainably caught and responsibly farmed seafood in all markets is a major milestone in the history of the sustainable seafood movement.***

***It is essential to think globally to achieve a sustainable seafood industry. By offering certified seafood in their restaurants worldwide, IKEA will enable millions of people each year to contribute towards ensuring that the world's oceans are teeming with life for future generations.***

***Having been involved in this project from the early days, I am pleased to see our shared vision is becoming a reality."***

*Nicolas Guichoux, Global Commercial Director, Marine Stewardship Council*

***"IKEA is an excellent example of a company that simply wants 'to do the right thing'. Including animal welfare as a key pillar in its strategy on sustainability, People & Planet Positive, is an important development; it anchors IKEA's high aspirations for animal welfare across the organisation and integrates people, planet and animals into humane sustainable food production. It's not easy securing a higher welfare supply, especially at a global level, but it's a challenge we are proud to be a part of. And we are delighted to be working with IKEA on their ambitions for farm animals in the future."***

*Dr Tracey Jones, Director of Food Business, Compassion in World Farming*





### **Strengthening IKEA Food quality requirements**

We are focusing on improving traceability and food quality in our supply chain, ensuring that products only contain the ingredients listed in recipes and product labels. We are continuing to strengthen our standards for food suppliers, including regular and unannounced third-party auditing of food suppliers and sub-suppliers. In FY14, we began auditing all our meatball, hot dog and salmon suppliers, to ensure compliance with legal and stricter IKEA specific requirements. The audits will be completed in FY15.

### **Certification and organic food**

**Berries and jam:** The lingonberries, blueberries and cloudbberries in our jams and beverages are picked in Sweden and KRAV-certified. KRAV is a Swedish organic certification standard with specific requirements on working conditions, including forced and child labour, equal treatment of employees, and freedom of association. It also covers wider environmental, animal welfare, health and social responsibility issues. Three of the jams sold in our Swedish Food Markets are already organic, and all our jams will be organic by the end of FY15.

**Coffee, tea and chocolate:** The goal of serving UTZ certified tea in our restaurant has been extended to August FY15 due to difficulties with supply in all markets. UTZ certification stands for sustainable farming, improving working conditions for farmers and safeguarding the environment. Building on the existing certification for our chocolate products, all three remaining varieties of our CHOKLAD bars (milk, dark and nut) will contain only UTZ certified cocoa. Customers can use an online tracer (<http://utzcertified.org/ikea>) to find out where the UTZ certified cocoa in their chocolate bar has come from.

**Fish and seafood:** Our goal is for all the seafood served in our restaurants and sold in our Food Markets will be Aquaculture Stewardship Council (ASC) or Marine Stewardship Council (MSC) certified by the end of FY15. Achieving our target will be a challenge because there is a limited supply of certified seafood in certain markets. But we hope that our commitment can support the growth of this market.

### **Animal welfare**

Animal welfare is important to IKEA. In FY14, we approved the new IKEA Group Animal Welfare standard and added two existing animal welfare goals to our updated People & Planet Positive strategy:

- 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.

In FY14, IKEA Italy received a Good Sow Commendation from Compassion in World Farming (CIWF) for its commitment to source its ham from farms with higher welfare standards.

To make sure we have a secure supply of free-range eggs in all countries, we have extended our deadline for achieving the goal of 100% free-range egg products to the end of FY15. In countries where availability of free-range eggs is limited, we will show leadership and work with farmers and suppliers to increase supply, and stimulate greater demand to make this supply sustainable.

---

***During FY15, we will assess our whole approach to animal welfare, from the salmon we use in our food, to the wool we use in our carpets.***

---





## Animal welfare in producing down and feathers

**Around 20% of our pillows and quilts contain down and feather.**

Live plucking is common in the goose down and feather industry. IKEA does not accept animal cruelty and to eliminate the risk of feathers and down from live plucking entering our supply chain, we only use down and feathers from ducks. Live plucking in the duck

industry is rare.

Duck feathers are a by-product of the food industry. We trace down and feather from the suppliers back to the slaughterhouse. We audit slaughterhouses for animal welfare standards and suppliers must ensure sub-suppliers comply with the same requirements.

## Developing our water strategy

Water is an essential resource for our business, and just as we take care to source other key materials, we must be responsible water stewards. Our greatest water impacts are in our supply chain, such as cotton farming and textile production; and customer use of our products contributes significantly to our water footprint.

We have committed to being 'water positive' by the end of FY20. This means that we will act as responsible water stewards by contributing to improved water management in some of the most water-stressed areas where we operate, so that there is enough clean water for ecosystems, people and communities. We will do this by:

- Improving water efficiency and quality in our own operations and in our supply chain
- Supporting our customers to reduce their use of water by developing and promoting innovative and affordable products
- Going beyond the boundaries of our own business, by collaborating with others (such as communities, companies, governments and other

stakeholders) to advocate for long-term improvements to water management.

Being water positive means that we will be good water stewards. In FY14, we began to work with WWF to define exactly what water stewardship will mean for IKEA. This water stewardship strategy will be complete in FY15.

In FY14, we continued to use the World Resources Institute (WRI) Aqueduct tool and WWF's Water Risk Filter to map out the higher water risk areas in our supply chain and operations. This will help us to prioritise areas for focus in our water stewardship strategy. Read more about how we are:

- Managing water in our own operations, on page 58
- Managing water in our supply chain, on page 64
- Helping our customers to reduce their water use, on page 17.

## More sustainable products



**IKEA products are known** for their style, quality, affordability and functional designs. We have challenged ourselves to make our whole range more sustainable, and we do this by looking at all aspects of our products and making improvements at every step.

This is good for the environment and helps us to keep prices low for our customers. We give co-workers the necessary tools and information to create products that meet all our criteria on form, function, quality, sustainability and a low price. We call this approach 'democratic design'.

### PEOPLE & PLANET POSITIVE TARGETS

### PERFORMANCE in FY14

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

52% of the total sales value was from products classified as more sustainable, according to the product scorecard.

By August 2015, all our main home furnishing materials, including packaging, will be either made from renewable, recyclable (on at least one market on an industrial scale) or recycled materials.

98% of home furnishing materials and packaging were renewable, recyclable\* or recycled.

\* We define materials as recyclable if they can be recycled on an industrial scale in at least one of our major retail markets.

### PEOPLE & PLANET POSITIVE TARGETS

### NEW targets

By August 2020 - the aim is that the plastic material used in our home furnishing plastic products\* will be 100% renewable and/or recycled (equivalent to approximately 40% of all the plastic used in our products).

\* The scope is plastics category products which we sell, textile products, packaging and components for furniture.

## Product sustainability scorecard

Since FY09, we have been using our Product Sustainability Scorecard to continually assess and improve the sustainability of our products. It is an essential tool that will enable us to get 90% of our sales value from more sustainable products by August 2020.

'More sustainable' products score more than 120 on the Scorecard. If a new product scores well below the average score of other products in its category, we act to improve the score, or exclude the item from our range.

We review the Scorecard regularly to ensure it is up to date and performing

well. This includes checking to see if the Scorecard is being used as it should be at the design concept stage, rather than as a checklist later. We will get the results of our latest Scorecard review in FY15 and use what we learn from them to make improvements.

So far, 89% of our current product range, by sales value, has been scored. Because a proportion of our range changes each year, we may never reach 100%, but we will continue to work towards this target so that we have an accurate picture of how sustainable our products are. The share of the total sales value that came from products classified as more sustainable increased from 39% in FY13 to 52%



in FY14, enabling us to make progress towards our goal. The average score for products evaluated using the score card increased to 107, from 86 in FY13, showing an overall improvement in the sustainability performance of the range.

Our goal is to ensure that the Scorecard and other tools, such as our Materials Guides, can effectively challenge co-workers to take action to help make our products more sustainable.

See page 13 for more about the products that support our customers to live a more sustainable life at home.

Read more about how we are engaging co-workers in sustainability on page 21.

## More sustainable materials

### *Materials from more sustainable sources*

We want to make it as easy as possible for our designers and developers to choose more sustainable materials. These include timber certified by the FSC or recycled wood (see page 26), cotton from more sustainable sources (see page 31), segregated certified RSPO palm oil (see page 33) and recycled materials. Our Materials Risk Council reviews new materials that have been identified as more sustainable. The results of their assessment, including whether a material can be classified as more sustainable, are included in our Materials Guides to help developers make the best decisions.

### *Renewable, recyclable and recycled materials*

With billions more people joining the consumer society, moving to a circular economy is critical to ensure their hopes and dreams can be met whilst staying within the limits of our planet. We are contributing to this shift by avoiding reliance on finite materials, with an aim to use only renewable, recyclable and recycled materials. But even with these materials, we can further reduce our impacts and better meet customer demands in the long term by finding ways to make more from less, and minimising waste.

In FY14, 98% of the main materials in our products were renewable, recycled or

## OUR PRODUCT SUSTAINABILITY SCORECARD

We assess our products against 11 criteria:

1. More from less (using lightweight materials and applying smart designs that enable us to use fewer resources)
2. Renewable materials
3. Reused and recycled materials
4. Material from more sustainable sources
5. Recyclability at product end-of-life
6. Quality
7. Transport efficient (number of products per container)
8. Energy use in production
9. Renewable energy in production
10. Raw-material utilisation in production
11. Sustainable life at home (products that enable our customers to reduce energy and water use, reduce waste in their homes, and lead a healthier lifestyle).

## HOW WE IMPROVE PRODUCT SUSTAINABILITY PERFORMANCE

We provide our designers with the necessary guidance and tools to make our products more sustainable. These include:

**The Product Sustainability Scorecard** - helps developers and technicians assess and improve the sustainability of products. Criteria relate to how the product is designed, produced and used.

**Materials Guides** - explain the sustainability performance of individual materials and help product teams choose the most sustainable ones.

**The Resource Chain framework** - a project launched in FY12 that aims to design products that can be easily and repeatedly recycled, so that they can be brought back into the IKEA product value chain as raw materials.

**The Material Risk Council** - assesses all potential new materials for safety, quality and sustainability.

recyclable, and we aim to reach 100% by August FY15. This does not include additives, lacquering or other substances that would finish, glue or surface-treat a product. In FY14, 9.8% of the wood used by Division Boards of IKEA Industry Group was recycled material, and we aim to reach 30% by 2020. We define materials as recyclable if they can be recycled on an

industrial scale in at least one of our major retail markets. Although national recycling infrastructure and regulations vary, we anticipate that suitable recycling facilities will be available in the majority of our markets by the time our products reach the end of their lives.

Where the infrastructure exists, our stores are encouraging customers to

DEMOCRATIC DESIGN

FORM QUALITY FUNCTION SUSTAINABILITY

ALL AT A LOW PRICE

return their old mattresses for recycling, and we are planning the roll-out of a targeted take-back scheme in 20 countries in FY15. In countries like Russia and the USA, mattress recycling can be challenging, especially where the infrastructure does not exist or differs across the country. We aim to stimulate the development of the necessary facilities wherever possible.

### **New sources of materials**

We are excited about developing new, high-performing raw materials that can help us keep costs down and reduce environmental impacts.

We established a Resource Chain project in 2012 with the ambition of developing a framework for how used materials can re-enter our supply chain, and how we secure access to secondary raw materials in the future. To create suitable products from this process, we have learned that

#### RENEWABLE, RECYCLABLE AND RECYCLED MATERIALS\* IN HOME FURNISHING PRODUCTS

2011 > **88%**

2012 > **91%**

2013 > **98%**

2014 > **98%**

GOAL 2015 > **100%**

\* These are main materials, defined as all materials except additives, lacquering or other finishing substances.

choosing the right materials from the start is crucial. Take-back programmes are also important, because they give us access to valuable materials to use for making new products. The programmes make it simpler for customers to dispose of old and unwanted products.

We have made progress on the key materials we use that are not renewable or widely recycled, such as polyurethane foam, melamine and silicone. We have been exploring alternatives to replace polyurethane in our sofas and mattresses. We are on track to phase out melamine from all our products, such as plastic tableware and food storage, by FY15, to be replaced by partly renewable polymers with similar properties. We are replacing silicone with thermoplastic elastomers (TPEs) in some of our products, but we are not yet able to phase it out completely.

Read more about how we are encouraging customers to return unwanted items for recycling and upcycling on page 60.

### **Durability**

Style, quality and functionality are essential qualities of IKEA products. And they are always affordable and designed to last. We continually develop our product testing techniques to ensure we are using the latest methods. We evaluate our products thoroughly before sale and regularly afterwards. Sofas and chairs go through mechanical tests and we assess textiles for colour-fastness and wear and tear.

We monitor the number of product

## Renewable mattress foam

Not all plastics are made from fossil fuels.

We want to increase our use of renewable and recycled materials in our products.

We have been working with two of our suppliers in FY14 to test a solution that will enable us to reduce the proportion of petroleum-based, non-renewable foam used in our mattresses. From FY15, a new foam made of 15% soy-oil will be used in our foam mattresses, such as MALFORS and MOSHULT.

Because soy production can be associated with poor environmental and social standards, we buy our soy oil from segregated, traceable sources in North America, and the suppliers comply with IWAY, our supplier Code of Conduct.

One of our long-term goals is to produce plastics from waste materials

known as 'second-generation' feed-stocks, such as waste wood.

We recognise there is increasing global demand for renewable materials, for example for replacing fossil fuels in transport. While the amount we buy for making plastic is a very small proportion of the total demand, we want to ensure that we do not harm people or the environment and are working in the most sustainable way possible.

The results of an independent life-cycle assessment show that replacing petroleum-based materials with those made from soy could enable our foam suppliers to reduce CO<sub>2</sub> emissions significantly. As we find ways to increase the proportion of soy-based material, and combine this with a new process for recycling conventional foam, we will be able to reduce emissions even further.





## Examples of products made from...

We make our SKRUTT desk pad from 50% recycled plastic film, partly deriving from packaging that was used to transport our products.

Our MÅSTERBY step stool uses only 100% recycled, post-industrial plastic in its construction.

The main body of the RISSLA magazine file, and other products in

the RISSLA series, consists of 100% recycled paperboard.

We weave water hyacinth to construct our RIFFLA basket. By harvesting this invasive weed, which can grow double its size in two weeks, we can improve water flows in rivers, lakes and ponds and also support their ecosystems.

returns and this data is entered into the Product Sustainability Scorecard. We are confident that our products have the level of durability to meet the required function, and offer extended guarantees of up to 25 years on many items, including kitchens, knives, selected mattresses, pans and taps.

### **Efficiency**

At IKEA we are always looking for ways to make more from less, by improving processes and being more inventive in our use of resources.

---

***Every day, we challenge ourselves to continue making brilliant designs that require less material and we ask our suppliers to do the same.***

---

### **Product safety**

If our customers cannot trust our products to be safe, we will have failed in our aim to create a better life for the many people. We stay focused on product safety at all stages, from development through to production and after-sale.

There are several stages to product development and production:

- We continually monitor all sales markets for new and updated product safety legislation and other compliance requirements. We also participate in the development of local and global product safety standards
- These insights, along with our knowl-

edge about customer needs and expectations, are used to develop our product safety standards

- We use thorough assessments during product development, production and after products go on sale, to identify risks
- Before full production begins, our rigorous testing programme ensures the safety of materials, and of all items made by suppliers
- During production and after products go on sale, we undertake regular spot checks
- We train and support co-workers to continually monitor the products in our range and comply with our IKEA product safety and compliance alarm process.

Our dedicated Product Safety and Compliance School works with different functions across IKEA so that they can identify, investigate and prevent safety incidents. All co-workers have a duty to report incidents or concerns about safety through our global safety alarm system, and our central safety team monitors and investigates all reports. If needed, they can stop sales of a product around the world immediately.

Occasionally, we decide to recall a product for safety and compliance reasons. To ensure that customers are aware and can act on an issue, we communicate through many channels, including stores, internet sites, press releases, our internal newsletter, social media sites and our IKEA FAMILY network. We always investi-

gate the causes of problems with suppliers and our safety teams to prevent similar situations from happening again.

In FY14, we recalled the following items:

- Bed canopies for infants and small children – after identifying a potential strangulation hazard. We received valuable feedback from customers and reports of infants becoming entangled when the net was pulled into the bed.
- LYDA jumbo cup – following reports of the cup breaking when in contact with hot liquid, leading to the possibility of burns. The affected cups were sold between August 2012 and April 2013, and the recall took place between June and October 2013.
- GUNGGUNG indoor and outdoor swings – after four reports of the suspension fittings breaking when in use, leading to risk of injury from falling.

We extended a recall to repair KRITTER and SNIGLAR children's beds, to include items made over a longer period than we originally specified. We did this because of reports that the metal rod connecting the guardrail to the bed frame broke, creating a laceration hazard.

We also identified a possible issue with the SMILA and similar models of mounted children's wall lamps. To prevent the possibility of strangulation, we encouraged customers to check that the cord was securely fastened to the wall and out of the reach of

children in cots and playpens. All customers responding to our request received a free repair kit containing a warning label, safety instructions and self-adhesive fasteners for fixing the lamp cord to the wall.

### Chemicals

We always avoid chemicals that could harm people and the environment. Our aim is to select materials, surface treatments and production techniques with the lowest possible emissions. As a minimum, we comply with the strictest laws and regulations in every country where we make and sell products. When one country tightens its rules, we introduce these new requirements in all IKEA markets, if applicable.

During FY14, we started to implement the IKEA Chemical Strategy. We know that customers, governments, NGOs and other stakeholders want to know more about the chemicals we use. Therefore the main focus of our work has been to develop a more efficient way of capturing and assessing data about the chemical content of our products. With access to more information, we can improve our chemical risk assessments and be faster to phase out potentially harmful substances.

We have also encouraged the European Commission (EC) to develop a comprehensive policy on endocrine disrupting chemicals (EDCs) for all EU states, which takes into account their potential to harm people and wildlife.

Read about how IKEA Industry manages chemical waste on page 61.



## Chemical-free flame retardants

Creativity and innovation is part of everyday life at IKEA and we know that even the best ideas need help to get off the ground.

In FY14, we invested in a collaboration between a supplier and external experts to support the development of a flame-retardant technology for upholstery furniture without using flame retardants – chemicals which can be toxic to people and the environment during manufacture and disposal. The new flame-retardant technology can prevent accidental surface fires on furniture like sofas from spreading.

Accidental surface fires are increasing, so many countries are keen to address this problem. Measures to reduce the risk of accidental fires are mandatory in countries such as the UK and the USA.

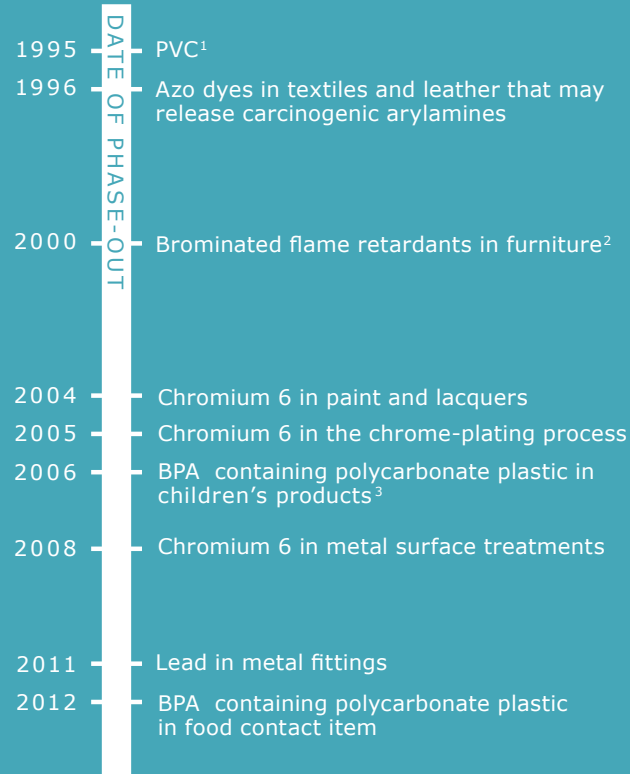
Through our support, the experts have created an effective flame-retardant technology which does not compromise on safety or compliance, and which helps us to phase out certain chemicals from our products. We are planning to roll out the new flame-retardant technology in the USA.



### TIMELINE OF PHASED OUT CHEMICALS

We have been working on phasing out certain chemicals from our products for decades and we continually look for alternatives for the chemicals we use now. The timeline below shows the progress we have made.

One of our recent achievements has been to dramatically reduce the amount of lead in the brass alloy used in our taps by 84%. EU regulations allow up to 3.5% and North America 8%. Our brass alloy now has just 0.25% lead.



<sup>1</sup> Exception: electrical cords.

<sup>2</sup> For electrical components and products we comply with EU Restriction of Hazardous Substances Directive (RoHS), which bans poly brominated biphenyl (PBB) and poly brominated diphenyl ether (PBDE).

<sup>3</sup> In products for children aged 0-7 years.





## More sustainable buildings and transport



**We want to make sure** our business growth is sustainable by using resources efficiently and investing in renewable energy. This is good for the planet and it helps us manage our costs so that we keep prices low.

### Carbon footprint

Our total estimated carbon footprint, from raw material to product end-of-life, was around 33.2 million tonnes of CO<sub>2</sub> in FY14. This estimated total footprint was higher than in previous years, mainly due to use of more complete data. The method we

PEOPLE & PLANET POSITIVE TARGETS	PERFORMANCE in FY14
By August 2015, produce renewable energy equivalent to at least 70% of our energy consumption and by August 2020, on Group level, produce as much renewable energy as we consume.	Produced renewable energy equivalent to 42% of our total energy consumption, up from 37% in FY13.
Become 20% more energy efficient in our own operations by August 2015 and 30% by August 2020, compared to FY10.	Compared with FY10, energy efficiency increased by 15% in stores, 27% in distribution centres, 26% in IKEA Components and 17% in IKEA Industry Group Divisions Flatline and Solid Wood. In IKEA Industry Group Division Board energy efficiency decreased by 2%, mainly due to growth and site acquisitions over the last few years.
By August 2015, reduce carbon emissions from our own operations by 50%, compared to FY10.* <small>* Compared to FY10 in relative terms, measured by CO<sub>2</sub>/m<sup>3</sup> products sold, or CO<sub>2</sub>/m<sup>3</sup> goods purchased.</small>	Carbon efficiency increased by 24% compared to FY10.
By August 2016, reduce carbon emissions from the transport of goods by 20% compared to FY11, and by 30% compared to FY12 by August 2020.* <small>* Compared in relative terms and measured by m<sup>3</sup> transported goods.</small>	In FY14, we reduced total carbon emissions for transport of goods by 12.8% compared to FY11.
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.	89% of the total waste generated was recycled or energy recovered, up from 88% in FY13. At stores, 77% was recycled and 13% incinerated for energy recovery. At distribution centres, 81% was recycled and 11% incinerated for energy recovery. And at IKEA Industry Group, 66% was recycled and 11% incinerated for energy recovery.

use to calculate our total footprint helps us identify areas such as raw materials production, product manufacturing and product use (use of products that consume energy), that contribute the most to our total carbon footprint.

This is why we focus on:

- Using more sustainable sources for our raw materials (page 38)
- Working with suppliers on managing their environmental impacts and efficiency (page 62)



- Designing more sustainable products (page 37)
- Enabling customers to save or generate energy at home through our products and services (page 14).

But we also know that we can make a big difference by making IKEA buildings more efficient, managing co-worker travel better, reducing the energy and water we use and improving our overall process efficiency. Even though these areas represent a small share of our total carbon footprint, we have direct control over them and can make quicker improvements.

In FY14, absolute carbon emissions in our own operations decreased by 2% compared to FY13, to 757,841 tonnes, and our overall carbon efficiency improved by

24% compared to our FY10 baseline. It improved in all parts of the business due to improved energy efficiency and increased use of renewable energy, with the exception of the IKEA Industry Group Division Board. Carbon efficiency at IKEA Industry Group Division Board decreased due to increased production of HDF (high density fibreboard), which requires more energy to produce than standard board; the fact that our newly acquired Novgorod site which uses a gas boiler was operational for a full year for the first time (see page 53); and challenges in accessing renewable energy at some sites.

Read about how we are enabling our customers to reduce their carbon footprint when travelling to and from our stores on page 57.

## Making sustainability everyone's business

We want sustainability to be a natural part of our everyday job no matter where we work in the store.

"With 315 stores in 27 countries, this is not easy. But we are determined to make it happen," says Pia Heidenmark Cook, Head of Sustainability for Retail & Expansion, IKEA Group.

"To create a sustainable business, it is important co-workers understand that engaging customers on how to live a more sustainable life at home is just as important as their part in cutting energy use or waste at the store. And we believe that every co-worker, no matter where they work in the store, has a role

to play in meeting our People & Planet Positive goals."

Pia's team has found that the key to success is for country operations to have the freedom to develop their own sustainability activities, based on the global framework of People & Planet Positive strategy. It has led to some great results.

For example, some stores have conducted sustainability training and projects engaging co-workers in living a more sustainable life at home. They have seen big changes in motivation and co-workers are more confident in sharing the benefits of the IKEA range

### NEW targets

### PEOPLE & PLANET POSITIVE TARGETS

By August 2020, close at least two material loops (not currently existing in a region) for post-consumer waste.

By August 2020, reduce waste from our store operations by 10% compared with FY13.

### Energy efficient buildings

Energy efficiency improved by 15.1% in stores, 27.1% in distribution centres and 17.2% in IKEA Industry Group Divisions Flatline and Solid Wood, compared with FY10. It decreased by 1.6% in IKEA Industry Group Division Board, largely due to its expansion since FY10 and the acquisition of new sites. These sites have less efficient machinery, which we are working to replace, and more energy-intensive production processes such as the production of

high density fibreboard (HDF). Technical problems with press heating plates caused several months of lower productivity – the same energy consumption but lower output – at our Novgorod site in Russia, and the installation and start-up at our new plant in Malacky, Slovakia, consumed energy but there was no or very low output. Proposed energy efficiency projects must produce savings that pay back the initial investment within eight years. Since FY10 we have saved EUR 66 million through

with customers.

"We've achieved a lot already, but there is still much to do. In the coming year we will focus on training and engaging our co-workers, and giving them, and our customers, the opportunity to share stories about how they live a more sustainable life at home," says Pia.

Read more about how co-workers are engaging customers in living a more sustainable life at home on page 19.

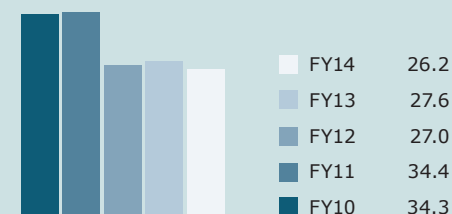


<b>IKEA CARBON FOOTPRINT – from raw materials to product end-of-life (tonnes CO<sub>2</sub>)*</b>	<b>FY14</b>
Raw materials	15,032,624
Production and distribution	3,809,036
Suppliers <i>Home furnishing, catalogue and food suppliers</i>	2,703,957
Goods transport <i>Excludes customer delivery suppliers</i>	1,054,217
Business travel	50,862
IKEA	875,225
Buildings	757,841
Co-worker commuting	117,384
Customers	12,751,943
Transportation to stores	2,384,752
Product use	10,367,191
Products' end-of-life	731,606
<b>Total</b>	<b>33,200,434</b>

\* We use reported data for carbon emissions in our operations and tier 1 suppliers, and models and estimations to assess our full value chain.

<b>IKEA CARBON FOOTPRINT (tonnes CO<sub>2</sub>)</b>	<b>FY14</b>
GHG emissions	
Scope 1 (IKEA owned energy generation from gas, biomass and oil boilers and diesel generators)	143,837
Scope 2 (purchased electricity and district heat)	614,004
<b>Total scope 1 + 2</b>	<b>757,841</b>
Scope 3 (raw materials production, emissions from suppliers, goods transport, business travel, Co-worker commuting, customer transportation, product use and product end-of-life)	32,442,593
<b>Total scope 1,2 and 3 emissions</b>	<b>33,200,434</b>

**CARBON EFFICIENCY:  
CARBON FOOTPRINT  
PER PRODUCT SOLD  
(kg/CO<sub>2</sub>/m<sup>3</sup>)\***



\* Scope 1 and 2 emissions

<b>CARBON EFFICIENCY (% improvement against FY10 baseline)</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15 GOAL</b>
Stores	9.5	26.9	29.1	36.8	50
Distribution centres	10.7	38.4	32.0	49.5	50
IKEA Industry Group Divisions Flatline and Solid Wood	-9.4	8.9	2.7	22.1	50
IKEA Industry Group Division Board <i>Base year: FY11</i>	-	25	15	12.8	50
IKEA Components <i>Base year: 2012</i>	-	-	-	7.8	50
<b>Total</b>	<b>-0.4</b>	<b>21.3</b>	<b>19.3</b>	<b>23.6</b>	<b>50</b>

<b>Scope 1 and 2 emissions – IKEA buildings (tonnes of CO<sub>2</sub>)</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>
Stores	435,344	428,997	353,809	359,990	333,576
Distribution centres	47,999	45,151	31,451	35,113	29,273
IKEA Industry	330,112	380,677	324,225	369,740	390,416
IKEA Components*	-	-	-	819	1,095
Offices	4,730	4,791	4,641	3,766	3,481
<b>Total</b>	<b>818,185</b>	<b>859,616</b>	<b>714,126</b>	<b>769,427</b>	<b>757,841</b>

\* IKEA Components data is reported for the calendar year.



energy efficiency in our stores and distribution centres alone. Rising energy prices may mean that some projects could achieve payback more quickly than projected.

***Our store designers use the IKEA energy model to integrate energy efficiency and renewable energy into heating, cooling, lighting and energy in new and existing stores.***

In FY14, the tool was used to support 19 projects to make both big changes to the way stores are designed and smaller improvements to everyday activities. This has resulted in lower capital spending and less energy use.

The roll-out of energy-efficient lighting continues, with a total of 62 stores now fitted with LED and other efficient lighting systems. We have invested over EUR 20 million in the lighting project and expect to invest another EUR 80 million to improve the lighting in 220 stores and other buildings by the end of FY17. The investment of EUR 100 million will deliver EUR 15 million savings each year and reduce energy consumption by 15% per store.

The rest of IKEA Group, including IKEA Industry and Distribution Services, are joining the LED transformation. So far, of the six units in IKEA Industry Division Board, five now have LED lighting. In our furniture factories we are changing UV

lights to LED lamps to save energy, lower internal air temperatures and reduce the risk of fire. A Life Cycle Cost Analysis model has been developed to enable us to select LED suppliers that offer the best value and the most energy-efficient products.

We now have more energy-efficient kitchen ventilation systems in 88 stores, most of which were installed during FY14. On average, they save a total of more than 160 MWh per store each year, of which 25% is from a reduction in electricity and 75% from a decrease in heating. For most stores, we expect the investment payback to be within two years.

In FY14, we have started to test fuel cell technologies in the USA; they use a chemical reaction to convert biogas and natural gas into electricity and water. We expect that a 300 kW fuel cell installation can generate enough energy to cover 40% of the annual energy consumption of an average store.

We are extending effective energy management further into IKEA operations. For some time every store has had an energy goal, but responsibilities for who managed energy were not clear or consistent. We have now changed our working methods so that roles are clearly defined, including who is responsible for setting goals and gathering data. This means we will have more accurate and complete data on energy management and accountability for meeting goals. Our new Energy Performance Year Cycle feeds in data from individual stores and distribu-



## Stakeholder challenge

### QUESTION

***"IKEA already has ambitious sustainability initiatives, including aggressive renewable energy procurement goals. But as a leading product design and retail firm with a global reach, it is well positioned to drive sustainable change well beyond its own business. How will IKEA use its influence and expertise to achieve more transformational progress across its industry and value chain on issues such as energy and water?"***

*Andrew Steer, President and CEO, World Resources Institute*



### ANSWER

***"We want to have a positive impact on people and the planet, and that means going beyond our direct operations and focusing on the areas where we can make the most difference. And since we operate across the whole value chain, we have a unique opportunity, and a responsibility to do so. Working with others, we are helping to transform the sustainability of the cotton and forestry sectors. This approach benefits people and the environment and is helping to make more sustainable sources such as FSC and Better Cotton mainstream commodities. We've set ambitious goals to reduce energy and water use and CO<sub>2</sub> emissions in production, and have achieved good results by working together with some of our more impact intensive suppliers. We also have a unique opportunity to enable millions of people to live more sustainably, for example by making energy efficient LED lighting affordable and attractive and by offering affordable home solar to our customers. These are good results, but there is much more to do. The scale of sustainability challenges like climate change and water scarcity requires transformational change. As we move forward, we will continue to go all-in to transform our business and will work with others to advocate for wider change in society."***

*Steve Howard, Chief Sustainability Officer, IKEA Group*

## Towards climate positive

Climate change is one of the biggest challenges facing society, and urgent action is needed to protect people and the planet.

But the transition to a low-carbon economy offers huge opportunities, bringing new jobs, economic growth and energy security. For IKEA, taking action on climate change drives innovation, investment and renewal. It is an opportunity to make our business better and meet the needs and expectations of our customers.

Our direct operations are already being disrupted by extreme weather. For example, in 2012, Hurricane Sandy seriously affected co-workers and commu-

nities in the USA and forced us to temporarily close nine IKEA stores, leading to USD 9 million (EUR 7.2 million) in lost revenue.

Some of the countries we source from are particularly vulnerable to the effects of climate change, increasing the risk of disruption in our supply chain and harm to communities.

We are working to make our business climate positive. By this we mean becoming energy independent by investing in renewable energy and energy efficiency (see page 52), cutting emissions in our supply chain (see page 62) and inspiring and enabling millions of customers to reduce their energy use and generate clean energy at home (see page 14).

Our major commitments to tackle climate change include:

- Making a more sustainable home life affordable and attractive for millions of customers, including home solar and energy-efficient LED lighting
- Transitioning to 100% renewable energy, by producing as much energy from renewable sources as all the energy we consume in our buildings
- Purchasing renewable electricity from others
- Improving energy efficiency and encouraging the uptake of renewable energy in our supply chain
- Transforming the materials we use, for example aiming for 100% more

sustainable sources for cotton and wood

- Advocating for ambitious policies to address climate change, individually and through coalitions.

We are calling for long-lasting, robust policies that will unlock the innovation and investment needed for companies to commit to more sustainable business models and a low-carbon economy. We will continue this in FY15 in the run-up to the COP21 meeting in Paris, where world leaders will come together to negotiate a global agreement to tackle climate change. Read more about our approach to climate change and public policy on page 102.





## Becoming a leader in sustainable furniture production

IKEA Industry – our own furniture production business – makes around 15% of our products and is responsible for around half of our energy use. We want to be the leader in sustainable furniture production. To achieve this by 2020, we have developed the IKEA Industry Sustainability Plan, in line with the People & Planet Positive Strategy, and set ambitious targets for all IKEA Industry sites.

We want to make boards and furniture from recycled wood or wood coming entirely from well-managed forests. Our products will be made without sending any waste to landfill or discharging wastewater from production, and using the least amount of resources possible. We aim to be carbon neutral in all IKEA Industry operations, including fuel

for vehicles, by the end of FY20.

We will do this by increasing the use of biomass to generate our own energy, purchasing more renewable energy and improving energy efficiency. We also want to be a great place for our co-workers to work and a good neighbour in all areas where we operate. To make sure the materials and services we buy are in line with our sustainability principles, we will continue to engage all suppliers to understand and implement IWAY.

Read more about how we are working towards a carbon neutral IKEA Industry on page 49.

Read more about how we engaged policy makers on becoming carbon neutral on page 102.



## Regulating voltage saves energy

The power that comes from the grid in many countries has a higher voltage than needed in most buildings. Our store in Vantaa, Finland, further improved its energy efficiency by installing a voltage optimiser. This saved 5.5% of the energy used in FY14 (compared with FY13), without having to change any electrical equipment.

The unit reduces the mains voltage and regulates fluctuations in voltage. This reduces energy consumption and extends the life of electrical equipment by protecting it from damage caused by power surges, saving us money on

energy bills and repairing or replacing equipment. In countries where electricity is not from renewable sources, reducing voltage can also cut carbon emissions.

In six years, the Vantaa store will have saved enough energy to pay back the EUR 120,000 cost of the unit. The payback period could be quicker in stores where energy consumption is greater and the cost of electricity is higher. The results of the pilot are being analysed and communicated across IKEA to encourage the installation of the units from FY15.

tion centres for analysis and informs our yearly goal setting for country operations.

Store managers now have a clearly defined role as they approve the action plans and necessary resources to meet the energy goals. Store operations managers also have energy management included in their job profiles.

**Changing co-worker behaviour is essential if we want to meet energy efficiency goals.**

Energy management is an integral part of the new sustainability training that has been rolled out in FY14.

IKEA Industry Group has been working to set up an energy management structure at all sites. Local energy teams were formed in FY14, and in FY15 an energy management system will be implemented at five pilot sites. Lessons from these pilots will help us develop the next phase of the roll-out.

ENERGY EFFICIENCY (% decrease against FY10 baseline*)	FY11	FY12	FY13	FY14	FY15 GOAL
Stores	4.1	7.1	9.6	15.1	20
Distribution centres	12.4	18.5	9.0	27.1	20
IKEA Industry Group Divisions Flatline and Solid Wood	7.5	14.0	10.3	17.2	20
IKEA Industry Group Division Board <i>Base year: FY11</i>	9.6	13.8	3.4	-1.6	20
IKEA Components <i>Base year: 2012</i>	-	-	-	25.9	20

\* Historical data (FY11-FY13) has been restated for all areas, due to changes in the methodology.



Corneliu Andreiev

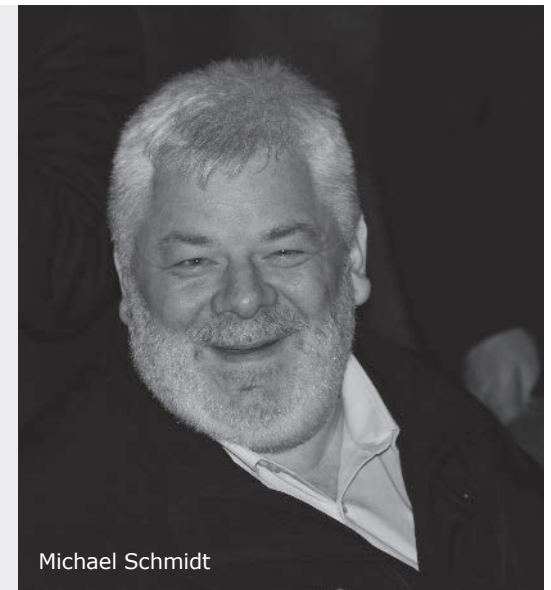
## How co-workers go the extra mile

Corneliu Andreiev, Maintenance Manager in IKEA Bucharest, Romania has tirelessly worked on making small changes that have a big impact on energy efficiency, such as weekly monitoring of the store’s energy consumption and optimising use of lighting, heating, cooling and ventilation to improve efficiency. He has also coached co-workers to be more aware of their energy use. The store was one of the least energy efficient of all IKEA stores, but he has helped to reduce energy consumption by around 30% since FY13. During FY16 he plans to cut energy consumption by half, compared with FY13, by installing better insulation and LED lights, and retrofit-

ting heating, cooling and ventilation equipment.

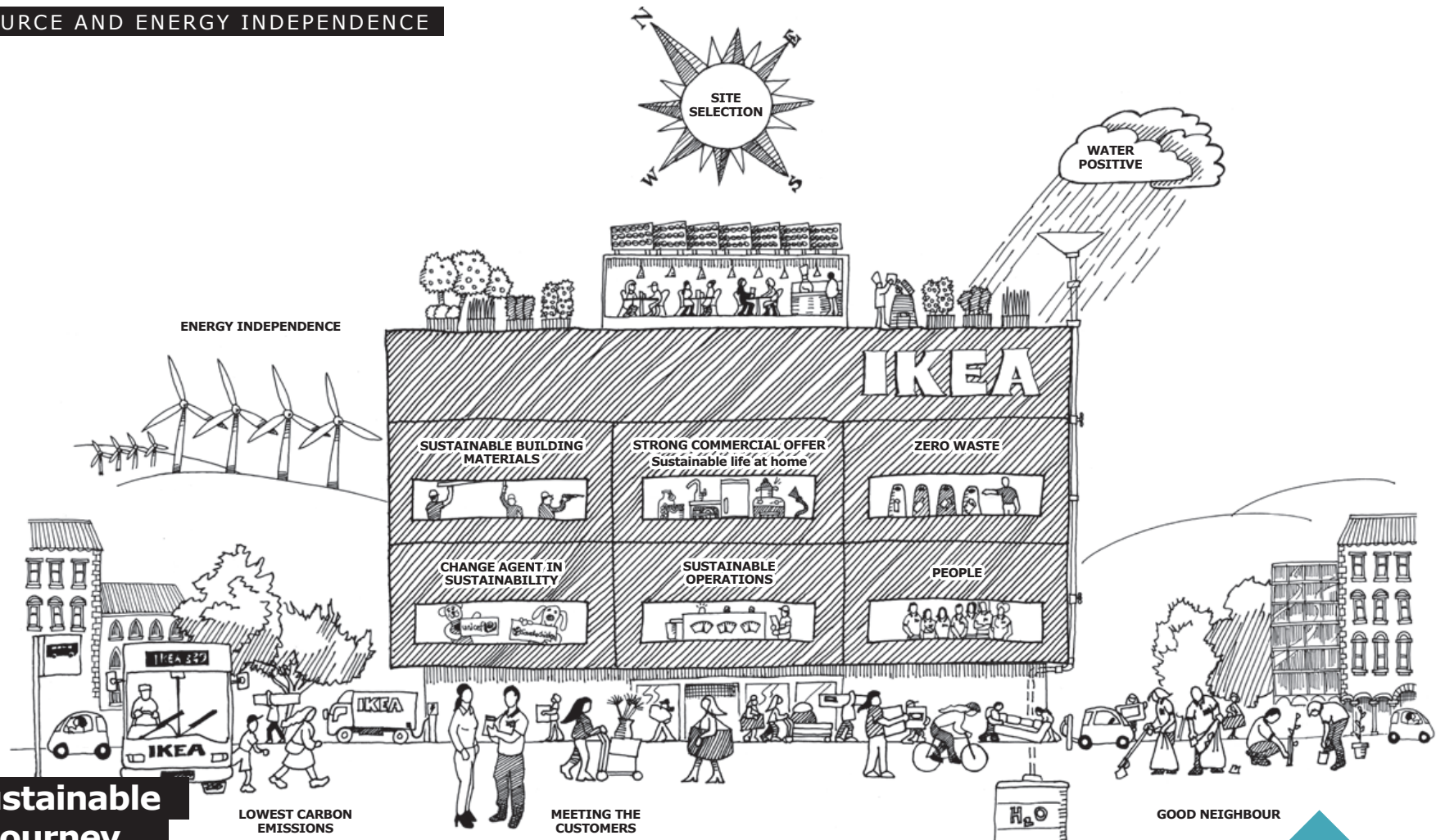
Michael Schmidt, Energy Specialist at IKEA Germany, has worked enthusiastically across the country throughout FY14 to improve energy efficiency. Each month he provides the stores with updates on their progress, shares best practices and uses his many years of experience to support their efforts. With help from Michael, the stores have reduced energy use across Germany by 11% in FY14, more than double the target.

For more on how we support our co-workers to play a role in making IKEA more sustainable, see page 21.



Michael Schmidt





## The Sustainable Store journey

We want to make all our stores more sustainable and we have been making progress to improve their location, design and efficiency.

But we want to go beyond efficiency and make our stores an important part of the lives of co-workers, customers and the community.

In FY13, we launched the Sustainable Store Project by bringing together co-

workers who are specialists in sustainable buildings, store operations, materials, architecture, working environment, urban living and mobility to take part in creative workshops. Working with sustainability experts, they established 12 principles for what a sustainable store should be like.

Our Kaarst store in Germany and Maebashi store in Japan, opening in FY16 and FY17 respectively, will aim to imple-

ment all 12 principles. Our ambition is to create stores that are relevant for the community and provide local people with a great place to be. We want to achieve this through beautiful store and landscape design, implementing sustainable practices at every stage of construction and throughout our operations. These stores will become hubs for customers to meet, have a great shopping experience and

learn how to live a more sustainable life at home. Inspiring our co-workers will be essential to achieving this vision. We will share our progress towards achieving our vision in FY15.

We have already started following some of the 12 principles in new stores:



**ALTONA STORE, HAMBURG, GERMANY: OPENED FY14**

As our first city-centre location – in a pedestrian zone – Altona is unlike most IKEA stores.

Arranged over seven levels, windows let in natural light and cars park on the top four levels. Most customers travel on foot and by public transport.

Despite having a sales area of 18,000 m<sup>2</sup> – 20% smaller than other IKEA stores in the Hamburg area – it will stock the full IKEA range.

Customers can rent cargo bikes, wagons and

bike trailers for free if they return them within three hours, so larger furniture items can be taken home without the need of a car or van. A bike courier service costs between EUR 9.90 and EUR 19.90, depending on the distance from the store.

The store has required a bigger investment but it is an exciting experiment that will help us develop a blueprint for more sustainable stores.



**ZAGREB STORE, CROATIA: OPENED FY14**

‘Assembling dreams together’ – this is the motto for the Zagreb store project, our first in Croatia.

Sorting waste and recycling are not the norm in Croatia. Also, it can take significant time and effort to install photovoltaic panels and geothermal heating systems.

But with state-of-the-art waste management equipment, including cardboard balers, the store aims to be landfill-free and lead on sustainability among local retailers.

Through a mattress take-back service and strong communications about living a more sustainable life at home, customers will be encouraged to think and behave differently about waste, recycling and resource efficiency. This aims to help them save money and reduce their carbon footprint.

**PISA STORE, ITALY: OPENED FY14**

Energy efficiency is at the heart of the store.

Installing LED lights at the store has the potential to reduce consumption by up to 60% compared with traditional lighting.

The photovoltaic plant, the biggest roof array in IKEA Italia Retail, has a peak capacity of 690 kW and generates around 20% of the store’s electricity.

Hot water is produced from heat recovered by heat pumps in the spring, summer and autumn.

In addition to recovering rain-water and sorting food, cardboard, wood, plastic film and metal waste, the store has facilities to make customer travel more sustainable through a free shuttle bus, two electric vehicle charging posts and plans to become part of the municipal bike sharing network.





### Investing in renewable energy

We are working hard to meet our goal of energy independence. By the end of 2015, we aim to have invested and committed to invest EUR 1.5 billion in renewable energy projects, mainly offsite wind farms and photovoltaic (PV) panels installed on our buildings. We have already committed to own and operate 224 wind turbines and have installed 700,000 solar panels on our buildings.

We contribute to the development of renewable energy by:

- Investing in our own power generation equipment, including offsite wind turbines, on-site biomass boilers and on-site solar panels. This helps us work towards becoming energy independent.
- Purchasing renewable electricity to supply our stores and other buildings (not included as part of our energy independence goals).

We use geothermal equipment to heat and cool some of our buildings. While this is renewable energy generation, it is not included in our renewable energy goals because it represents a small proportion of our overall production and it is difficult to measure output.

***By 2020, we plan to produce as much renewable energy as all of the energy we consume.***

Our investment in energy independence makes good business sense. Being more energy efficient and producing renewable energy enables us to reduce costs and makes us more resilient by protecting us from fluctuating energy prices.

Where possible, we use the energy produced by our wind turbines and solar panels to power our buildings, but in most cases the electricity is sold to the grid. This is because in some countries, national regulations and the set-up of electricity grids prevent us from directly using the energy we produce. By purchasing renewable electricity, we can also indirectly contribute to more availability by helping to increase demand.

In FY14, we produced 1,810 GWh of renewable energy, a 27% increase compared with FY13 and equivalent to 42% of our total energy consumption. That is five percentage points more than in FY13 (37%), despite the growth of our business which caused energy use to increase by 11% in FY14 compared with FY13 (from 3,890 GWh to 4,333 GWh).

We are taking steps to make sure that the renewable energy we buy is in line with the World Resources Institute's guidance on accounting for greenhouse gas emission reductions through the purchase

RENEWABLE ENERGY PRODUCED BY TYPE	FY12	FY13	FY14
Wind (GWh)	290	298	410
Solar PV (GWh)	29	68	90
Biomass (GWh)	899	1,059	1,310
<b>Total (GWh)</b>	<b>1,218</b>	<b>1,425</b>	<b>1,810</b>
<b>Percentage of total energy consumption (%)</b>	<b>34%</b>	<b>37%</b>	<b>42%</b>

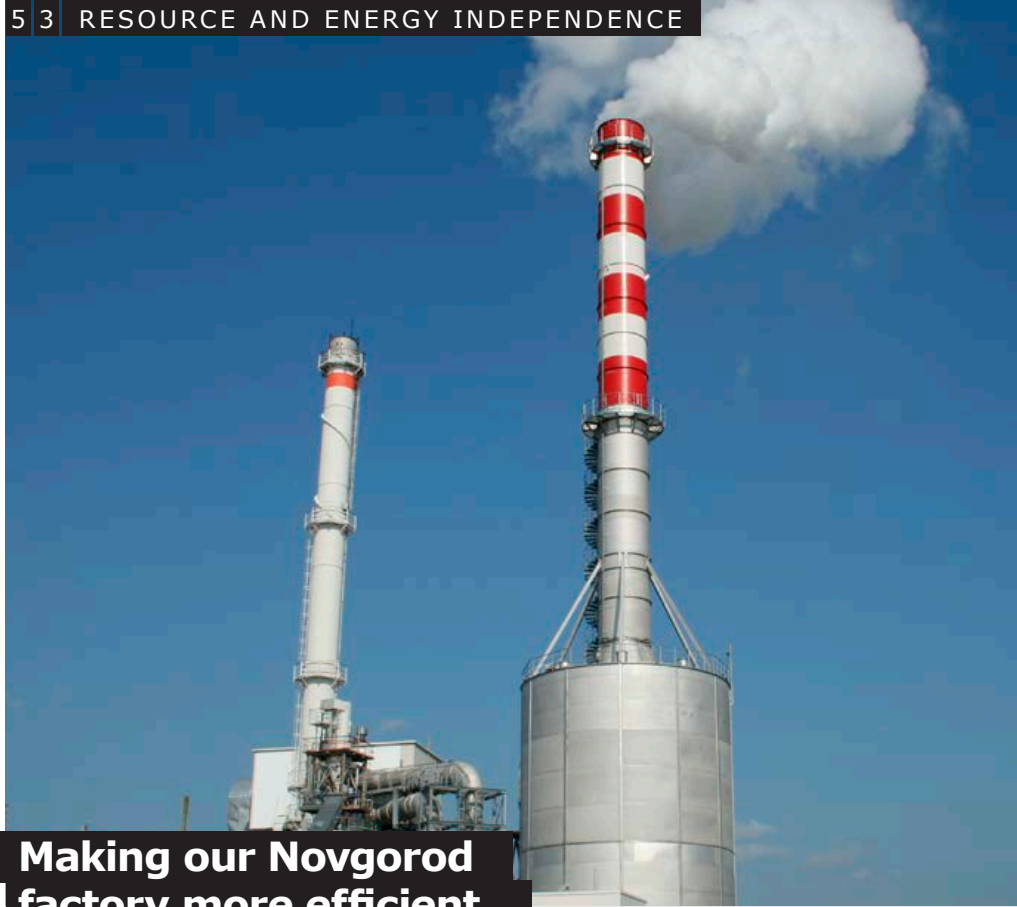
RENEWABLE ENERGY (purchased electricity and on-site generation) AS % OF TOTAL CONSUMPTION*	FY10	FY11	FY12	FY13	FY14
Stores	35	41	48	50	53
Distribution centres	34	39	51	54	66
IKEA Industry	60	61	63	61	63
IKEA Components	-	-	-	49	42
<b>Total</b>	<b>47</b>	<b>51</b>	<b>56</b>	<b>56</b>	<b>59</b>

of renewable energy. These include adding quality criteria for purchased renewable energy to our energy purchasing guidelines. In FY14, we purchased 1,150 GWh of renewable energy from the grid.

More than 63% of the energy used by IKEA Industry is from renewable sources, including 80% of its heat energy. Heat energy is used for drying wood flakes for producing particle boards and planks for making wood furniture. In FY14, we converted to using biomass boilers at wood board production sites in Slovakia and Sweden.

The IKEA Industry facility in Esipovo, Russia, now gets around 30% of its energy from a biomass boiler located in the next

door IKEA distribution centre. In FY14, IKEA Industry Divisions Flatline and Solid Wood produced 796,800 MWh worth of waste wood pellets and briquettes, which were sold to others.



## Making our Novgorod factory more efficient

Most IKEA Industry sites use boilers fuelled by wood by-products from operations. In 2013, we acquired a new factory in Novgorod, Russia, fitted with a gas boiler. The site's wood by-products were sent to landfill as waste.

The low cost of gas in Russia meant that an investment to convert the boiler to burn wood (biomass) would not meet our required eight-year payback period.

Despite this, we decided to go ahead because the gas boiler added

significantly to our carbon footprint and throwing away wood as waste was inefficient and against our sustainability principles. In FY14, we began engineering works to install an 80 MW biomass boiler, which will be running in the second half of 2016. This will result in a 75% reduction in the carbon footprint of the factory, and a 30% reduction across Division Board.

The decision is in line with our goal for IKEA Industry to be carbon neutral and to build a business that is resource and energy independent.



## New renewable energy projects

"People talk about renewable energy as 'alternative', but that does it a disservice," says Steve Howard, Chief Sustainability Officer at IKEA Group. "It's just sensible, mainstream energy." We have invested in many solar and wind projects to get closer to being energy independent.

In FY14 we made further investments – our biggest so far is the commitment to purchase the Hoopeston wind farm in Illinois, USA. Once it is running in early 2015, Hoopeston will generate the equivalent of 165% of the electricity consumed by the whole of IKEA USA each year.

In a similar project in Alberta, Canada, we have committed to purchase a 46 MW wind farm which will generate more than twice the total energy used by IKEA Canada.

Projects we worked on in FY14 include:

- Our new wind farm in Dalarna, Sweden, consisting of seven 120 m high turbines capable of producing enough electricity to power 16,000 Swedish homes
- Our new 1 MW solar system on a store roof in Australia is the largest of its kind in the country
- We have PV installations in 20 states in the USA and at 90% of our sites there, and are one of the top five national solar-generating companies. Our distribution centre in Perryville, USA, recently almost doubled the size of its solar array to give an output of 4.6 MW.



### Transport

Around 7.5% of our total carbon footprint is from customer and co-worker travel and 3.2% is from transporting our products.

#### Product transport

We sell millions of products in countries around the world every day – so our service providers need to move products efficiently from suppliers to distribution centres and on to stores, or direct from suppliers to stores, by rail, road and sea.

Efficiency is essential to the IKEA business idea, and this is reflected in the way we design our product range and shipments to minimise the number of journeys and distances travelled. Packaging and the way products are packed into vehicles

can have a big impact on the efficiency of transport because the more products we can fit into a container, the fewer journeys we need to make. This lowers our costs and our CO<sub>2</sub> emissions.

In FY14, we reduced CO<sub>2</sub> emissions per cubic metre of products transported by 12.8% compared to FY11, taking us closer to our target of 20% by FY16. This is a 2% improvement on FY13, short of our goal of 3.5%. The main reason we did not meet our annual goal was a decrease in the utilisation rate (cubic metres of products per shipment) in some regions. We are looking for ways to improve by focusing on:

- Reducing the number of shipments by improving our ordering process, equipment, packaging and net cubic metres of transported goods per shipment



### New trucks reducing delivery emissions

Moving our products to and from IKEA stores contributes to our local emissions. Changing transport methods and fuels is a way to reduce this pollution.

All local customer deliveries from our Kungens Kurva store in Stockholm, Sweden – around 36,000 a year – are made by trucks run on biogas made from waste. Biogas can be made from almost any organic material, such as agricultural and forestry waste. Using it can result in CO<sub>2</sub> savings of more than 25% and completely prevent sulphur dioxide and particulate emissions.

We are working closely with carefully selected partners who provide us with a reliable source of pure biogas and efficient vehicles which run on it. We want to create a strong infrastructure for our roll-out of these delivery trucks, and encourage more companies and customers to use them too.

Together with our suppliers, we are investigating the possibility of installing public biogas refuelling stations. In southern Europe, we are replacing conventional fuels in long-haul trucks and using compressed or liquefied natural gas (CNG and LNG) instead. Compared with regular diesel trucks, the initial investment in these models is around 25% more, but they are quieter and produce fewer emissions.

In Spain, all the trucks that replenish stock in our Valencia store use CNG and LNG, and by spring 2015, all the trucks we use to transport goods in the Piacenza area of Italy will be fuelled by LNG. We are planning to extend the use of CNG and LNG across Europe, including in Italy, the Netherlands, Portugal and Spain. We are already using LNG for transporting products in China and will continue to expand this into other parts of Asia and North America.

#### TRANSPORT OF PRODUCTS

	FY12	FY13	FY14	GOAL 2016
Increase in cubic metres of products per shipment (m <sup>3</sup> /shipment) compared with the previous year	2.5%	1.7%	1.5%	-
Reduction in CO <sub>2</sub> per cubic metre of products transported (CO <sub>2</sub> grams/m <sup>3</sup> ) compared with FY11	7.3%	10.8%	12.8%	20%
% of products delivered directly from supplier to stores	56	60	58	-

	FY10	FY11	FY12	FY13	FY14
Filling rate for transport of products (%)	63	64	62	62	64
Net cubic metres of transported goods per shipment	-	-	-	-	55.4*

\* In FY15, the m<sup>3</sup>/shipment KPI will replace the filling rate.

## Streamlining our services for customers

We want everyone to be able to buy our products whenever, wherever and however they want. Our aim is to ensure it is convenient for customers to shop online or travel to our stores on public transport and have their purchases delivered to their homes by efficient, low-emissions vehicles. To make this a reality, our delivery services must be easy to use, flexible and affordable.

We have some way to go. Our research shows that our customers love our stores, catalogue and products, but they want us to do better on home delivery and services (such as assem-

bly and installation).

That is why we decided to change how we manage home delivery transport and associated services. We are currently creating new distribution and supplier structures, and updating our IT systems, so that we have a consistent approach to all the transport services we offer, including home delivery. By making our transport services more efficient, with shorter delivery times, fewer mistakes and items going missing and greater choice, we will make our customers happier while cutting the number of journeys and reducing CO<sub>2</sub> emissions.

- Increasing the use of rail, barge and sea and moving away from road transport, which produces higher CO<sub>2</sub> emissions
- Working with our transport suppliers to explore ideas and test innovations that can reduce CO<sub>2</sub> emissions, such as more efficient vehicles and more sustainable fuels

- Developing common methodologies for measuring and reducing CO<sub>2</sub> and other transport emissions, formulating approaches to public policy, the use of alternative fuels and fuel consumption in partnership with Green Freight Europe, Green Freight Asia and the Clean Cargo Working Group from BSR, a sustainable business membership organisation.

We increased the volumes per shipment by 1.5% in FY14, compared with FY13, and our filling rate increased to 64%. We are replacing 'filling rate' with a new key performance indicator (KPI) that measures the net cubic metres of transported goods per shipment, which was 55.4 m<sup>3</sup> in FY14. We switched from conventional containers to high containers with extra volume, which caused the filling rate to decrease in some cases, despite having more products per shipment. The new KPI better reflects the efficiency of our transport because it is not affected by the type of equipment we are using to transport our goods.

In April 2014, the roll-out and implementation of IWAY 5.1, our supplier Code of Conduct, was complete and all transport suppliers must now meet its requirements. Because national engine emissions standards vary, we adapted our road transport guidelines. Only trucks that fulfil the national engine emissions standards may be used. In countries where no engine emission standards exist, trucks must be no older than 10 years. For smaller trucks (weighing up to 3.5 tonnes) that are used

for deliveries, often in towns and cities, to customer homes or pick-up points, we have a maximum vehicle age of five years. This is because driving in urban areas is less fuel efficient than outside cities.

In our warehouses, we use shunting trucks to move shipping containers and trailers, and forklift trucks to move products. They account for around 10% of CO<sub>2</sub> emissions from distribution centres. We have been exploring alternative technologies that produce fewer harmful emissions, such as hydrogen fuel cells for forklift trucks and electric shunting trucks to test whether they could replace vehicles using conventional fuels.

---

***To help us accelerate reductions of CO<sub>2</sub> emissions from the transportation of our products, we are working on a strategy for reducing and replacing fossil fuels.***

---

In FY15, we will involve external stakeholders, such as NGOs, policymakers and suppliers who will challenge and inspire us to be ambitious.

Our home delivery service is becoming more important to our business, especially as customer travel habits and expectations of us change (see page 57 for more on customer travel).

In FY14, IKEA Transport became IKEA Transport and Services because our transport operations need to reflect the increasing demand for home delivery and assembly and installation services. Bring-



ing all our product transport and service requirements into one organisation makes us more efficient (see feature on page 55).

**Co-workers’ meetings and travel**

Simplicity, efficiency, safety, sustainability, cost-consciousness and common sense are the guiding principles for the way our co-workers meet and travel. We avoid unnecessary trips and meetings to protect the well-being and life balance of our co-workers, and to reduce our impact on the environment. We have invested in 134 video meeting facilities, which have been installed at IKEA sites worldwide to support our ‘green meetings’ approach for face-to-face and virtual meetings. In FY14, virtual meetings – web and phone – increased by 26%. We reduced our business travel costs relative to sales by 29% in FY14 (37% in FY13), compared with the FY07 baseline. We did not reduce travel costs at the same rate as FY13 because of business growth, and we aim to con-

tinue to reduce travel where possible. But sometimes travel is necessary and we ensure that our booking tools, information available on IKEA Inside (our co-worker intranet) and travel companies help co-workers select the most sustainable options for transport, accommodation and meetings. Public transport is always the first choice.

We have reduced the number of travel management suppliers we work with, so that we can be more efficient, and can work more closely together to make the right sustainable travel decisions.

We have implemented an improved system for gathering and reporting travel data. This will enable us to understand costs, travel patterns, booking behaviour and policy compliance better and identify how to improve our approach to travel. For example, it will help us weigh up the benefits and costs of rail over air travel and support us to expand the use of bio-fuel rental cars.



**Inspiring co-workers to change their commuting habits**

It is not just our customers who need to access IKEA stores – co-workers around the world make thousands of journeys to and from work every day. We want to encourage our co-workers to travel in the most sustainable way possible. Alternative forms of transport are good for the planet and they often provide health benefits too.

Across Distribution Services (DS) in Central Europe, we regularly hold co-worker mobility campaigns between June and August. Co-workers who travel to work using bicycles, public transport or car sharing earn a donation for every kilometre travelled, which goes towards local charities running mobility projects.

As part of the campaign, we made electric bikes available to co-workers in Itingen, Switzerland to encourage them to cycle to and from work. This was particularly good for co-workers who would not normally cycle because the distance between home and work is too far to cycle on a conventional bike. There was a prize for the co-worker who travelled the furthest using either an electric or conventional bike, or another alternative mode of transport. Around 300 co-workers across DS Central Europe participated, raising around EUR 5,000 for charity.

See more about how we engage and inspire our co-workers on page 73.

BUSINESS TRAVEL	FY09	FY10	FY11	FY12	FY13	FY14
Number of web and phone meetings	52,000	82,434	104,920	146,015	189,416	235,121
Number of hours of video meetings	-	760	2,800	6,900	12,407	19,081
Business travel expend. index (travel costs in relation to sales: FY07 = 100)	69	67	66	72	63	71
IKEA sites with video meeting facilities	-	-	70	110	130	134

## Plugging in to electric transport

We want to enable our customers to live more sustainable lives, and this journey should begin at our stores.

"By 2020, we expect far more of our customers will travel to and from our stores using electric vehicles and car sharing. We are encouraging them to make this change now, and investing in the infrastructure to help make it happen," says Radek Pazour, Global Customer Relations Manager, IKEA Group.

We have installed charging points in 18 countries and all of our largest markets. Over 25% of our stores now have charging points. We continue to roll this technology out across other markets.

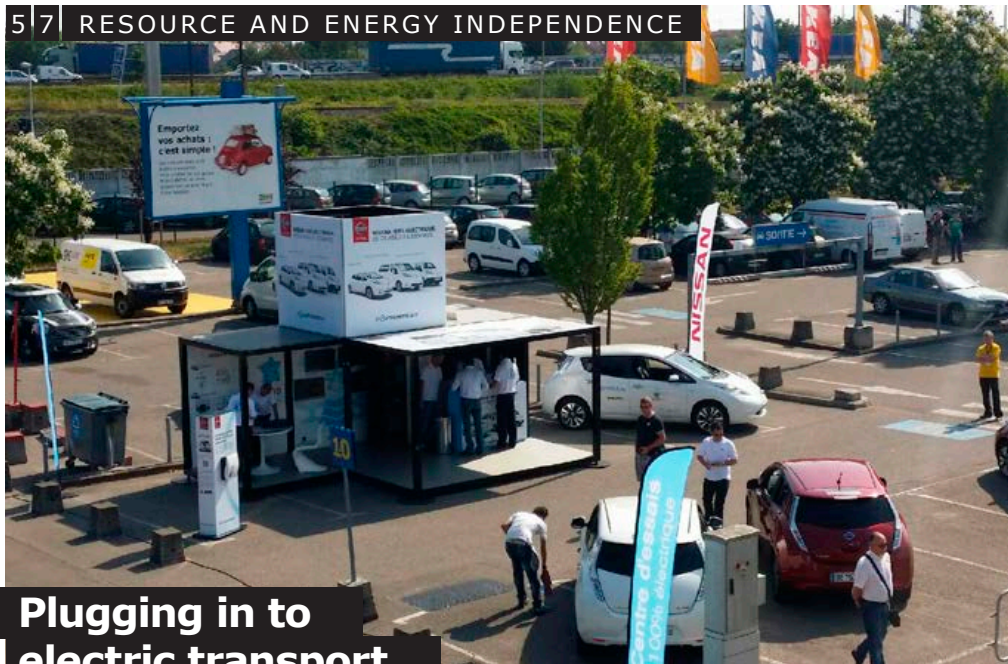
During FY14, we became the first UK retailer to offer rapid electric vehicle charging points at all stores. We are partnering with Nissan, which provides the charge points, and with green energy provider Ecotricity,

which supplies the electricity. Customers can recharge their electric vehicles (EVs) for free while they shop – plug in for just 30 minutes to go from empty to 80% charged.

Within six months, the IKEA Leeds store became the sixth most used of all charging points in the UK.

In France, we rolled out a fast charging network across all our stores, in partnership with Nissan. We held events across the country that gave customers a fun introduction to electric vehicles, including opportunities to learn more about alternative mobility and even take a test run in an electric car.

We installed charging points at many stores during FY14, including at our Atlanta store in the USA, Klagenfurt store in Austria, Poznań store in Poland, Zagreb store in Croatia and nine stores in Italy.



### Customer travel

Most of our stores are located outside town centres, so travel is often part of the experience of visiting IKEA. We want the millions of customers who visit our stores every year to be able to travel easily and cost-effectively, without affecting local communities or harming the environment.

Car ownership is declining in some countries, but currently most customers travel by car – this contributes to traffic congestion and air emissions, and it can also be expensive because of rising fuel prices.

**Over 90% of our stores are accessible by public transport and this is a must for any new store.**

We encourage customers to use the service by providing free shuttle buses between public transport hubs, offering

affordable home delivery and publicising public transport information, such as bus and train timetables. Our first city-centre store is in a pedestrian shopping area in Hamburg and around 80% of our visitors and customers travel to the store without a car, by walking or using public transport (see page 51).

In Poland, we are encouraging customers to cycle to our stores by offering free bicycle maintenance facilities, such as repair tools and pumps. We currently offer this at three stores and plan to roll out to more in FY15.

We are encouraging newer ways to travel, such as car sharing, including electric car pools. Over a quarter of our stores now offer charging stations for electric vehicles. In Paris, customers will be able to rent an electric van or book zero emission home delivery from autumn FY15.



WATER USE BY IKEA UNIT (m³)	FY10	FY11	FY12	FY13	FY14
Stores	3,927,551	4,438,075	4,608,175	4,775,309*	4,853,478
Distribution centres	265,524	228,772	223,292	224,430	197,953
IKEA Industry	766,373	1,014,603	1,315,821	1,280,350	1,468,498
IKEA Components	-	-	-	4,830	4,711
<b>Total</b>	<b>4,959,448</b>	<b>5,681,450</b>	<b>6,147,288</b>	<b>6,284,919</b>	<b>6,524,640</b>

\* Data for stores in FY13 restated from FY13 report (3,853,637) as it was not complete

### Water in our operations

We use an estimated 770 million m³ of water per year in our own operations and across our extended supply chain. The methods we use to understand our water use and risks helps us to identify the locations and materials that have the biggest water impact. Most water impact is from sub-suppliers who produce raw materials, such as cotton, and from processing sites like dyeing mills. You can read more about how we support cotton suppliers to manage water on page 31. Read about how we are working with our direct suppliers to reduce their water impact and energy use on page 62.

In FY14, IKEA buildings used 6,254,640 m³ of water, 3.8% more than in FY13. We have restated our FY13 data to include all stores, and we have worked to improve the data collection process during FY14.

**We are working on reducing water use and impact in our retail operations, particularly in waterstressed regions.**

For example, we have installed a membrane bioreactor treatment plant which can clean wastewater at our new store in Pisa, Italy. The treated water can be re-used for in-store bathrooms and for irrigation. We estimate the treatment plant will halve the store’s water use.

At IKEA Industry Group, we are reusing and recycling the water we use during manufacturing and returning some of the storm water to the local water cycle. Our water use increased by 14.7% in FY14. The greatest increase was in IKEA Industry Group Division Solid Wood, where we have invested in new sites and upgrades of facilities at existing sites. For example,

we reconstructed the reservoirs at one of our largest sites to increase its capacity for water harvesting and reuse. But this meant that we could not reuse water at that site during the installation. At another site we installed a wet electrostatic precipitator (WESP) emission filter, which uses water vapour to filter out gases from production and reduce emissions. We plan to adapt it to reuse water. All sites are working on specific strategies to move towards being water positive by 2020.

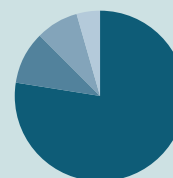
Read more about our water positive strategy on page 35.

### Waste

Our long-term aim is to send no waste to landfill. We set a target of recycling or recovering energy from 90% of our waste by August 2020. The original deadline was the end of FY15, but we adjusted it because although we were very close to achieving our goal, some countries outside Europe do not have the recycling infrastructure needed for us to reach our target within this timeframe.

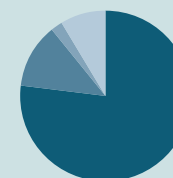
In FY14 we introduced an even more ambitious target – 80% of the waste from stores and distribution centres and 90% of

WASTE PRODUCED IN FY14 (%)



- Stores 77.5%
- IKEA Industry 10.0%
- Distribution centres 8.2%
- IKEA Components 4.3%

HOW WASTE IS DISPOSED OF IN FY14 (%)



- Share of total waste recycled 77.2%
- Share of total waste incinerated for energy recovery 12.1%
- Share of total waste incinerated without energy generation\* 2.1%
- Share of total waste to landfill 8.6%

\* Includes small amount sent to aerobic and anaerobic digestion. Figures not available to report separately.

HOW WASTE IS DISPOSED OF IN FY14 (%)	Recycled	Incinerated for energy recovery	Sent to land fill	Incinerated without energy recovery
Stores	77	13	8	2
Distribution Services	81	11	3	5
IKEA Industry Group	66	11	23	0
IKEA Components	100	0	0	0

waste from IKEA Industry that is not sent to landfill must be material recycled, not incinerated or used for energy recovery, by August 2020.

This will be very challenging in some countries, but with more time, we aim to support the development of the necessary facilities and processes in these countries. Because most of our waste is generated in stores, we have added a new target – to reduce waste from our store operations by 10% compared with FY13.

**As a minimum, all stores sort materials such as cardboard, glass, metal, paper, plastic and wood for recycling, and many have implemented new initiatives to increase recycling.**

In FY14, 90% of all waste at our stores was sent for recycling or energy recovery. Because a big proportion of our waste is from packaging, we are working on ways to reduce the amount of packaging we use to transport products to stores and customers (see page 54 for more on product transport). Two-thirds of our stores have compacting machines for processing cardboard, which makes up a big proportion of our product transport packaging. By installing balers – machines that compress the materials more efficiently – we can reduce the number of journeys needed to remove the material from stores by 80%, increase the amount we can earn for the

waste material, and make it easier for it to be recycled. Where possible, we find ways to reuse it to make our products. This is good for the environment and reduces costs.

**Performance in FY14**

In FY14, we generated 477,714 tonnes of waste, 13% more than in FY13. Our material recycled rate was 77.2%, and 12.1% was incinerated for energy recovery. This is a total of 89.3%, compared to 88.1% in FY13. This is the first year that we have reported the recycling and energy recovery rates separately (see table for breakdown

by business units).

In the majority of countries where we have stores, food waste from customer restaurants and co-worker canteens is sorted for composting or sent to a third party to convert it into biogas that can be used as fuel for cars and buses, or as animal feed. But this still leaves some countries where food waste is sent to landfill because they do not have the necessary infrastructure.

IKEA Industry Group produced 6.2% less waste in Divisions Flatline and Solid wood (measured in kg of waste/m<sup>2</sup> product produced) and 13.8% less in Division Board (measured in kg waste/m<sup>3</sup> board-produced). Overall, IKEA Industry Group

WASTE RECYCLING RATE (% total amount waste recycled or energy recovered) <sup>1</sup>	FY10	FY11	FY12	FY13	FY14
Stores	84	86	88	89	90
Distribution centres	91	90	94	95	92
IKEA Industry <sup>2</sup>	-	-	-	79	77
IKEA Components	-	-	-	98	100
<b>Total</b>	<b>82</b>	<b>85</b>	<b>86</b>	<b>88</b>	<b>89</b>

WASTE PRODUCED, TONNES <sup>3</sup>	FY10	FY11	FY12	FY13	FY14
Stores	279,778	307,877	335,167	338,463	370,040
Distribution centres	34,369	41,758	41,933	39,428	39,196
IKEA Industry <sup>4</sup>	41,191	50,798	48,146	43,054	47,983
IKEA Components	-	-	-	1,391	20,495
<b>Total</b>	<b>355,338</b>	<b>400,433</b>	<b>425,246</b>	<b>422,336</b>	<b>477,714</b>

<sup>1</sup> Excludes waste wood used for energy recovery or reused in products. <sup>2</sup> Figures restated from FY13 due to changes in the methodology used in Division Board, and the integration of Division Board and Divisions Flatline and Solid wood (formerly Swedspan and Swedwood). <sup>3</sup> Excludes waste wood used for energy recovery or reused in products. <sup>4</sup> Figures restated from FY13 due to changes in the methodology used in Division Board, and the integration of Division Board and Divisions Flatline and Solid wood (formerly Swedspan and Swedwood).

**CONVERTING TO A CIRCULAR ECONOMY**

IKEA is a part of the Circular Economy 100 (CE100), a global platform established by the Ellen MacArthur Foundation to bring together companies and innovators from around the world with a single goal: to speed up the transition to a circular economy.

The idea is to move beyond the traditional linear 'take, make, dispose' model, and to create an economy which mimics renewal cycles of the natural world. A circular economy relies more on renewable energy, minimises chemical use and eradicates waste.

Being part of the CE100 allows us to build on our existing partnerships and learn from our peers. We are a member of the working group on fabric and textiles alongside companies like Aquafil, H&M and M&S. We meet regularly and collaborate to develop new opportunities for closing the loop in our operations. Key facts about the CE100:

- Number of participants: around 50 (goal is 100)
- Key stakeholders: corporations, emerging innovators and regions/governments
- Focus areas: insight, innovation and education
- Benefits: collective problem solving and capability building
- Outcomes: financial gain, resilience, growth, innovation and job creation.

Read about how we are developing products made from recycled and renewable materials on page 37.





## Giving Belgian furniture a second life

Half of our Belgian customers buying new furniture either leave their old items at home to collect dust or take them to a waste collection site. More than 40% have not considered other, more sustainable options for what happens to their unwanted items. Old furniture takes up space and is a missed opportunity to save money and material.

We did some research to understand how we can make it easy for IKEA customers in Belgium to reuse and recycle our products and live as sustainably and affordably as possible. The people we talked to came up with five ideas, which are now being implemented in stores across Belgium:

- Sell it. Customers can return their furniture in good condition to an IKEA store, where they get a

voucher and we resell the product.

- Donate it. Social enterprises that support vulnerable people come to our stores weekly to collect second-hand items to sell on.
- Renew it. We run workshops for IKEA FAMILY members where they can learn how to renew or update their furniture for different uses.
- Fix it. Spare parts for furniture and appliances are available online and in-store.
- Give it back. For a small fee, customers can give back appliances, mattresses and sofas when they receive a replacement by home delivery.

The old items are then donated or recycled. See page 11 for more on how we are supporting customers to live a more sustainable life at home.

recycled and recovered energy from 76.9% of their waste.

In FY14, we launched a new waste management guideline and reporting system that will give us data to track performance and identify areas that need to be improved so that we can meet our targets. We also launched Recovery Direction FY14-16, a strategy for preventing unnecessary costs due to damaged packaging and products, and increasing our revenue and reducing waste by giving our products a second chance.

- New KPIs for recovery introduced in FY14 better support stores to take proactive, preventative measures to avoid unnecessary waste.
- We have been installing repacking machines in 190 existing stores since FY12 and they are available in all new stores. We use spare parts to repair products as well as repackaging them. In FY14, we repaired or repackaged 26% of the damaged items that were returned by customers, or damaged during transport or in-store. By FY16 we aim to repackage and sell 30% which will generate around EUR 7.5 million in additional revenue.
- Customers can return unwanted IKEA furniture to our stores to be sold again or donated to charity. This is available in Belgium, France and the UK, and at some stores in other countries. In the UK, customers pay a non-profit fee for items to be collected when IKEA delivers new ones. IKEA then donates the old items to charities who give the

furniture to families in need. We believe that giving furniture a second life is the right thing to do. But all furniture we sell or give away must be safe to use and we are developing global guidelines to support stores in every country to offer used furniture without compromising the safety of customers. The guidelines will be completed in FY15, ready for roll-out to countries in FY16.

In the Netherlands and Norway, stores are collecting unwanted textiles. During the first six months of the project, six stores in the two countries collected over 11,000 kilograms of textiles. These are currently donated to independent clothing collection charities for reuse and recycling. We are exploring the possibility of using these textiles to make products to be sold at IKEA stores, and ways to involve our customers in the design process. The project is being rolled out across all six stores in Norway, and 13 in the Netherlands.

---

**Customers can recycle light bulbs and appliances when they visit our stores. The items are collected by specialists.**

---

Read more about how we are enabling customers to reduce waste at home on page 18.

Read more about how we are reusing waste materials in our products on page 38.

### **Putting waste wood to good use at IKEA Industry**

IKEA Industry makes products and product parts for IKEA, including solid wood, flatline and board for our furniture.

In FY14, 922,304 tonnes of waste wood were produced by IKEA Industry Group, of which around 2% went to landfill. The rest was reused internally or sent for energy recovery. We reuse the waste to make new wood boards or sell it on as a raw material wherever possible. Waste that is not suitable for reuse is made into pellets or briquettes that can be used as a renewable fuel by other companies.

### **IKEA Industry chemical management**

We take great care to manage potentially harmful chemicals used at IKEA Industry and we look for alternatives wherever possible. We always comply with legislation and we take the risk of co-worker exposure to chemicals particularly seriously. In some countries, classification of how chemicals can harm people or the environment and exposure limits are not controlled by law. But we aim to improve standards in our factories in these countries by applying the same classification and exposure limits in all IKEA Industry sites and ensuring the safety and decent working conditions of all co-workers.

When there is no alternative to using potentially harmful chemicals, we take extra safety precautions and have strict standards governing their use. For example, exposure to high levels of formalde-

hyde can be toxic. Therefore we work to ensure that the amount of formaldehyde used as glue component in our wood-based panels is as low as possible. To ensure the safety of our suppliers, co-workers and customers, we work within one third of the emissions limits permitted by the EU, and we require our home furnishing suppliers to work within one half of these emissions limits.

We carefully monitor air emissions of formaldehyde from our board factories to ensure they are below our strict limit (max. 10 mg/m<sup>3</sup>, or 50% German TA Luft (German Clean Air Ordinance) air limit of 20 mg/m<sup>3</sup>). We respond to changes in legislation quickly to ensure we are always in compliance.

Our new factory in Novgorod, Russia is fully compliant with our air emission standards. Although not required by Russian law, we installed a new wet electrostatic precipitator (WESP) emission filter during FY14 to keep the factory in line with the same internal emission standard as in the EU units.

See page 41 for more on how we use chemicals in our products.



## **Getting the most from waste wood**

Using recycled material is a great way to be more sustainable, but finding clean materials can be hard. In Lure, a small town in eastern France, IKEA Industry buys crushed recycled wood from a waste recycling site to make wooden boards. Unfortunately, glass, metal, plastics and stones are often hidden in the mix and at first, we had to throw away almost 100kg for every ton of material we were buying.

A team of co-workers investigated

ways to change this by improving existing machines and investing in new equipment. For example, magnets are used to extract metals and the remaining contaminants are separated and then either recycled or burned for energy recovery.

In FY14, after three years, the volume of materials sent to landfill has been cut to zero. Now, the 485,000 m<sup>3</sup> of particle board made at IKEA Industry Lure each year contains 55% recycled wood.



## Energy and water in our supply chain



We have **1,002** home furnishing suppliers and we work with them to reduce their use of energy and water. This effort contributes greatly to achieving our overall environmental objectives, while saving money for our customers, suppliers and the business.

### Supplier Sustainability Index

Our Supplier Sustainability Index enables us to measure the sustainability perfor-

mance of our home furnishings suppliers, and plan improvements together. The Index scores feed into the Product Sustainability Scorecard (see page 38) – a tool for improving the sustainability of our products.

The Index covers energy management and energy-efficient production, renewable energy and raw materials efficiency. Supplier scores are weighted to reflect

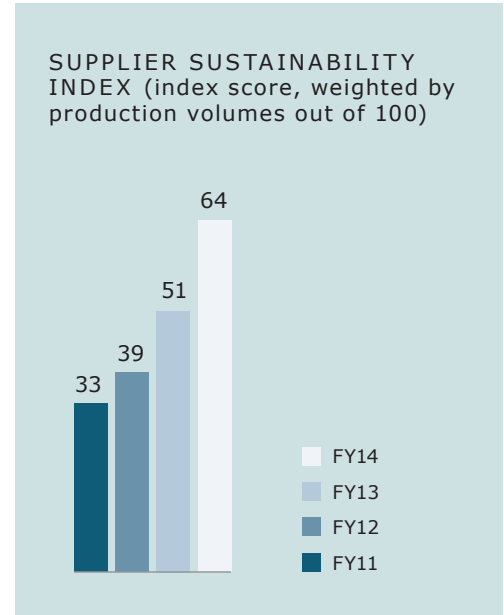
PEOPLE & PLANET POSITIVE TARGETS	PERFORMANCE in FY14
Encourage and enable our direct suppliers to become 20% more energy efficient by August 2017, compared to FY12. Defined as total energy consumed/m <sup>3</sup> of goods.	We achieved a 19% increase in energy efficiency at tier 1 home furnishing suppliers compared with FY12.
By August 2015, reduce carbon emissions of our suppliers by 20%, compared to FY12. In relative terms, measured by CO <sub>2</sub> /m <sup>3</sup> goods purchased	We achieved an 11% reduction in carbon emissions from tier 1 home furnishing suppliers compared with FY12.

production volumes and then combined to create an overall Index score. This gives us a picture of how our suppliers are improving.

We have been using the Index since FY12 and supplier results have improved significantly. Every year between FY13 to FY15, we aim to improve the Index score by 20% compared to the previous year. In FY14, we collected data on carbon and water from suppliers covering 97% of our total purchasing volumes. The Index score improved by 25% compared to last year, exceeding our target. We achieved this by continuing to support our suppliers to improve their energy management and increase their use of renewable energy.

The criteria are not set in stone: we constantly seek suppliers' feedback to develop and improve the Index. Many of our long-term suppliers are keen to add more criteria to increase its scope.

At our Global Supplier Sustainability Days in May 2014, we brought together suppliers from across the world. One of



our workshops focused on the Product Sustainability Scorecard and improving the Supplier Sustainability Index. Suggestions included adding criteria on logistics, water and chemical management. Suppliers also wanted to include more challenging social criteria. See page 64.



## Bringing our suppliers together

We learn a lot from working with all our suppliers, and we want to encourage them to share with each other as well.

Twelve suppliers with good performance in sustainability attended our first Global Sustainability Days for suppliers in Älmhult, Sweden in May 2014 to share their experiences and best practice across all areas of sustainability, including energy and resource scarcity.

They highlighted the importance of new, more efficient technology, and the opportunities for on-site energy

production. For example, Yuyue Home Textile, a Chinese supplier, explained how it has implemented energy-efficient technology, waste recovery and recycling. It is exploring innovations such as alternative textile dyeing techniques to reduce water and chemical use.

The event included workshops on topics such as the Product Sustainability Scorecard (see page 38). We listened to feedback on how to improve this tool, for example providing scorecards adapted to each industry.

## Supply chain – energy and carbon

Certain parts of our value chain, such as raw materials extraction, production and distribution, produce more carbon emissions than others. Our tier 1 home furnishing, catalogue and food suppliers represent around 8.1% of our total carbon footprint. Glass and textile producers are the most carbon-intensive sectors.

### Suppliers Go Renewable

***We work with all our suppliers to improve energy efficiency as part of our normal business relationship.***

Through our Suppliers Go Renewable project, we are working more closely with a group of higher impact suppliers to enable them to become more energy efficient and to generate and use more renewable energy.

The projects are designed to reduce energy use and emissions, and save money.

### Performance in FY14

Total reported energy consumption and carbon emissions continued to decrease due to improvements in energy efficiency, energy management and more accurate data. In FY13 we introduced more complete reporting of greenhouse gas emissions.

TIER 1 HOME FURNISHING (HF) SUPPLIER ENERGY CONSUMPTION AND CARBON EMISSIONS	FY12	FY13	FY14
Energy consumed (MWh)	7,852,933	7,132,305	6,743,521
Energy efficiency (kWh/m <sup>3</sup> product purchased)	308	274	250
Increase in energy efficiency tier 1 HF supplier compared to FY12 (%)	-	10.9	18.8
Renewable share (%)	24.8	25.3	26.6
CO <sub>2</sub> equivalent (tonnes)	2,024,195	2,061,295	1,888,114
Reduction in relative carbon emissions from our tier 1 HF suppliers compared to FY12 (%)	-	0%*	11.4%
CO <sub>2</sub> efficiency (kg CO <sub>2</sub> /m <sup>3</sup> )	79	79	70

\* Restated from FY13 (-0.01) due to fine-tuning of calculations





## Supporting suppliers to save energy

We have completed 40 energy projects with suppliers in more than 15 countries.

In FY14, we finished fewer projects than we had planned, but we are confident that we will finalise 60 projects in FY15 to reach our goal of between 90 and 100 by August 2015.

Increasingly, IKEA's in-house sustainability developers are gaining the skills and experience to lead the audits. To support them, we have developed an energy assessment tool that identifies and quantifies energy efficiency potential. Eventually, we hope to expand the support available to suppliers, including assistance

with external and internal audits, and supporting the implementation of new solutions.

In FY15, we will continue to deliver the remaining energy projects and share the knowledge we are gaining so that more suppliers can implement some of the tried and tested improvements.

Some of our more advanced suppliers are already energy efficient but do not have easy access to renewable energy. We will support them with expertise and access to more specialist technology so they can continue to improve.

We use what we have learned from these projects to support and train other suppliers to improve their energy management. Managed by our regional sustainability developers, there were 40 projects in total during FY14.

Projects begin with an energy audit to assess the supplier's energy use and to identify opportunities for greater efficiency and generating or using renewable energy. IKEA and the suppliers split the cost of the audit, which is usually carried out by external consultants. Once the opportunities have been discussed with suppliers we work together to create an action plan to improve energy performance.

---

***Average energy savings identified are around 15%, with payback periods of as little as three years.***

---

Return on investments for renewable energy solutions, such as photovoltaic (PV) panels and biomass boilers, tend to be much longer and are often linked to national subsidies.

In FY14, Asian Fabrics, a textiles supplier in India, achieved 100% energy independence after installing a 1.5 MW PV array and four turbines that generate 20 MW wind energy. The supplier did not receive any government subsidies and it estimates that the payback period is up to eight years. Asian Fabrics has presented their project to other IKEA suppliers to support and motivate them to make similar renewable energy investments.

## Water in our supply chain

We target our efforts on water management in areas where we can have the greatest impact.

Among our direct suppliers, textiles and metals producers use the most water, and have the greatest water impact. At the raw materials level, cotton cultivation accounts for the biggest share of water use and impact among our sub-suppliers.

The countries where our suppliers use the most water are Bangladesh, China, India, Pakistan and Turkey – all located in regions of significant water risk.





## Building momentum for energy saving

"Meeting our sustainability goals means working closely with our suppliers," says Aurora Bossi, one of 12 IKEA sustainability developers who focus on energy projects with suppliers around the world.

"We will never meet our ambitious sustainability goals unless we partner with those who share our values and extend our positive impact on people and the planet throughout the supply chain.

"I focus on energy efficiency and renewables. When we first began working with suppliers, it was difficult to convince them of the benefits of analysing their energy consumption. They often saw sustainability as a cost, not an opportunity to save," she says.

For the past four years, Aurora has been working hard to change this mindset, and with success. Suppliers across southern Europe have been finding ways to be more energy efficient.

"These organisations are realising that the initiatives we help them introduce can result in a better workplace, saving money, and becoming a better business."

Aurora is excited about the future: "So far we've mainly focused on energy efficiency, but in the future we'll explore the use of better materials, eliminating all waste, and producing renewable energy. There's so much potential. I'm so proud to be working with these companies because they are our closest partners."



## Small changes make a big difference

Making furniture can use a lot of energy, which is needed to power tools and ventilation systems.

Nafoco, one of our biggest furniture suppliers in Vietnam, has been working with IKEA over the past year to transform the way it uses energy. "We used to run our factories based on what was required by our customers and legal regulations. But IKEA has encouraged us to think creatively about saving energy, increasing efficiency and creating opportunities," says Dang Van Tuan, Vice General Director of Nafoco.

IKEA energy-saving experts have worked with Mr Tuan and his team to find ways to improve operations without having to invest in costly new machinery and processes.

"Thanks to our partnership with IKEA, we now better understand that sustainability is a company-wide effort," explains Mr Tuan. "Small changes have made a big difference. For example, our ventilation systems used to run round-the-clock but are now only switched on when they're needed."

Nafoco is on track to save more than EUR 44,000 on its energy bill. Mr Tuan is pleased with the project and what it means for his company: "By making many small changes over time, we have reduced our energy use and our costs."





## Greening the supply chain for textiles in India

For some companies in Southern India, the only way to get enough water to your factory is by a 50 km truck drive. And sometimes outdated machinery and a polluted water supply make production even less energy and water efficient.

Inspired by IKEA's People & Planet Positive strategy, Jansons – an IKEA textiles supplier based in Erode, southern India – set out to remedy this.

After a detailed energy and water audit and discussions with employees – from factory floor to senior management – the project, in partnership with the Institute of Industrial Productivity (IIP) and National Productivity Council (NPC), began. More than 15 measures were put in place, including a system to recycle wastewater for printing, a new dyeing process which uses less water, and a way to save energy by making sure that motors are only running when they are needed.

Mr Thirukumar, Managing Director of Jansons Industries, is pleased with

the results: "Our processing factory is in an area of water and energy scarcity, which was a nightmare for us. With support from IKEA, we saw the difference the project was making and we were motivated to look for more opportunities. With the commitment of our employees, so far we have saved over 285 MWh of energy, and 69 million litres of water."

Further down the supply chain, we are also working with cotton farmers to save resources and improve efficiency. Together with WWF, we provide training, economic and social awareness campaigns for farmers and their families. Read more on page 30.

The project with Jansons has demonstrated the huge potential for further improving the textile industry. Potential savings of more than USD 300 million (EUR 241 million) in energy, water and resource costs could be achieved over the next five years if such initiatives are replicated by other South Asian suppliers.

### Improving water efficiency and quality

We collaborate with suppliers to improve water efficiency and quality, just as we do on energy projects.

We have strengthened our water expertise globally and formed a network of water sustainability developers representing the areas we source products from.

They meet annually to share best practices and to develop our approach to water stewardship throughout our supply chain. The group has issued updated guidelines for effluent treatment plants, and will develop training for IWAY auditors and other relevant teams across IKEA to ensure the new guidelines are being followed.

Their work is especially important in Bangladesh, China, India and Pakistan and other areas where water is scarce but supplier water use is high.

In many cases, our supplier projects combine energy and water management because this is often a more effective way to improve efficiency and water impacts.

**On average, suppliers can reduce water use by between 10% and 20%.**

Focusing on reducing water use alone can be challenging because its price is generally very low in comparison to energy, but still requires significant capital costs.

In FY14, total water use by tier 1 home furnishing suppliers decreased by nearly a third and water efficiency improved by 33% compared to FY12. We were able to report a bigger improvement than in FY13 due to improved data quality, and because of increased awareness of water risk and better water management practices among suppliers.

Our 'Water Guidelines for Textile Suppliers' provide a detailed framework for suppliers who wish to improve their water impacts. We recently updated the guidelines in all the locations where we source textiles.

In FY14, we held a sustainability event for the top 20 suppliers in South Asia and local experts to discuss water manage-

TIER 1 HOME FURNISHING (HF) SUPPLIER WATER USE	FY12	FY13	FY14
Total water use (m <sup>3</sup> )	34,340,809	35,548,668	24,507,975
Water efficiency (litres/m <sup>3</sup> )	1,346	1,367	908
Improvement in water efficiency compared to FY12 (%)	-	-1.5	33

ment trends and strategies, and share ideas on how to engage in water projects involving external stakeholders and the community. Following the event, all suppliers have been more engaged in water efficiency projects, with two eager to take part in community projects concentrating on water. Our water efficiency initiatives in the region, taken together, have resulted in annual savings of 714 million litres.

See page 35 for more about our aim to be water positive by 2020.

## Passion enables water savings in Asia

IKEA co-worker Sandesh Waje is really passionate about water.

"I love everything about water – I enjoy water sports, drink a lot of water, and everyone thinks that I was born to work with water!"

Just as well, because Sandesh works with around 60 suppliers in Bangladesh, India and Pakistan to help them work out how to use as little water as possible. Almost 70% of IKEA's home furnishing textiles come from this region.

Water shortages are a big worry in the area, and Sandesh's job is not always easy. "The cost of water is low, so there is little financial reason to save it. This is why we encourage our suppliers to think about water for its value, not its price."

Sandesh works with suppliers ranging in size from 200 to 10,000 employees. He visits sites, holds regular workshops and runs an annual supplier sustainability day in South Asia to

## Working with the IKEA catalogue suppliers

The IKEA catalogue is where we show customers our products and provide home furnishing ideas and inspiration. It is available in paper and digital format, and we are exploring ways to make both as sustainable as possible. In FY14 we printed 217 million copies of the IKEA catalogue in 32 languages, using 37 paper and print suppliers. The catalogue is also available digitally and in FY14 we received 43 million visits to the IKEA catalogue app and 53

million visits to the online version of the catalogue.

Twice a year, all suppliers conduct a self-assessment of their compliance against IWAY and the industry-specific requirements for pulp, paper, print and digital.

This information is used by our purchasers to select suppliers. We collect environmental data from our pulp, paper and print suppliers, which is verified by third party auditors.

Read more about how IKEA catalogue suppliers are meeting our IWAY requirements on page 85.

## Performance in FY14

We produced the printed version of the 2015 catalogue using only FSC Mix Credit certified paper for the first time (see page 68), making our catalogue the biggest FSC certified print production in the world. The switch to 100% FSC Mix Credit certified paper meant that we did not use any recycled fibre in the 2015 catalogue.

Total carbon emissions and carbon emissions per printed copy increased by 85.4% and 76.7% respectively, compared with FY11. Water use increased by 17.8% compared to FY13. The significant increase in reported carbon emissions and water use between FY14 and FY13 is largely due to improvements to our data collection methodology.

Total energy use increased by 6% compared to FY11 because we printed more copies of the catalogue, but energy efficiency remained stable, with a very small decrease in energy used per copy. Our target was to reduce energy use by 10% and carbon emissions by 20% for FY15, compared with FY11.

Our improved data collection methodologies include third party audits to check the accuracy of data provided by our suppliers, updated emissions factors used to calculate emissions arising from production and transport from forest to paper mill, and calculation methodologies recommended in the Global Reporting Initiative's G4 guidelines. This means that FY14 data is a more accurate reflection of the impacts of the catalogue. We decided to use a higher quality of



discuss water.

"It's all about team work. An inflexible style doesn't get results – we can only make changes if we work together."

Recently, Sandesh has seen attitudes change. "Many suppliers now appreciate the risks and real impacts of water scarcity, and not just the financial ones," he says, referring to legal obligations, rising costs and the very real threat of having no water at all.

"Even if our suppliers are using water efficiently in their operations, effective change is not possible without industry-wide collaboration, co-operation and consensus. So we've started encouraging them to work on water stewardship with nearby factories, and in their communities and villages. We are confident IKEA suppliers can lead the way in water management, and they have a great opportunity to influence and create wider positive change."





## A more sustainable catalogue?

The IKEA catalogue is an important part of the way our customers experience IKEA. Whether customers access the paper or digital versions of our catalogue, we ensure that it is as sustainable as possible.

We have made good progress with understanding the sustainability performance of the printed catalogue and this has helped us to identify how we can improve. We want to achieve the same level of understanding about the production and delivery of the digital version. The first step is to measure the impacts associated with the digital catalogue.

There are several aspects to

consider. Many of the activities essential to making our app and website accessible use a lot of energy, which is rarely from renewable sources. In comparison, we know that in FY14, 44% of the energy used for the pulp and paper and print production of our catalogue was renewable.

And while the printed version of the catalogue is 100% recyclable, the devices used to access our catalogue digitally can be difficult to recycle. We are mapping our digital supply chain so that we can start gathering and reporting environmental data from our digital suppliers in FY15.



## OUR FIRST FULLY FSC CERTIFIED IKEA CATALOGUE

The IKEA catalogue is now the largest print production ever to be printed on 100% Forest Stewardship Council certified paper (FSC Mix Credit) and to carry the FSC logo. This means the entire IKEA catalogue production chain, from forest to printer, is FSC certified to ensure more sustainable origins of the wood.

Our goal was to reach entirely FSC certified paper by 2016. A thorough selection process helped us to identify the paper and print suppliers that perform best in this category, and this made it possible to reach the goal a year ahead of our original schedule.

To secure the effective and long-term management of forests providing fibre for the catalogue, independent auditors assess the pulp, paper and print suppliers annually. They must document the origin of the wood fibres they use so that it is traceable all the way back to the forests it came from. See page 26 for more about how we work with the FSC and how we are integrating paper into our responsible sourcing strategy.

paper and this also contributed to the negative trend in carbon emissions since FY11.

Improving the accuracy of data has also shown that emissions to water from our pulp, paper and print suppliers in FY14 was less than half what we reported in FY13.

The proportion of renewable energy used for the pulp and paper and print production of our catalogue was lower than in FY13 because we decided to prioritise reaching our 100% FSC target. We started working with more FSC certified suppliers to enable us to reach our target, but not all of them focus as strongly on renewable energy as the FY13 group of suppliers.

Since introducing third party audits of suppliers' environmental data, we have a more accurate picture of our sustainability performance related to producing our printed catalogue. It is not possible to restate our historical data, but we plan to set a new baseline and targets for FY16-18.



<b>ENVIRONMENTAL DATA, TOTAL FOR PRINT PRODUCTION OF CATALOGUE</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>
Printed number of catalogues (millions)	197	208	212	211	217
ISO 14001 certified paper suppliers (%)	89	100	94	100	100
Catalogue paper (tonnes)	102,476	108,450	107,373	107,083	102,077
FSC certified Chain of Custody fibre (% of virgin fibre content)	21	30	23	68	100
Recycled fibre content (%)	11	4	2	2.3	0
Share of renewable energy (%)	50	48	42	51	44
Total carbon emissions from production of catalogue (tonnes CO <sub>2</sub> )	95,905	88,916	90,744	92,308	164,843*
Total energy used from catalogue suppliers (MWh)	584	569	570	587	603
Total water use from catalogue suppliers (m <sup>3</sup> )	2,815,209	2,832,017	2,833,300	2,870,188	3,379,956*

<b>ENVIRONMENTAL DATA PER PRINTED CATALOGUE COPY</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>
Water consumption (litres/copy)	14.26	13.55	13.39	13.62	15.6
Energy consumption (kWh/copy)	2.96	2.72	2.69	2.79	2.78
Total carbon emissions from production and transport from forest to paper mill (kg CO <sub>2</sub> /copy)	0.49	0.43	0.43	0.44	0.76
Emissions to air (g Volatile Organic Compound /copy)	1.12	1.15	1.12	1.01	1.05
Emissions to wastewater (gr Chemical Oxygen Demand /copy)	3.49	3.47	4.29	3.94	1.92

\* The significant increase in reported carbon emissions and water use is largely due to improvements to our data collection methodology.



# A better life for people and communities

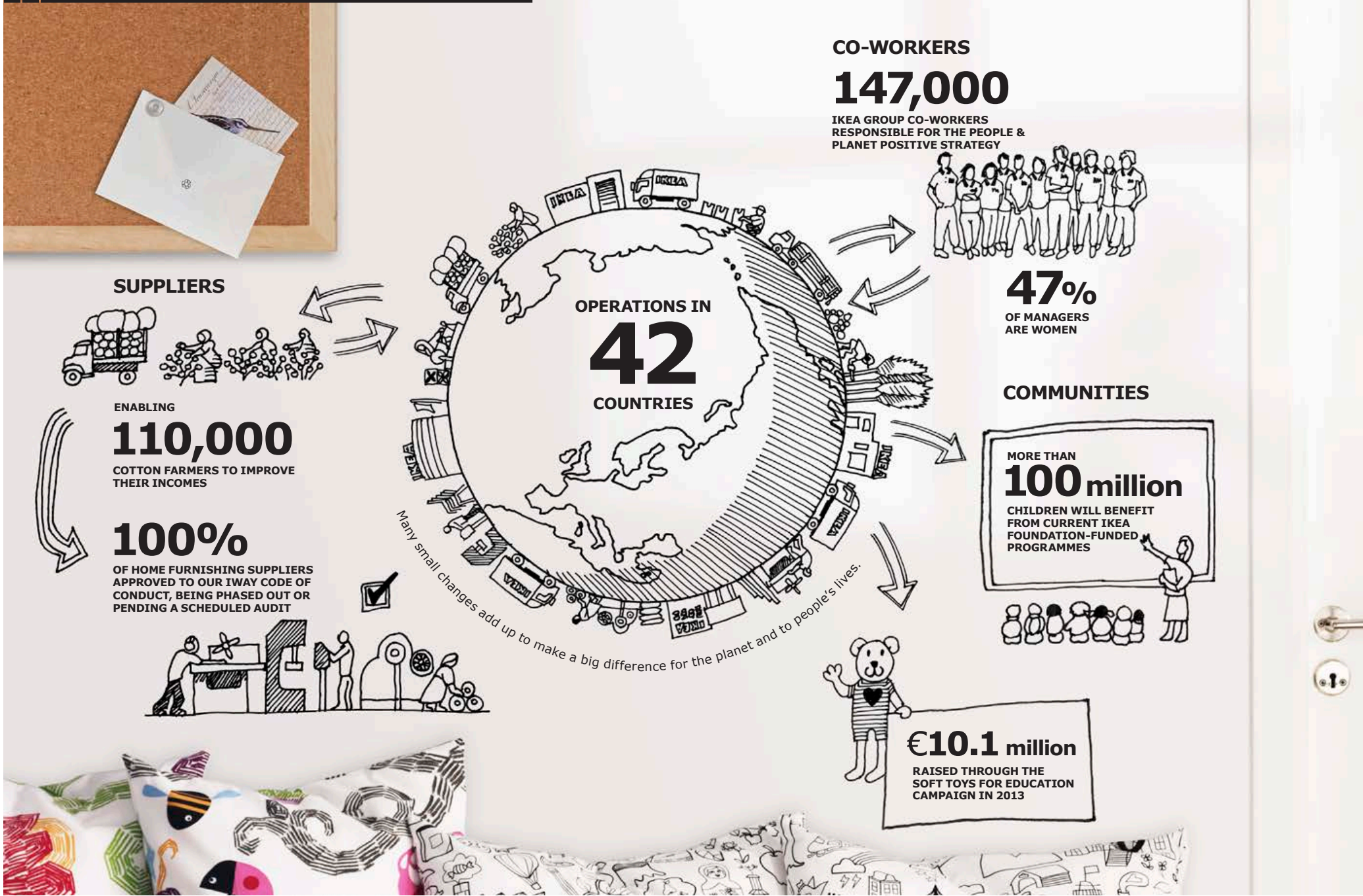
*Our vision is to create a better everyday life for the many people. With 147,000 co-workers, and millions of people in our extended value chain we have an opportunity to make a big difference. We support positive economic, social and environmental development, promote equality and place respect for people and their rights at the centre of what we do.*

*We want IKEA to be a great place to work and our efforts to involve, reward and develop our co-workers reflect this. It is important to treat each other with respect and dignity, and that we can all enjoy a safe working environment and a good quality of life at work and home.*

*We have continued to extend the reach of our supplier Code of Conduct, IWAY, and to raise the bar on what we expect from our suppliers and ourselves. We especially focus on finding ways to empower people in our extended supply chain whose voices often go unheard such as home workers or migrant workers.*







**CO-WORKERS**  
**147,000**  
 IKEA GROUP CO-WORKERS  
 RESPONSIBLE FOR THE PEOPLE &  
 PLANET POSITIVE STRATEGY



**47%**  
 OF MANAGERS  
 ARE WOMEN

**COMMUNITIES**

MORE THAN  
**100 million**  
 CHILDREN WILL BENEFIT  
 FROM CURRENT IKEA  
 FOUNDATION-FUNDED  
 PROGRAMMES



**€10.1 million**  
 RAISED THROUGH THE  
 SOFT TOYS FOR EDUCATION  
 CAMPAIGN IN 2013



**SUPPLIERS**  
 ENABLING  
**110,000**  
 COTTON FARMERS TO IMPROVE  
 THEIR INCOMES



**100%**  
 OF HOME FURNISHING SUPPLIERS  
 APPROVED TO OUR IWAY CODE OF  
 CONDUCT, BEING PHASED OUT OR  
 PENDING A SCHEDULED AUDIT



Many small changes add up to make a big difference for the planet and to people's lives.



## Working with others to improve our strategy

In November 2013, we invited representatives of the Institute for Human Rights and Business, Oxfam, the United Nations Children's Fund (UNICEF), and the Centre for Child-Rights & Corporate Social Responsibility to join us for an open discussion about how retail businesses can have a positive social impact.

The workshop covered key issues of interest to stakeholders, such as fair wages, migrant workers and creating sustainable communities. We explored opportunities for IKEA to lead in creating a better life for people and communities, and shared ideas for innovative products and services. The outputs of the workshop fed directly into our updated People & Planet Positive strategy – see page 100.

### EQUITABLE WAGES ACROSS OUR OPERATIONS

We have been working on a consistent structure for basic terms and conditions of employment. Part of this entails understanding what a fair wage is. Together with the Fair Wage Network ([www.fair-wage.com](http://www.fair-wage.com)), we investigated the existing salary structure in three countries: China, Japan and the USA.

The Fair Wage Network uses a consistent approach, which we can apply to many countries. It includes a focus on wages, along with other critical factors such as working hours, social benefits, equity, costs to workers and the opportunity for progression. The approach is inclusive, drawing on input from workers, managers and external sources.

Our work in FY14 included looking at the minimum level we are paying in relation to the local living cost – how much a person needs for basic food, clothes and housing, as well as essentials such as education and insurance. We pay at least the legal minimum in all countries, but in some countries our investigations showed the local living

cost was more than the legal minimum and that we needed to do more to support our co-workers. For example, in the USA, we are raising our standard minimum wage by 17% – a change that will benefit half of our USA co-workers. This increase is based on the MIT Living Wage Calculator, which takes into consideration housing, food, medical and transportation costs plus annual taxes\*. In Japan, we have decided to have the same equivalent salary level (equivalent pay for the same work and the same number of hours) for full-time and part-time co-workers, even though it is normal practice in Japan for a part-time employee to receive a much lower salary than a full-time employee.

In FY15, we will begin pilot projects with the Fair Wage Network approach at home furnishing suppliers in selected countries. The pilots will give us insights into supplier practices in the sector and help us understand how we can extend the approach across our supply chain.

\* The rate used is a single person with no children. Based on the MIT Living Wage calculator (<http://livingwage.mit.edu>). Rate applies no matter how many hours per week a co-worker works.



## A better everyday life at work



**Every co-worker** is a valuable talent. We are committed to providing a stimulating, inclusive and diverse workplace where people are appreciated and have the chance to grow.

Our People Strategy outlines the relationships we want to build with our co-workers and others. It builds on the cul-

ture and values outlined in our Code of Conduct, 'Good Business with Common Sense' and describes how we can create a better everyday life for ourselves and our customers.

In FY14, the total number of co-workers at the IKEA Group increased by 12,000 to a total of 147,000 co-workers. This fig-

PEOPLE STRATEGY 2020 & OTHER TARGETS	PERFORMANCE in FY14
Ensure every co-worker has an agreed, individual development plan	In FY14, 71%* of co-workers had an agreed, individual development plan. * Of the 87,644 co-workers who completed the VOICE survey and answered positively to: "Have you within the past twelve months together with your manager agreed on a development plan for the coming year?" This question is new and not comparable with previous years.
By 2020 50% of managers will be women	At the end of FY14, 47% of managers were women.
By 2020 achieve a Leadership Index result of 75 in our VOICE survey	In FY14, we achieved a Leadership Index result of 73. See page 77 for more about our VOICE survey.
By FY20 achieve an index of 725 in our VOICE survey	In FY14, we achieved a VOICE index result of 704.

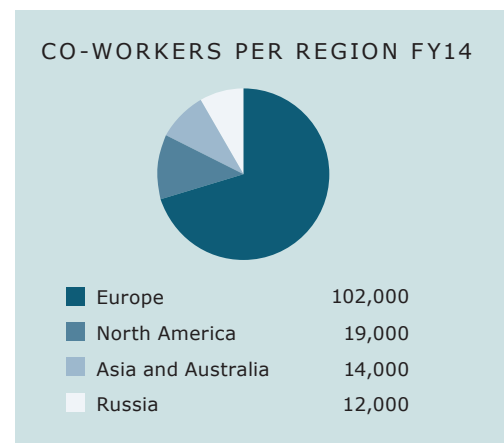
**PEOPLE & PLANET POSITIVE TARGETS** **NEW targets**

Following the IKEA Group Diversity and Inclusion Approach, 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.

We enable and encourage co-workers to participate in community involvement activities in their local area.

ure includes co-workers on permanent and temporary contracts, but excludes seasonal co-workers.

Turnover among full-time co-workers increased slightly. There was a more significant increase in turnover among part-time co-workers, which increased to 29.9%, from 15.4% in FY13. This was due to a larger share of co-workers on temporary contracts due to economic uncertainties in some countries. People on temporary contracts usually work part-time and





stay for less than a year, which contributes to an increase in turnover among part-time co-workers. Approximately 85% of our co-workers are on permanent contracts reflecting our ambition to form long-term relationships with our co-workers and to invest in their personal and professional development. Turnover among permanent co-workers was stable between FY13 and FY14.

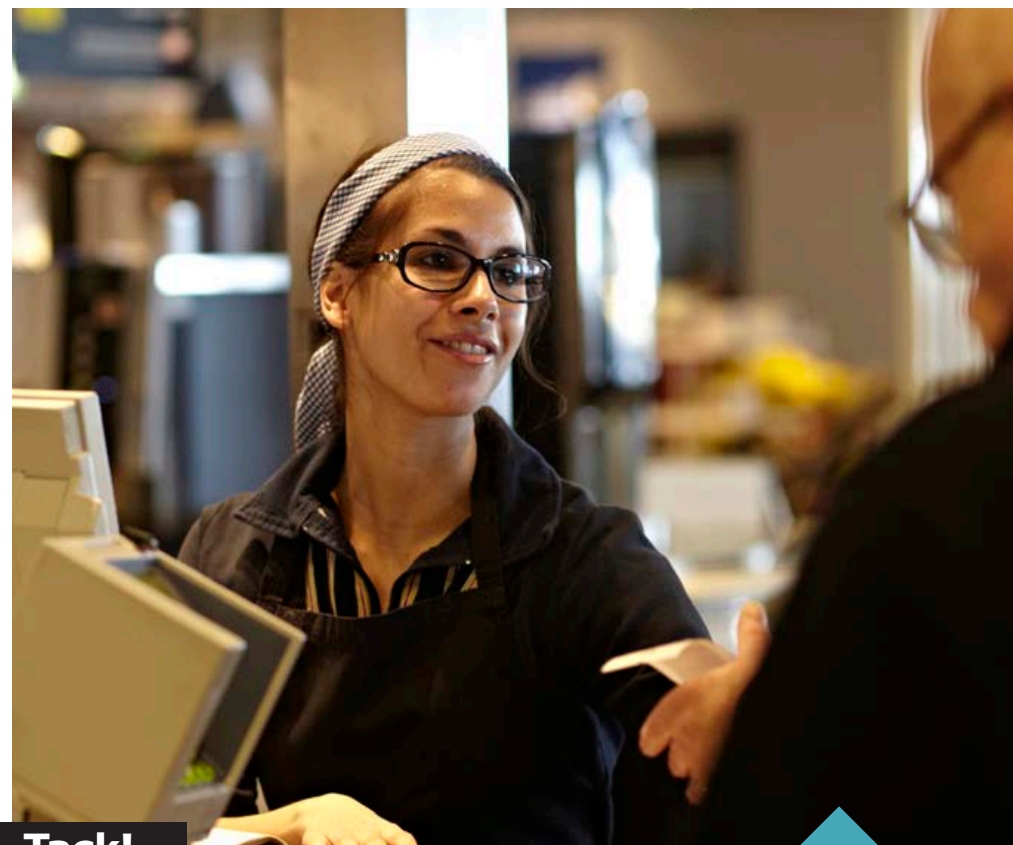
### Values and culture

IKEA is made up of a global team of people who share the same values. We are committed to being a caring, responsible, honest and trustworthy company, and expect our co-workers to reflect this. Read more about our approach to ethics on page 102.

We believe in rewarding good work, and offer a competitive compensation and benefits package that helps attract

and retain co-workers. During FY14 we launched our new loyalty programme for all co-workers, **Tack!** (see right) and we expanded the One IKEA Bonus programme to include all IKEA Group co-workers with the exception of IKEA Industry co-workers, who will be included by FY16.

One IKEA Bonus is a performance-driven bonus system connected to individual salary level and paid out annually upon the completion of set goals. It is based on simplicity and togetherness, with everyone in the same unit working towards the same objectives. Our new global One IKEA Bonus applies to all co-workers who have been with us for at least six months<sup>1</sup> and replaces all existing bonus and incentive programmes.<sup>2</sup>



## Tack!

In December 2013, we launched a new loyalty programme for all of our co-workers. It was built on our founder Ingvar Kamprad's wish to say thank you to co-workers for their contribution and loyalty to IKEA, and so we decided to call it **Tack!** – 'thank you' in Swedish.

**Tack!** supports retired co-workers as an additional contribution to their pension plans. It applies to all co-workers who have been with IKEA for five years or more. Most importantly, all full-time co-workers within a country will receive the same amount regardless of unit, position or salary level.

Part-time co-workers will receive a proportional amount in relation to hours worked.

The fund is divided between our countries of operation based on each country's proportion of salary and wages.

We think this is a simple, fair way of saying **Tack!** to all of our co-workers for their hard work and commitment. It goes hand in hand with our performance-driven One IKEA Bonus Programme to create a great place to work, today and in the future.

CO-WORKER TURNOVER (%)	FY10	FY11	FY12	FY13	FY14
Part-time	20.5	22.3	18.0	15.4	29.9
Full-time	10.6	11.5	10.7	11.5	12.2
All	14.8	16.1	16.1	12.8	19.7

GENDER DIVERSITY (% of women)*	FY10	FY11	FY12	FY13	FY14	FY20 GOAL
All co-workers	52	55	52	54	54	-
All managers	39	40	47	47	47	50

\* Data representing 83% of IKEA headcount.

<sup>1</sup> Six months during a single fiscal year with no interruptions. Does not yet apply to IKEA Industry.

<sup>2</sup> Unless local legislation or agreements with unions or works councils require a specific local bonus programme.



© Magnus Glans

## IKEA Houston – the same, but different!

“Okay, I look different, but that’s a tribute to you and IKEA USA. Because I know that here it doesn’t matter what I look like, what race or religion I belong to.”

That’s what Nabeela Ixtabalan, wearing her hijab, told us during her job interview at IKEA Houston five years ago.

Nabeela got the job. As Store Manager at IKEA Houston, she was determined to let her colleagues know that everyone is accepted at IKEA for who they are.

She started by comparing the mix of

co-workers with the city’s demographics. One noticeable difference, for example, was the relative lack of co-workers over 55 – most were under 24.

“We started by asking our older co-workers what they looked for in an employer,” Nabeela says. “We wanted to learn how to attract older workers so we could adapt our recruitment campaigns accordingly.”

Today, IKEA Houston co-workers are about as diverse as it gets – a true reflection of the local community of Houston, one of the most multi-cultural

cities in the USA. English is just one of the many languages spoken, as well as Arabic, Chinese, Farsi, French, German, Gujarati, Hindi, Spanish, Swahili, Portuguese, Punjabi, Serbo-Croat and Urdu.

But it doesn’t stop there. Nabeela says there is more work to do. “We want more female co-workers in the self-serve furniture area. Previously this has been the domain of men with muscles. And we need more women in Receiving Goods. If women can fly F15s in the US Air Force I’m sure they can drive forklifts in the warehouse.”

## Diversity and inclusion

We recognise and celebrate the value in diversity – of people, ideas and knowledge. We launched the new global IKEA Diversity and Inclusion Approach in FY13, which aims to create an inclusive work environment where co-workers are recognised for their unique contributions. The approach applies to all of our full-time (58%) and part-time (42%) co-workers. It covers diversity in all its dimensions, from gender, ethnicity, sexual orientation and identity, physical ability and age to nationality, educational background, parental status and work experience. Using this approach, each IKEA unit has responsibility for setting its own diversity goals and targets.

The IKEA Women’s Open Network (IWON) was launched during FY13 as one tool to support our goal of gender equality. IWON aims to inspire, connect, empower and enable women in leadership positions at IKEA, as well as contribute to a more inclusive work climate and better gender balance. Since its launch, IWON has held one global meeting in FY13, followed by four regional meetings in China, Germany, Portugal and the USA in FY14. By taking IWON into our regions, we hope that more co-workers will spread the messages of inclusivity and be empowered to take initiatives that lead to gender balance.

***In FY14, the share of all co-workers who are women was 54%.***



The share of managers who are women was 47%. These figures are the same as for FY13. We have integrated diversity into our recruitment and talent approach to ensure we reach gender balance by 2020. In 2013 we participated in the Battle of the Numbers project, partnering with nine major Swedish companies to achieve better gender balance at senior levels. As a result of taking part in the project, our President and CEO Peter Agnefjäll highlighted next steps for IKEA such as carrying forward work with IWON, working more actively with diversity ambassadors and role models, and ensuring diversity and inclusion are integrated into all leadership development programmes.

In FY14 we formed a working group on lesbian, gay, bisexual and transgender (LGBT) rights at IKEA. As a result, we have decided to recruit a project leader during FY15 who will work to ensure that our LGBT co-worker community feel respected, valued and appreciated for who they are. The project leader will work with a team to analyse the situation in all parts of the world and to suggest ways of working that communicate support and inclusion.

### Learning and development

We offer a wide range of learning and career development opportunities to enable everyone to reach their potential. We want to lead the way in training, enabling our co-workers to develop new skills and ad-

vance their IKEA career.

In FY14, 71%\* of our co-workers had an individual development plan, which includes regular meetings with their managers to review their career aspirations. This figure is not comparable with previous years as it is based on the answer to a different question in the annual VOICE survey, and FY14 was the first year that all of IKEA Industry participated.

***We encourage our co-workers to test new ideas and challenge the norm, and this produces some of our best and most innovative ideas.***

The IKEA Group Talent Approach was introduced in FY14 starting with IKEA managers and with plans to roll out to all co-workers in FY15. We offer a range of on-the-job training and courses, and e-learning courses relevant to specific functions.

We want our co-workers to be inspired by our sustainability efforts and to be well trained to contribute to making IKEA more sustainable. In FY14, we rolled out a new sustainability training package, tailored to suit individual roles and divided into bite-sized modules. This included a range of different delivery methods, including small lectures, group discussions, guided tours and films.

\* Of the 87,644 co-workers who completed the VOICE survey and answered positively to: "Have you within the past twelve months together with your manager agreed on a development plan for the coming year?" This question is new and not comparable with previous years.

### Health and safety

We take the health, safety and well-being of our co-workers, customers and visitors very seriously. Our health and safety standard, launched in FY13, states our commitment that all co-workers shall experience a healthy and safe workplace at all times.

We take a preventative approach to health and safety issues, combining formal structures and everyday actions with a strong focus on training and awareness.

This approach has contributed to a decrease in the number of occupational accidents at our stores – from 1,398 in FY13 to 1,287 in FY14 – even though IKEA is growing.

IKEA Industry has a strong focus on co-operation, learning and support between all units. This includes cross-unit health and safety networks that share good practice and accident preventions.

All management teams within IKEA Industry have safety performance plans, and have been trained in 'leading safety'. It focuses on the importance of commitment and leading by example.

In FY14, occupational accidents at IKEA Industry Group increased by 4.5% to 1,739, from 1,664 in FY13. This is due to the growth of IKEA Industry, and increase in the number of hours worked, which rose by 5.6% compared to FY13. The occupational accident rate at IKEA Industry Group per million hours worked was 4.57 in FY14 compared with 6.27 in FY13.

There were no fatalities among IKEA Group co-workers or contractors working on our behalf during FY14.

<b>IKEA GROUP OCCUPATIONAL ACCIDENTS (number of accidents requiring 3 days or more absenteeism)</b>	<b>FY13</b>	<b>FY14</b>
Stores	1,398 <sup>1</sup>	1,287
Supply	143 <sup>2</sup>	146
IKEA Industry Group <sup>3</sup>	1,664	1,739

<sup>1</sup> Figure restated from FY13 (1,277) as figures reported were preliminary

<sup>2</sup> Figure restated from FY13 (124) as figures reported were preliminary

<sup>3</sup> Accidents requiring one day or more absenteeism

<b>IKEA INDUSTRY GROUP OCCUPATIONAL ACCIDENT RATE (accidents requiring one day or more absenteeism per million hours worked)</b>	<b>FY13</b>	<b>FY14</b>
IKEA Industry Group	6.27	4.57



## Listening to our co-workers

VOICE is our online survey for all co-workers in the IKEA Group. It enables us to better understand co-worker views, assess how engaged they feel with their work, and identify areas where we can do better. VOICE is conducted by an independent organisation to ensure confidentiality. Each part of the business participates at least once every two years. FY14 was the first year that all of IKEA Industry participated in the survey, which followed the merger of Swedwood, Swedspan and IKEA Industry Investment and Development (IIID).

In FY14, more than 87,000 out of a total of 147,000 co-workers participated in

the survey. The survey showed that 79% of co-workers agree with the statement, "within my department sustainability is a natural part in the everyday work" (FY13: 70%), 83% agree with the statement, "I am proud of the way that IKEA works with sustainability" (FY13: 82%), and 80% agree with the statement "I feel responsible for minimising the negative impact on the environment in my daily job" (FY13: 78%). The results of VOICE are not directly comparable between years as different parts of IKEA and different numbers of people participate, and in FY14 we also updated the VOICE questions.

The results of the VOICE survey feed into an overall VOICE index and leadership index. These help us to gauge overall progress and identify ways to improve our business. In FY14, our overall VOICE index was 704 (711 in FY13), This included results of 718 for Retail, 740 for Range & Supply, and 618 for Industry – included this year for the first time. A result of 700 or more for the overall VOICE index is classified as excellent by the company that conducts the survey, and suggests the organisation is "well equipped to generate business value". Our VOICE leadership index in FY14 was 73 (74 in FY13).

VOICE RESULTS	FY10	FY11	FY12	FY13	FY14	GOAL
VOICE index	659	716	712	711	704	725 by FY20
Leadership index result	73	74	74	74	73	75 by FY15

## Communicating with co-workers

Open dialogue improves understanding of what motivates and inspires people and lets them know what is expected of them.

*Good communication enables us to face in the same direction, with shared goals and values.*

Our managers are responsible for keeping their teams up to date, ensuring they have the right information to do their jobs. We provide communications training and tools to support this process, and expect managers to make good communication with co-workers a priority.

Our intranet site, IKEA Inside, is accessible to two-thirds of all co-workers, and includes a new blog that enables co-workers to follow our President and CEO Peter Agnefjäll. We also have an extranet which co-workers can access from home, available in 21 countries. We use these channels to keep our co-workers informed and engaged, along with internal magazines, meetings, video screens, closed-circuit radio and notice boards.

Our quarterly internal magazine, Readme, discusses company and product news from a co-worker perspective. Translated into 20 languages, we print 60,000 copies for worldwide distribution, and make it available on IKEA Inside. To complement the magazine, we produce short films with additional content and angles on Readme stories.



We respect the rights of co-workers to join, form or not to join a co-worker association of their choice without fear of reprisal, interference, intimidation or harassment. Dialogue between co-workers and their managers is the most important element for creating an open culture and there are different forums in place in the countries where we work to further facilitate this dialogue.

We actively communicate all developments in IKEA affecting co-workers, providing clear information about the implications and establishing opportunities for dialogue. In FY14, following the merger of Swedwood, Swedspan and IKEA Industry Investment and Development (IIID) into IKEA Industry Group, we invited co-workers worldwide to ask questions about the merger, or share concerns with managers. During the year, we also created a separate magazine for IKEA Industry – ReadmeTOO – which is distributed to all IKEA Industry co-workers, in addition to Readme.

Co-workers can use our trust line to report any concerns they feel unable to raise through their manager or human resources – see page 102.

Our co-workers are often at the forefront of our efforts to create a better life for people and communities – read more on page 95. We encourage co-workers to participate in community engagement activities in their local area.

Read more about how we engage co-workers on the sustainability benefits of our products on page 21.



## Spanish co-workers supporting each other in hard times

Life in Spain can be hard because of the struggling economy. Many families are feeling the pressures of unemployment and poverty.

Co-workers at IKEA Spain decided to do something positive to help. They call it the Together project. Elena López, Compensation & Benefits Manager at IKEA Spain, explains: "We decided to create a 'favours chain'. It's about asking – what can you do to support

your colleagues and their families, using IKEA power?"

'Together' means just that – working together with colleagues to create a better everyday life for themselves and their relatives, through small actions and creative solutions, and always in the IKEA spirit.

All functions were asked to think about how they could help IKEA co-workers. The ideas include a free

**ENTRE TODAS**  
Queremos un mejor día a día para ti y para los tuyos

online space for co-workers to advertise their second-hand products they no longer need, and request others they would like. And financial aid – grants that do not need to be repaid – that co-workers can apply for in confidence. There have been more than 80 applications for financial aid, with more than 40 co-workers receiving this so far.



## Better lives for workers



**Over 600,000 people** in more than 50 countries work for our home furnishing suppliers.\* Together with our suppliers, we are determined to contribute to better lives for workers by supporting decent jobs for all.

Our supplier Code of Conduct, IWAY,

makes our expectations clear. Working with suppliers to implement IWAY has helped us develop strong, long-term partnerships. We have worked with 64% of our tier 1 home furnishing suppliers for over five years. The average length of supplier relationship is 11 years.

\* This refers to our first-tier suppliers, who work directly with IKEA, providing goods and services specified by us, without an intermediary.

### PEOPLE & PLANET POSITIVE TARGETS

### PERFORMANCE in FY14

Maintain the social and environmental improvements reached through the 100% IWAY approval of all suppliers of home furnishing and other key products and services.\*

\* Suppliers related to Home Furnishing, IKEA Components, Transportation and Global Food.

100% of home furnishing and transportation suppliers IWAY approved, being phased out or pending a scheduled audit (applies to 0.5% of the total). 98% of global food suppliers and 99.2% of IKEA Components suppliers IWAY approved.

By August 2015, expand the reach of our supplier Code of Conduct by securing IWAY approval at all local IKEA Food, Indirect Material and Services and retail suppliers within the scope of IWAY.\*

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

77% of Indirect Material and Services suppliers and 40% of retail suppliers are IWAY approved. 29% of local food suppliers are IWAY approved, which means we are not on track to meet the 2015 target, but we are working hard to address the challenge.

By August 2017, go further into our supply chain by securing compliance to IWAY Musts\* at all sub-suppliers of critical materials and processes.

\* IWAY Musts are the immediate requirements that IKEA suppliers must meet before a contract can be signed.

In FY14, 91% of critical home furnishing sub-suppliers were approved as complying with IWAY Musts. This is based on audits of 1,085 of the 1,691 sub-suppliers we have identified as 'critical'.

### How IWAY supports better lives for workers

The IKEA Way on Purchasing Products, Materials and Services – IWAY for short – sets out our minimum requirements for environmental, social and working conditions. It is based on United Nations and International Labour Organization conventions, legal requirements and IKEA's own specifications. All new suppliers (59 in FY14) must comply with a core set of 'IWAY Musts' before we agree to work with them. IWAY applies to the whole factory or site, not just the area supplying IKEA. We have also expanded the scope to include suppliers further down our sup-

ply chain, beyond the first tier.

Since its launch in 2000, IWAY has evolved to reflect our increasingly ambitious expectations of suppliers – most recently with the new IWAY 5.1 standard.

For example, IWAY requires suppliers to:

- Meet strict requirements on labour rights, working conditions, safety and environmental protection, including IWAY Musts on child and forced labour, preventing severe environmental pollution and safety hazards, keeping records of working hours and wages, and having social insurance



## QUICK GUIDE TO IWAY TERMS

**IWAY:** the IKEA Way on Purchasing Products, Materials and Services, which sets out our minimum requirements for environmental, social and working conditions.

**IWAY Musts:** an essential set of requirements new suppliers have to meet before we sign a purchase agreement.

**IWAY60:** an interim step towards IWAY relating to working hours, requiring a maximum of 60 hours per week, including overtime (only applicable in China).

- Ensure their workers do not work more than 60 hours per week (including overtime) or comply with working hour limits, if that is lower; in China we are working towards IWAY approval on adherence with working hour limits (40 hours per week, maximum 36 overtime hours per month, maximum three hours overtime per day) for suppliers by the end of FY15
- Comply with local laws and regulations, including those relating to working hours and pay
- Allow freedom of association for workers (except in China and Vietnam where we are unable to fully apply this requirement because of legal restrictions in these countries).

Our work does not stop once a supplier achieves IWAY approval. We keep working together to maintain compliance and we look for opportunities to support further economic, environmental and social development in our supply chain. For example, in China our suppliers are now providing social insurance to all workers. A big challenge in India is the limited availability of skilled and highly skilled workers, so we

are piloting a project in partnership with one textile supplier to increase tailoring skills and motivation in the workforce.

Preventing child labour and supporting home and migrant workers are important areas of focus. Read more about our work with these groups on page 88. We also support the social and economic development of the communities in our wider supply chain through the IKEA Foundation (see page 93).

Environmental performance remains a

core element of our work with suppliers. We run focused programmes to support suppliers to reduce their water and energy use and CO<sub>2</sub> emissions (see page 62). Our dedicated IWAY Forestry Standard sets out strict environmental and ethical standards, including guidance on legal logging and the protection of high value and protected forests (see page 28).

Read the full IWAY standard online.

IWAY AUDIT DATA	FY10	FY11	FY12	FY13	FY14
<b>Number of IWAY audits/of which are unannounced</b>					
Europe	365/29	341/144	348/198	337/55	485/87
Americas	29/1	26/12	31/15	31/5	53/8
Asia	645/501	626/55	607/517	549/434	617/501
<b>Total</b>	<b>1,039/531</b>	<b>993/711</b>	<b>986/730</b>	<b>917/494</b>	<b>1155/596</b>
<b>Number of IKEA Compliance and Monitoring Group calibration audits</b>					
Europe	21	24	19	19	7
Americas	2	3	2	2	2
Asia	32	25	29	19	22
<b>Total</b>	<b>55</b>	<b>52</b>	<b>50</b>	<b>40</b>	<b>31</b>
<b>Number of third-party audits (unannounced)</b>					
Europe	12	12	9	23	32
Americas	0	0	2	2	3
Asia	35	32	45	66	88
<b>Total</b>	<b>47</b>	<b>47</b>	<b>56</b>	<b>91</b>	<b>123</b>
<b>Terminated businesses, number of suppliers</b>					
Due to IWAY non-compliance	10	8	47	26	18
Due to non-compliance and other reasons	17	11	25	10	3
<b>Number of third party child labour audits</b>					
<b>Total</b>	<b>365</b>	<b>370</b>	<b>365</b>	<b>416</b>	<b>305</b>

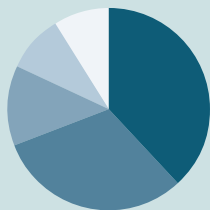
NUMBER OF SUPPLIERS BY CATEGORY

CATEGORY	FY14
IKEA Industry	1150
Home furnishing	1002 <sup>1</sup>
IKEA Food (local suppliers)	481 <sup>2</sup>
Total number of retail cleaning, security, waste management and customer delivery service providers	448
Indirect Material and Services	301
IKEA Components	242
Transport service providers – land and ocean	233
IKEA Food (global suppliers)	121
Transport service providers – customer delivery	63
IKEA Catalogue	37

<sup>1</sup> 1002 suppliers includes IKEA Group's own production operations which stands for 12% of the total production with 44 production units in 11 countries

<sup>2</sup> Additional mapping of local suppliers in ongoing in FY15

TOP 5 HOME FURNISHING PURCHASING COUNTRIES (% of total FY14)



China	25%
Poland	18%
Italy	7%
Sweden	5%
Lithuania	4%

Performance in FY14

To ensure IWAY remains effective, we surveyed or conducted in-depth interviews with more than 300 suppliers globally during the latest update of the standard. This allowed us to incorporate their experience from implementing IWAY into changes in the requirements. IWAY 5.1 was rolled out to all our suppliers in FY14. Updates include:

- A new requirement for suppliers to ensure their own suppliers of critical materials and processes – our sub-suppliers – are compliant with the IWAY Musts

- New or strengthened requirements on business ethics, freedom of association, grievance mechanisms, ergonomics and recruitment practices for migrant workers
- Meeting the legal minimum for wages, which is now an IWAY Must.

This new standard is designed to support suppliers as they integrate IWAY into their own routines and procedures through management systems and risk assessments.

We ran a programme of workshops, seminars and presentations for co-workers in FY14 to make sure they are up to speed with the latest IWAY requirements – helping them communicate with suppliers and assist with the integration of IWAY as a way of working. Our buyers visit supplier sites regularly and around 90 full-time auditors and developers support the implementation of IWAY, in addition to third-party auditors who verify audit results.

Extending IWAY to more types of suppliers

Our goal is for the following types of supplier to achieve IWAY approval by FY15:

- Home furnishing suppliers
- Global transport suppliers
- Food suppliers
- Selected retail suppliers and Indirect Material and Services (IMS) suppliers
- IKEA Components suppliers.

Since setting the 2015 target, we have brought additional categories of suppli-

ers into the IWAY scope, for example IKEA Industry suppliers (see page 86). On the following pages we provide information about IWAY approval at different supplier types.

Home furnishing suppliers

IWAY has been at the heart of our relationships with home furnishing suppliers for almost 15 years. As our expectations evolve, we provide training and support to enable our suppliers to meet new requirements and compliance.

We require that our home furnishing suppliers are approved according to IWAY to supply IKEA and at the end of FY14, all home furnishing suppliers were IWAY approved, were being phased out or were pending a scheduled audit (applies to





FUNCTION	ROLE
IWAY Council	<ul style="list-style-type: none"> <li>&gt; Has ultimate responsibility for IWAY</li> <li>&gt; Discusses and decides on critical IWAY related issues</li> <li>&gt; Approves all IWAY Standard documents and goals</li> <li>&gt; Members include the IKEA Group President and CEO, Chief Sustainability Officer and Corporate Communications Manager</li> </ul>
IWAY Council Working Committee	<ul style="list-style-type: none"> <li>&gt; Develops the IWAY Code of Conduct and supporting materials</li> <li>&gt; Reviews audit results</li> <li>&gt; Provides clarity on interpreting IWAY standards and resolves disagreements on audit results</li> <li>&gt; Is responsible for the IWAY auditor training programmes</li> <li>&gt; Approves all IWAY Working Methods</li> <li>&gt; Reports to the IWAY Council</li> </ul>
IKEA auditors	<ul style="list-style-type: none"> <li>&gt; Conduct announced and unannounced IWAY audits of suppliers</li> <li>&gt; Review action plans submitted by suppliers in cases of noncompliance</li> <li>&gt; Conduct follow-up audits and give final IWAY approval</li> <li>&gt; Support IKEA business teams with IWAY questions</li> </ul>
Regional/country IKEA business units	<ul style="list-style-type: none"> <li>&gt; Have regular contact with suppliers in their region and are regularly on-site at factories / facilities</li> <li>&gt; Support suppliers with understanding and meeting requirements</li> <li>&gt; Are accountable for ensuring IWAY is fully implemented at suppliers under their responsibility</li> </ul>
Compliance and Monitoring Group (CMG)	<ul style="list-style-type: none"> <li>&gt; Is independent from IKEA auditors and business units</li> <li>&gt; Monitors the degree to which internal IWAY Working Methods to support IWAY compliance are followed</li> <li>&gt; Performs audits to ensure that judgements by IKEA auditors are consistent globally and results are accurate</li> <li>&gt; Supports training and development of IKEA auditors</li> <li>&gt; Reports compliance results to IWAY Council and IWAY Council Working Committee (ICWC)</li> </ul>
Third-party auditors	<ul style="list-style-type: none"> <li>&gt; Drawn from external audit companies - independent from IKEA</li> <li>&gt; Verify IKEA audit results</li> <li>&gt; Conduct unannounced audits and calibration audits</li> <li>&gt; Report results to Compliance and Monitoring Group (CMG)</li> </ul>

0.5% of the total).

The graphs on the next page show the average compliance rate with the IWAY 4.1 requirements between FY10 and FY12 and between FY13 and FY14. In the period FY10–FY12, the average compliance rate during initial audits was 78%. After the initial audit, suppliers had 12 months to reach 100% compliance with the requirements. Our business teams and sustainability teams work closely with suppliers and provide training to help them achieve IWAY approval within the first year. Follow-up audits for existing suppliers are conducted at least once every two years (and once per year in high-risk areas, such as Asia) and suppliers have 90 days to correct any areas of non-compliance identified. Audits following approval show that suppliers maintained an average level of compliance of 86% which meant that these suppliers needed to make corrective actions after each audit to maintain IWAY approval.

In FY12, we introduced the rule that we would only work with suppliers that are IWAY approved. This means that new suppliers that fail to reach 100% compliance with IWAY requirements within 12 months, and existing suppliers that do not correct non-compliances within 90 days, are phased out of our supply chain. The introduction of this approach has improved overall levels of compliance. During the period FY13–FY14, audits following approval show that the suppliers maintained an average level of compliance of 88% compared to an average compliance rate during initial audits of 74%.

***Our goal is for suppliers to maintain continual compliance with all of the requirements of IWAY.***

We have made good progress in many areas, for example in FY13 and FY14 there was near 100% compliance with the requirement to have the right systems in place to prevent child labour and protect young workers.

However, some areas continue to be a challenge, for example ensuring continual compliance with issues relating to working hours, particularly in Asia. We are working with our suppliers to reduce working hours without cutting wages or jobs, for example, finding new mechanical efficiencies in production has helped to compensate for increased labour costs, and optimising the sub-supply chain has enabled better production planning. We also continually look to improve the ways that we work with orders and capacity planning.

Audits contribute to maintaining high standards, but achieving the goal of continual compliance depends on the commitment of the supplier and whether they have well-developed policies and processes in place. For example, unannounced audits of IWAY Well Developed Suppliers (a group of the best-performing suppliers) showed high average compliance with IWAY requirements in FY13. We want all our suppliers to reach this level by bringing the IWAY requirements into their own business processes in this way. In FY14 we rolled out a new version of IWAY (IWAY

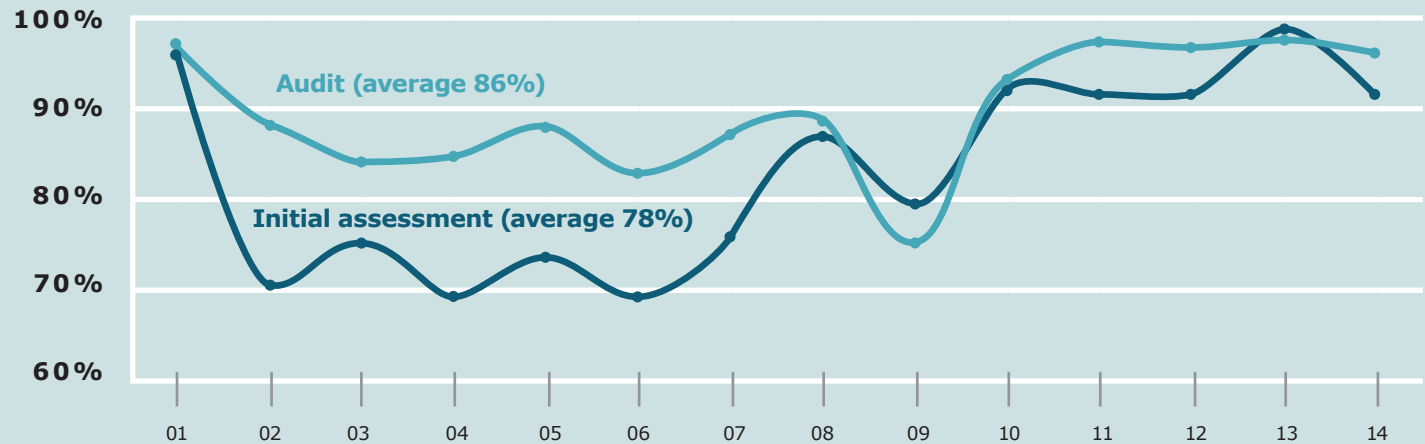
5.1) as part of our efforts to further improve standards. IWAY 5.1 is designed to help suppliers integrate IWAY into their own routines and procedures, for example through risk assessments.

An important area of focus is for all home furnishing suppliers in China to fully comply with working hour limits. We have achieved 98.8% approval to IWAY60 at suppliers in China, and 24% approval with IWAY. Our goal is to achieve 100% IWAY approval by FY15. In FY14, we started with a pilot project with 19 suppliers and identified 11 focus areas to support Chinese suppliers to integrate more stringent working hour requirements in to their business (see page 86).

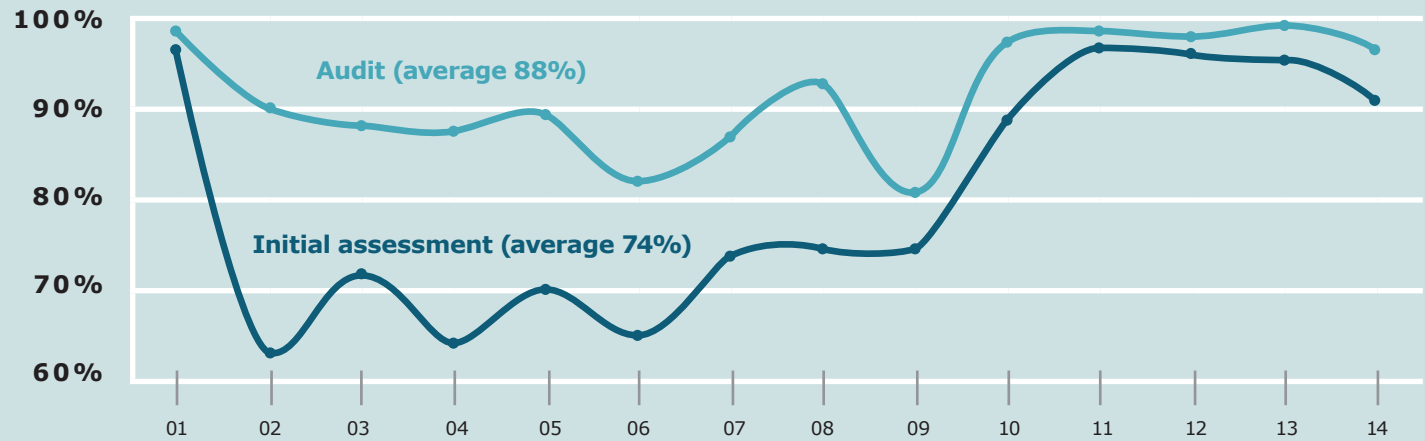
Our suppliers are increasingly talking about the link between a more sustainable approach to business and the bottom line. IWAY is a framework they can use to become more competitive by improving efficiency, reducing quality issues and helping to retain valued employees.

In FY14 we held a Supplier Week, which included our first Global Sustainability Days for suppliers. We hosted 46 participants, representing 11 suppliers from eight purchasing regions. We invited some of our best-performing suppliers to discuss the most important sustainability issues we all face, and to share knowledge that could benefit each other, and even contribute to IKEA's sustainability plans. Read more on page 63.

RESULT FROM INITIAL ASSESSMENT AT NEW SUPPLIERS AND FROM AUDIT RESULT AT IWAY APPROVED SUPPLIERS, FY10-FY12



RESULT FROM INITIAL ASSESSMENT AT NEW SUPPLIERS AND FROM AUDIT RESULT AT IWAY APPROVED SUPPLIERS, FY13-JANUARY FY14



- |                           |                               |                                |                            |
|---------------------------|-------------------------------|--------------------------------|----------------------------|
| 01. Start-up requirements | 05. Hazardous & Non-Hazardous | 09. Wages, Benefits & Working  | 13. Freedom of Association |
| 02. General Conditions    | 06. Fire Prevention           | 10. Prevention of Child Labour | 14. Harassment, Abuse &    |
| 03. Environment           | 07. Worker Health & Safety    | 11. Forced & Bonded Labour     |                            |
| 04. Chemicals             | 08. Housing Facilities        | 12. Discrimination             |                            |



IWAY approval at home furnishing suppliers, %*	FY10	FY11	FY12	FY13	FY14
Europe	89	90	100	100	99.5
Americas	85	94	100	100	96.2
Asia, total	26	41	92	97.8	97.8
China	7	30	90	99.2	98.8
South Asia	62	65	93	92.2	95.9
South East Asia	68	65	97	96.7	94.7
All regions	57	67	96	99	98.6

\* Data for home furnishing suppliers includes IKEA Industry factories. Excludes new suppliers that have up to 12 months to be approved. Suppliers where a non-compliance has been identified and are within the 90-day period allowed to correct the non-compliance are categorised as approved. Suppliers pending a scheduled audit are categorised as approved (applies to 0.5% of the total in FY14). In FY14, the remaining 1.4% applies to suppliers being phased out. In China we are working with suppliers to reduce working hours to comply with working hour limits. As an interim step, suppliers can become IWAY approved if working hours do not exceed 60 hours a week including overtime.

### Transport suppliers

We work with 233 directly contracted suppliers that transport our products to stores and distribution centres by road, rail, river barge and sea. No airplanes are used in our goods supply chain. In FY14, the IWAY approval rate for these suppliers was 100%.

In April 2014, we completed the roll-out of the revised IWAY standard, which contains more specific emissions requirements for trucks (see page 54). This has helped keep us on track to meet our transport carbon emissions reduction targets by FY16.

Our Service Business category works closely with the 63 transport suppliers who deliver directly to customers, and the suppliers of product picking in-store, assembly and installation. The IWAY ap-

proval rate for our centrally-contracted customer delivery service suppliers was 100% in FY14.

### Food suppliers

We achieved 98% IWAY approval of our 121 global food suppliers in FY14. These are the direct suppliers to IKEA that pro-

vide the ingredients for the Swedish menu options in our restaurants and the food range available in the Swedish Food Market shops.

For our 481 identified local suppliers, the IWAY approval rate is currently around 29%. We have not made as much progress as we hoped due to the complexity of the food supply chain and are unlikely to meet our target for all local food suppliers to be IWAY approved by FY15. During FY15 we will take further steps to map the supply chain, assess risks and identify where we need to go several layers back into the supply chain.

Read more about how we source our food products responsibly on page 34.

### Indirect Materials and Services (IMS) suppliers

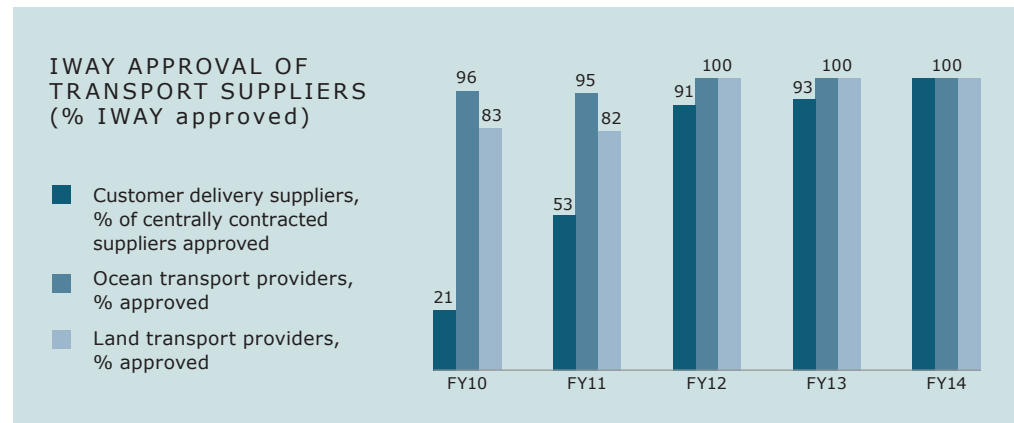
IKEA IMS purchases the products and services needed to run our business. This includes equipment in our stores (such as trolleys, racking and lighting), uniforms for our co-workers and services such as cleaning, security and waste management.

Like all our suppliers, we work closely



with IMS suppliers and build long-term relationships with them. The 'IKEA Plug-in Solution' initiative, launched in FY13, is IKEA IMS's way of moving towards fewer suppliers, each providing higher volumes of products and services. This approach brings practical business benefits like saving money on invoicing costs, providing a more standardised product range, and improving IWAY compliance and sustainability performance. But more importantly, it allows us to create strong partnerships with our suppliers, where we can learn from each other.

We continue to focus on IWAY audits among suppliers that pose a higher risk for IWAY non-compliance. These include providers of store lighting equipment, cleaning and waste management services. In FY14 we conducted 58 audits at IMS suppliers.



We are focused on our FY15 target to have all suppliers in China approved to IWAY. In FY14 we improved levels of support for our China-based suppliers by offering training on IWAY, covering details about the IWAY requirements and advice on good practice, working to improve and maintain compliance. We are also moving some production from non-compliant suppliers to other IWAY approved suppliers in China.

The IWAY approval rate for IMS suppliers at the end of FY14 was 77%, compared with 53% in FY13. We have seen considerable improvements, not least in China where 22% of our suppliers moved from IWAY60 to IWAY compliance.

### Retail suppliers

In our retail organisation we continue to focus on securing IWAY approval in higher risk categories: cleaning, security, waste management and customer delivery ser-

vice providers. The customer delivery service providers managed by our retail operations are in addition to those managed by our Service Business (see page 84). In FY14 we conducted 179 audits and 40% of the 448 suppliers in these four categories were IWAY approved. We will continue to conduct audits and aim to achieve 100% IWAY approval for suppliers in this category by FY15.

### IKEA catalogue suppliers

The IKEA catalogue is produced by Inter IKEA Systems, the owner of the IKEA Concept and worldwide IKEA franchise provider.

Twice a year, all suppliers conduct a self-assessment of their compliance against IWAY and the industry-specific requirements for pulp, paper, print and digital. We compile the results of these assessments before negotiating contracts so our purchasers can use this information to select suppliers that support our sustainability goals.

In FY14, IWAY approval was 55%, compared with 82% in FY13. In FY13, data was based on supplier self-assessments, but in FY14 we carried out 20 IWAY audits in co-operation with IKEA Indirect Material and Services (IMS). This means the FY14 data is more accurate than what we reported in FY13.

We anticipated this decrease in IWAY approval and have agreed corrective action plans with catalogue suppliers where needed. We plan to complete a further 30

IWAY approval of retail cleaning, security, waste management and customer delivery service suppliers	FY13	FY14
Total number of IWAY audits conducted at retail suppliers	136	179
Total number of retail cleaning, security, waste management and customer delivery service providers	539	448
Retail cleaning, security, waste management and customer delivery service providers, % IWAY approved	19	40

IWAY approval at catalogue suppliers	FY10	FY11	FY12	FY13	FY14
Share of catalogue paper and print suppliers that are approved according to the IKEA Catalogue Sustainability Requirements (%)	86	90	89	82	55
Share of catalogue paper and print suppliers that are approved according to the industry specific requirements (%)	65	72	70	66	68

IWAY approval at IKEA Components and suppliers	FY13	FY14
IKEA Components units, % approved	100	100
Total number of IKEA Components suppliers	226	242
Total number of IWAY audits conducted at IKEA Components suppliers	146	187
IKEA Components suppliers, % approved*	100	100

\* Includes suppliers pending a scheduled audit (applies to 0.8% of the total).

audits in FY15, putting us on track for our ambition to audit all catalogue suppliers by August 2016.

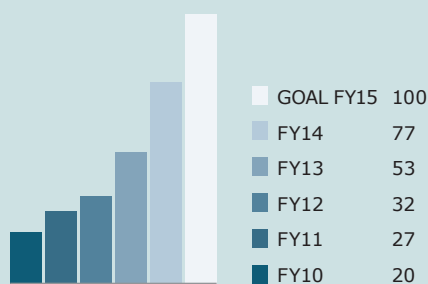
We also introduced third party audits for environmental data gathered from pulp, paper and print suppliers, carrying out a combined total of 23 site visits and desk reviews in FY14. These audits helped us to further increase the reliability of the environmental data. Read more about the environmental performance of our

catalogue suppliers, including achieving 100% Forest Stewardship Council certified paper (FSC Mix Credit) for the catalogue, on page 68.

### IKEA Components suppliers

IWAY applies to IKEA Components and all its suppliers. These companies provide components and materials to IKEA suppliers and sub-suppliers that are used in IKEA home furnishing products. In this

IWAY APPROVAL OF INDIRECT MATERIALS AND SERVICE (IMS) SUPPLIERS (% approved)





## Tackling working hours in our supply chain

We want to make sure people do not work excessive hours in our supply chain. IKEA Components is engaging with suppliers in China to reduce working hours without reducing wages. In FY14, we began a pilot project with suppliers to move towards 100% IWAY compliance, which means fully complying with working hour limits. One of the first to take part was a glass and mirrors supplier that was already performing well on price, quality and sustainability.

We met regularly with the supplier and set clear goals to integrate IWAY into its day-to-day operations. The challenge was to find ways to reduce working hours without reducing wages. Finding new mechanical efficien-

cies in production helped to compensate for increased labour costs.

Teamwork was key to the success of the project. Having made the changes needed to achieve IWAY, the supplier says it now has a better reputation with a more stable and efficient production base. Its employees have improved relative salaries, health, safety, life balance and job satisfaction.

"To achieve IWAY, the key is setting clear expectations, securing management commitment from suppliers and measuring progress," says Smith Yang, Business Developer at IKEA Components.

We are now extending IWAY to all IKEA Components suppliers.



### IWAY approval at IKEA Industry and suppliers

	FY13	FY14
IKEA Industry units, % approved	100	100
Total number of IKEA Industry suppliers	1300	1150
Total number of IWAY audits conducted at IKEA Industry suppliers	30	100
IKEA Industry suppliers, % approved	8	60

way we have extended the scope of IWAY to include a greater number of sub-suppliers.

In FY14, all our IKEA Components units and their suppliers achieved 100% IWAY approval or were pending a scheduled audit. The IWAY scope so far did not cover a small number of after-sales suppliers; they will be included from FY15. In China, all suppliers have achieved IWAY60, but we did not collect information on the number that achieved IWAY (see page 85).

See box for more about our pilot project towards IWAY.

### IKEA Industry suppliers

IKEA Industry supplies solid wood, board on frame and board-based furniture to IKEA and companies in the IKEA supply chain. Since the merger of Swedwood, Swedspan and IKEA Industry Investment and Development (IIID) to form IKEA Industry Group, purchasing structures are now aligned with IKEA Group and we have begun implementing a standard approach for these suppliers.

We have a structured timetable to reach 100% IWAY approval with all direct material suppliers by 2020 (see

page 87). In FY14, we conducted 100 IWAY audits at IKEA Industry suppliers. Out of a total of 1,150 supplier production sites, 5% have achieved IWAY approval.

In FY15, we will continue to implement IWAY with IKEA Industry suppliers, focusing particularly on board suppliers. We plan to undertake approximately 200 further audits in FY15 and will continue to work with those suppliers not reaching IWAY standards to implement improvement action plans. As a supplier to IKEA, IKEA Industry Group must also comply with IWAY and all sites are IWAY approved.

### Working with sub-suppliers

We know that we can have a big impact on the working practices of our wider supply chain by working with the companies that supply us directly to expand IWAY to their suppliers.

***Our direct suppliers are responsible for communicating the IWAY code of conduct to sub-suppliers.***



## Embedding IWAY in our supply chain

Making IKEA products is a complicated process. More than 1,000 companies supply our home furnishing products and materials. Each of these has many of its own suppliers – IKEA’s sub-suppliers.

Our direct tier 1 suppliers are in a great position to help. They have already been through a rigorous process to make sure they comply with IWAY and we have longstanding relationships with them, which means we can trust them to put in place IKEA requirements across their own supply chain. We provide support and training for suppliers on how to perform audits themselves. For many IKEA suppliers, all of their own suppliers have reached compliance with IWAY Musts.

Ján Kapec is the Purchasing and Sales Manager at Ekoltech, one of our pigment lacquer MDF (medium density fibreboard) suppliers in Slovakia. He is used to working with IWAY, both within Ekoltech and with its suppliers. “Companies must pass IWAY’s basic requirements before we even consider them as a supplier,” he explains. “If

they fail to meet a certain requirement, we work with them to solve it. But if it remains a problem, we won’t work with them.”

In Poland, upholstery maker SITS has been working with IKEA for over 20 years, and uses IWAY to audit its own suppliers. Michal Ryszawa explains how the process of working with sub-suppliers has evolved: “While SITS has been growing with IKEA, our suppliers have been growing with us. We know the whole value chain is very closely connected, and we want to maintain that strong working relationship. Using IWAY for our own suppliers is a win-win situation.”

It is not always easy – changing mentalities and bringing IWAY to life can be a challenge – and we work with our suppliers to understand what we can do better to help them ensure their own suppliers are up to standard. We are proud of the way in which they treat IWAY as part of everyday work. As Ján from Ekoltech says: “It’s not a case of doing something extra, it is part of who we are.”

Tier 2 home furnishing suppliers	FY13	FY14
Total number of HF tier 2 suppliers	14,000	16,561
Total number of HF tier 2 suppliers with identified critical materials and processes	2,200	1,691
Share of HF tier 2 suppliers with identified critical materials and processes compliant with ‘IWAY Musts’, %	20	91

## IKEA INDUSTRY GOALS FOR IWAY AT SUPPLIERS

### By end of FY15:

- All direct material IKEA Industry Group suppliers will have IWAY Musts verified.
- All critical direct material IKEA Industry Group suppliers will have implemented IWAY standard 5.1 and be ready for auditing.

### By end of FY17:

- All critical direct material suppliers will be IWAY audited and approved.

### By end of FY18:

- All direct material IKEA Industry Group suppliers will have implemented IWAY 5.1 and be ready for auditing.

### By end of FY20:

- All direct material IKEA Industry Group suppliers will be IWAY audited and approved.

They also ensure that critical sub-suppliers – those involved in higher-risk processes or who are based in higher-risk locations – achieve full and verified compliance with our IWAY Musts. We assess compliance with IWAY Musts through an audit led by the direct supplier or a third-party audit company, and provide them with guidance and training. We also conduct audits to verify compliance in high-risk locations.

In FY14, we consolidated our data on sub-suppliers through a new database. IKEA co-workers and supplier representatives are also visiting sub-suppliers to discuss and develop a better understanding of IWAY Musts. In FY14, 91% of critical home furnishing sub-suppliers were approved to IWAY Musts. This is based on audits of 1,085 of the 1,691 sub-suppliers we have identified as ‘critical’.

We came close to reaching our goal to secure compliance to IWAY Musts at all critical second-tier suppliers by the end of FY14. Considering the challenges of securing sub-supplier compliance, we are proud of what has been achieved and continue to work towards our 100% goal, as well as aiming for compliance along entire value chains in critical areas by the end of FY17.



## Supporting human rights



**We want to** empower people within our extended supply chain to create better lives for themselves.

The voices of migrant workers, home-based workers and those with limited access to resources or skills development often go unheard. They can end up facing poor working conditions and living in poverty. We talk directly to the people

working in our supply chain to better understand the challenges they face and develop relationships based on partnership and mutual benefit rather than charity.

Protecting children's rights is an important focus for IKEA. We do this through advocacy, raising awareness and by supporting families in vulnerable communities.

### PEOPLE & PLANET POSITIVE TARGETS

#### NEW targets

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 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.

Support the development of small-scale social entrepreneurs into IKEA suppliers leading to demonstrable social benefits, such as tackling poverty. Five new limited edition collections from the IKEA Social Entrepreneur initiative launched in three countries before February 2015.

### The right to be a child

Every child has the right to a childhood – to learn, play and develop. We are guided by the United Nations (UN) Guiding Principles on Business and Human Rights launched in 2011, and the Children's Rights and Business Principles launched by UNICEF, Save the Children and the UN Global Compact in 2012.

***We strive to make children feel welcome in our stores and provide products in our Children's IKEA range that promote safety, education, play and development.***

The work of the IKEA Foundation centres on the rights of children and their families (see page 93). But our responsibility to children and young people extends to our

own workforce and our suppliers.

The IKEA Way on Preventing Child Labour outlines our strict stance against child labour and how we work to prevent it. It describes how we will act in the best interests of the children involved if any cases of child labour are found. We regularly update our requirements and through IWAY, these requirements are being extended to our sub-suppliers too (see page 79).

In many countries, young workers, particularly those between the ages of 15 and 18, do not have the opportunity to continue their schooling. We support the legal employment of young workers in our supply chain by providing entry-level jobs and enabling their career development. All the younger workers in our supply chain must be employed under conditions that support their development and do not put them at risk.



## Leave the weaving at work

In Thanh Binh, three hours south of the Vietnamese capital, Hanoi, is a building with large skylights and ceiling fans. Here, around 1,400 women are sitting on plastic chairs crocheting amid the background buzz of small talk. The youngest is 17 and the oldest is 83, with no intention of retiring – she loves being part of the Thanh Binh weaving centre community.

The centre, which opened in July 2013, makes products only for IKEA. Using just crochet hooks and their skills, the women here make beautiful products they have designed themselves together with IKEA designers.

Én Nguyễn Thi, 41, was one of the first women who learnt to crochet when IKEA production began here. Like many other women in Vietnam, Én used to sit alone at home looking after the family's

house, two children, pig, hens, rice and sugar cane fields, and crocheted to earn money for the family.

Now she has a job outside her home, with a contract, flexible working hours, Sundays off and accident insurance. The weaving centre gives suppliers more control over working conditions, increases productivity and enables craftworkers to have jobs outside their homes with regulated hours, a safe working environment and higher wages than before.

For Én, the change has been about more than money: "I earn more now, but the biggest change is that I feel happier. I have friends here and we get the chance to talk about life while we are working. I'm more of an equal partner with my husband now."

## Migrant workers

The desire for a better life and a better future for themselves and their families can often take people far from home on the promise of a job that can provide just that. Far too often this initial promise can turn to hardship, with high fees and recruitment practices that leave the most vulnerable workers further in debt.

Our IWAY requirements for suppliers (see page 79) set clear standards for the recruitment and employment of workers, for example a requirement that passports should never be withheld from workers. We work with our suppliers to ensure these requirements are met and to protect the rights of migrant workers. But we know that recruitment processes in many countries can involve complex layers and opaque practices that can only be tackled by taking a wider approach. For example, IWAY includes a requirement that no fees should be paid by workers relating to recruitment; however, the lack of visibility of practices back to the home country makes it a challenge to ensure that this requirement is met and means that the issue can only be tackled in partnership with others.

## Home based workers

The informal sector is an important contributor to family income for people in areas of poverty. Short term jobs like working at home to weave or sew handicrafts provide flexibility and the ability to combine tasks that are part of home life with work. However, it often offers limited job security and poor working conditions.

We have started to implement new

## HUMAN RIGHTS GOVERNANCE

Respect for human rights is part of how we work. It is integrated into important policies, codes and standards such as:

- The IKEA Way on Preventing Child Labour
- The IKEA Way on Purchasing Products and Services (IWAY), our supplier code of conduct
- IKEA Group Code of Conduct
- IKEA Group Standard on Human Rights
- IKEA Group Policy on People
- IKEA Group Standard on People
- IKEA Group Policy on Sustainability.

In FY15 we will launch new guidelines on human rights in communication to provide guidance on how to ensure IKEA communications reflect our values and commitment to human rights.

We strive to prevent any negative impacts on human rights associated with our business. Where risks are identified, we strengthen our due diligence processes and, when necessary, provide access to a remedy – the steps an organisation takes if it finds it has caused or contributed to human rights violations.



working methods in parts of our supply chain that traditionally rely on home-based workers. In some cases, this involves collaborating with our suppliers to develop completely new ways of working. For example, a decade ago we began a journey to consolidate production for our handmade carpets in the Bhadohi region in India, changing from more traditional village-based small scale production to in-house production at our suppliers' facilities. Today we work with around four suppliers located near the villages, there are no middle men and outsourcing of production is not allowed. This has improved working conditions, wages, and ergonomics for the people in the Bhadohi region and we are able to work even more closely with the suppliers to ensure production meets our IWAY standards.

Together with our suppliers, we have also set up weaving centres in Vietnam to bring home workers together into a vibrant community (see page 89). The centres offer improved working conditions, flexible working hours and higher wages. Contracts for workers and full compliance with applicable IWAY requirements are helping to transform this informal workforce into a more formal sector. We are training suppliers, mapping home-based workers and working with third-party auditors to create a verification plan. We are at the beginning of the journey to create new working methods in areas that traditionally rely on home-based workers, and we look forward to developing in this area.

## Social entrepreneurs

Social entrepreneurs are guided by a wider social mission in the way they do business. To them, making a profit is not the only goal.

In the past our supply chain model has not allowed for collaboration with small-scale suppliers as their production cannot meet the demands of our global business. But we have realised the huge potential of working with these small groups – business benefits for both us and the supplier, combined with social development. In the poorer areas where we work with social entrepreneurs, there are generally high rates of unemployment for women. Working with IKEA through our partners gives social entrepreneurs an opportunity to make their own living and improve the quality of life for themselves and their children. It also nurtures local craft traditions and prevents migration to big cities for work.

Over the last two years we have been working with social entrepreneurs to produce limited-edition collections to be sold in selected IKEA stores. We focus on social entrepreneurs who:

- Work with handicrafts (textiles, natural fibres and ceramics)
- Contribute to social change, poverty reduction and women's empowerment in some of the world's poorest communities
- We can form solid, long-term business relationships with.



## Creating opportunities for artisans in Thailand

Life in the Doi Tung area of Chiang Rai province in Thailand used to be very different.

"In the past, people in Doi Tung did shifting cultivation. They cut down trees to plant corn, rice and opium. It was a very difficult time and we lived day by day. There weren't any doctors so people used opium as the remedy for pain killer for toothache or stomach ache. When they used too much opium, they became addicted to it. At that time, we didn't have nationality so we couldn't work, couldn't go anywhere. We were stuck in Doi Tung. Some people even traded their daughters for money," recalls Come Takcomesing, a woman who lives in the area.

Come has been working with the Doi Tung Development Project (DTDP) for 22 years. The project aims to enable the tribal villages in Chiang Rai

to develop a self-sustained livelihood away from opium production. It employs 1,700 people, including 470 artisans working with handicrafts, and its social mission is to revive lost natural forests and to improve healthcare and education in the community.

"I was part of the first group who started textile weaving when we only had 12 people," Come explains. "When the Doi Tung Project started, everything changed – roads, electricity, work and income."

We wanted to support this work, while creating business value for both us and the artisans. So in 2007, IKEA partnered with DTDP who have since created three ranges for our stores. Most recently, the INVERKAN range – a selection of hand-woven textiles and ceramics – was launched in 20 IKEA stores in autumn 2014.



Short product runs match the production capacity of our partners, and we spread production over the year with working hours that suit those involved. We support the social entrepreneurs in developing skills such as design, production, environmental management and export. We collaborate with the local artisans on designs and patterns to produce commercial items – local crafts with global appeal. Over time, we build lasting relationships and work with our partners to develop their businesses and become self-reliant. This allows us to move on and support the next generation of social entrepreneurs.

We currently launch two collections from India and one from Thailand each year and have achieved our goal of launching five new limited-edition collec-

tions from the IKEA Social Entrepreneur initiative in three countries before February 2015. During the coming year we will launch the first collection from Indonesia. We sell collections mainly made by women through these partnerships in 20 stores and plan to increase this number to 29 stores by March 2015.

We also work with local co-operatives and social entrepreneurs in developed countries such as Denmark, Sweden and the USA, with women who are immigrants and find it tough to get into the labour market. In the Rosengård area of Malmö in Sweden, with a very high unemployment rate, we are working with a local co-operative association of women to develop business skills and local collaboration through craft and sewing services.



## Stakeholder challenge

### QUESTION

*"As a Swedish company, IKEA has a reputation for being broadly liberal. But a number of recent incidents caused shock. In Saudi Arabia, IKEA airbrushed women from the catalogue, and in Russia it removed the story featuring a British family with lesbian parents from the IKEA Family Live magazine.*

*Is IKEA caving into discriminatory laws in repressive regimes? What moral responsibility do you have to use the power of your global brand to affirm your commitment to international human rights standards, including non-discrimination, wherever you operate?"*

*Frances House, Director of Programmes, Institute for Human Rights and Business*



### ANSWER

*"Respect for fundamental human rights is an essential part of the IKEA vision: to create a better everyday life for the many people. This means that we look for opportunities to promote human rights through our actions and the way we communicate, and must also avoid negative impacts, for example by unintentionally discriminating against a minority group. The removal of women from the Saudi Arabian version of the IKEA catalogue was a regrettable mistake. We have since strengthened our routines and guidelines to ensure that the IKEA catalogue reflects what we stand for, while at the same time showing respect for the cultures of different markets.*

*We believe everyone should be treated equally and we want to play our part in ending discrimination. Reflecting diversity in our communications is an important part of promoting human rights. We believe that publishing an article in our customer magazine in 24 countries featuring a lesbian couple was a good example of that. We were unfortunately unable to publish the article in Russia due to legal restrictions. Whilst this conflicts with our commitment to promoting diversity, we comply with the law where we operate and the only way we could legally run such articles would be to adapt the content in a way that is incompatible with our values. To raise awareness about the issue, we included a letter about our commitment to equal rights in the magazine in 25 countries, including Russia. As we move forward, we are firmly committed to promoting diversity and inclusion for our co-workers and to promote human rights through our communications and actions."*

*Petra Hesser, Human Resources Manager, IKEA Group*



## Lasting changes for communities



**We want to empower others** to create better lives for themselves. Globally, the IKEA Foundation supports projects in some of the world's poorest communities. Locally and nationally, our stores and other facilities form partnerships with key organisations to create changes, large and small.

The IKEA Foundation<sup>1</sup> is an independ-

ent charitable foundation that focuses on protecting children from child labour, providing a better life for refugee children, and empowering girls and women. Through grants and product donations from the IKEA Foundation, conditions for families living in some of the world's poorest communities are improved. IKEA Group supports IKEA Foundation in its

<sup>1</sup> The IKEA Foundation manages philanthropy for the Stichting INGKA Foundation, the owner of the IKEA Group.

### PEOPLE & PLANET POSITIVE TARGETS

#### NEW targets

Engage customers and co-workers in annual local and global campaigns for a good cause to improve children's lives in the developing world. Annual donations will reach EUR 20 million 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 2015, the IKEA Foundation aims to have launched a programme to help women in India develop the skills they need to improve their income and succeed in India's changing economy.

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.

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.

charitable causes, by providing know-how, co-workers' time and donation of products. Both to receivers shared with IKEA Foundation and others.

Our stores, distribution centres, factories and trading offices work with local and global partners and community groups – particularly those supporting children, refugees and homeless people.

We host community events and work with NGOs to help improve the local environment. Co-workers and customers give their time and resources to support these activities.

### Performance in 2014

In 2014, the IKEA Foundation donated EUR 104 million through funds from IKEA profits to 40 organisations globally.

The Foundation entered the City A.M. /KPMG World Charity Index as the 14th biggest private sector donor in the world in December 2013.<sup>2</sup> We are proud of this achievement. But we know that commitment, partnership and good ideas are just as important as money for creating lasting change.

### Innovating together

Creative thinking can lead to high returns on social investment. Innovation is essential to reach more people and

<sup>2</sup> Based on total grant giving in 2012.

### THE IKEA FOUNDATION

The IKEA Foundation is a charity registered in the Netherlands. It aims to improve opportunities for children and youth in the world's poorest communities by funding holistic, long-term programmes that can create substantial, lasting change.

The Foundation works with strong strategic partners applying innovative approaches to achieve large-scale results in four fundamental areas of a child's life: a place to call home; a healthy start in life; a quality education; and sustainable family income. These partners range from small NGOs working on innovative solutions to larger organisations such as the UN Refugee Agency (UNHCR) and Médecins Sans Frontières, which enable these innovations to reach the many children that need them.

By 2015, more than 100 million children will have benefited from current IKEA Foundation-funded programmes.

The programmes funded by the IKEA Foundation fall into the following broad areas:

- Better lives for refugee children and families. Projects that address children's need for a safe place to call home, and sharing IKEA's specialist logistics knowledge to help partners get emergency supplies where they're needed quickly.
- Fighting the root causes of child labour and promoting children's rights. Programmes that promote children's rights, giving them access to education, healthcare and a sustainable family income so they can create more opportunities for themselves and their families.
- Empowering women and girls. Investments that empower women – through education, skills training, better healthcare or providing a loan to set up a small business – in order to improve children's health, education and future opportunities.
- Emergency response. Donation of IKEA products and provision of financial support for humanitarian relief efforts.

For more details on the Foundation and its innovative partnerships, go to the IKEA Foundation website [www.IKEAfoundation.org](http://www.IKEAfoundation.org).



### From cotton fields to classrooms

"My friends used to ask me to go to school with them," says 10 year-old Tejas Atote. "They would tease me for not being able to go. What could I have done? I had to work."

Tejas' parents were earning less than EUR 2 a day between them, working in the cotton fields near their village home in Maharashtra, India. This was not enough to support the family, so the boy had to leave school to join them.

He hated the work. "My back ached every day... and I was frightened that snakes or spiders would bite me. I wanted to study." Tejas was not alone. In India, more than 12 million children work, the majority in the agricultural sector.

At IKEA, we believe in a healthy, secure childhood, when young people can learn, play and develop. Five years ago, the IKEA Foundation partnered with Save the Children to enable more

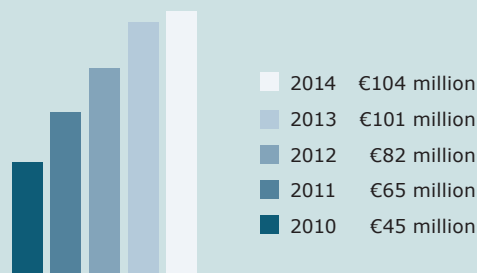
young people in India to move out of work and into education. The programme reached 600,000 children, enabling more than a quarter of them to access learning.

Tejas is one of these children. With support from Save the Children and funding from the IKEA Foundation, his village set up a children's group that supported his return to school. Today, Tejas goes to school regularly, and aspires to become a police officer.

But there are many more young people still working in fields and factories across India. That is why we increased our funding by EUR 7 million in 2014. Targeted at the 790,000 children living in cotton communities in India, this support should help many to get an education and, like Tejas, fulfil their potential.

See page 31 for more on how we are sourcing cotton responsibly.

#### ANNUAL DONATION BY IKEA FOUNDATION\*



\* Includes donations relating to the Soft Toys for Education and Brighter Lives for Refugees Campaign.



## Making lives brighter for refugees

"It's lighting that we need most," says Um Fadi, a Syrian refugee living in Jordan's Al Azraq camp. In sole charge of her niece Rama, 12, and nephews Anas, 11, and Malek, 8, poor lighting is a problem: "The children get anxious at night-time, and when darkness falls, you don't always feel safe."

Today, there are nearly 11.7 million refugees under UNHCR's care, and around half are children. Every year, millions more families are forced to flee their homes because of conflicts or natural disasters. Many find safety in UN Refugee Agency (UNHCR) camps. Darkness can make even everyday activities like using the toilet or collecting water dangerous, especially for women and girls. Home-working and studying also suffer in poorly lit environments.

The IKEA Foundation is working with UNHCR to improve lighting, renewable energy and primary education in camps across Africa, Asia and the Middle East. IKEA has engaged

co-workers and customers with a campaign to support this initiative. For every LEDARE LED light bulb sold in February and March 2014, the Foundation donated EUR 1 to UNHCR. And in Australia, UNHCR representatives - all former refugees - went into IKEA stores to share their experiences with customers and their children.

The campaign has raised EUR 7.7 million in its first year alone. The funds are supporting the installation of solar street lights, which are lighting up the pathways and enabling communities to come together for events more frequently. The donation will also fund the distribution of solar lanterns, allowing children to study after dark, and enabling refugees like Um Fadi to earn money at home in the evenings through activities like weaving, sewing or running small shops.

With the campaign now set to continue over the next two years, we hope to create brighter futures for many more refugees.

create real change with limited resources. We encourage dialogue internally and with our partners to share ideas and best practices. We invest in programmes to come up with new solutions to known problems and develop proof-of-concept programmes that will help governments and other funders increase reach.

The IKEA Foundation's partnership with the UNHCR and the Refugee Housing Unit is a ground-breaking example of collaboration, technical innovation and practical application. The partnership aims to

develop a safer, more durable emergency shelter for refugee families. Some of the world's most vulnerable families are testing around 50 prototype shelters in the field, with the feedback gathered informing design modifications. The Foundation also supports UNHCR's quest for other innovations such as solar street lights to improve life in refugee camps.

For more details of other innovative projects, see the IKEA Foundation website at [www.IKEAfoundation.org](http://www.IKEAfoundation.org).



### DONATIONS AFTER DISASTERS

All children should have the opportunity to learn and play. But when natural disasters and conflicts turn their lives upside down, they lose the chance to simply be a child. The IKEA Foundation provides funding and donates products for humanitarian relief efforts that support children and their families affected by disasters. In 2014, we:

- Donated IKEA children's products to go in UNICEF's early childhood development kits for around 1.2 million children
- Committed EUR 1.3 million to Save the Children's innovative pilot programme to protect children's rights in humanitarian crises
- Supported Médecins Sans Frontières with a donation of EUR 5 million to help them fight the Ebola outbreak in West Africa.
- Sent 150,000 blankets, quilts and pillow cases to UNHCR for refugees in Iraq to provide some comfort to people who are suffering.



## Working together for 12 years of soft toys

Every year, the IKEA Foundation donates EUR 1 to Save the Children and UNICEF for every soft toy sold in IKEA stores in November and December. The money is spent on children's educational projects in some of the world's poorest communities. Education is a powerful and effective way to enable children to escape poverty.

Since the Soft Toys for Education campaign began in 2003, our co-workers and customers have raised EUR 67 million supporting more than 11 million

children in 46 countries. In FY14, IKEA Portugal increased sales of soft toys by 60% thanks to a strong focus on customer engagement and education about this project.

The Soft Toys for Education campaign in FY15 will feature five new fairy-tale characters, as well as our first-ever global drawing competition for children. Ten winning designs for soft toys will be brought to life to create a limited collection of toys by kids for kids.

## Customer and co-worker campaigns

Co-workers and customers play a big part in our efforts to create a better life for people and communities, and to contribute to a more sustainable world. Here are some recent examples of their involvement:

- **Norway:** More than 87,000 school children participated in the Tea Light Hunt, contributing to the collection of around 30 million used tea lights for recycling, raising awareness of recycling among the children and their parents, saving more than 170 tonnes of CO<sub>2</sub> and reclaiming 20 tonnes of aluminium (see page 60 for more on how we are making the most of waste in Norway).
- **Romania:** Co-workers helped to refurbish three houses to improve the lives of children living in SOS Children's Village Bucharest – a safe and supportive community that provides homes for children who are no longer able to live with their biological family.
- **Spain:** IKEA Food is encouraging children to support other children, with EUR 1 (or 'one smile') for every healthy children's menu sold going to Menudos Corazones, a non-profit foundation for children with heart problems, along with further funds raised through auctions, collection boxes and other activities. Since FY12, over 250,000 'smiles' have funded accommodation, hospital rooms, psychological support and a new centre providing specialist facilities for children and their families.

## IWITNESS

IKEA co-workers around the world work hard to promote campaigns such as Soft Toys for Education (see left) and Brighter Lives for Refugees, helping to raise more money and increase impact. Every year, the IKEA Foundation's IWitness programme invites small groups of co-workers to see first hand what a difference these campaigns make and share their experiences with other co-workers, customers, friends and family on the IWitness Global Citizens blog.

In 2014, 105 co-workers in 17 countries experienced IWitness trips to countries including Bangladesh, Indonesia, Kosovo and Sierra Leone.

Read the IWitness Global Citizens blog at [blog.ikeafoundation.org](http://blog.ikeafoundation.org).

- **US:** Since FY11, more than 120 charities have received over USD 1 million (EUR 846,000) in IKEA products, design expertise and time as part of the Life Improvement Challenge. IKEA US co-workers nominate local charities to win an IKEA makeover of a space that helps to improve the lives of others in the community.



# Governance and ethics

*Our culture, based on the spirit of togetherness, enthusiasm and fun, defines the way we work and is key to our success.*

*We recruit capable people who share our values and we expect a lot of them. Their commitment and passion mean we can give everyone more responsibility, which leads to quicker, better decisions and more effective actions.*

*We want to make sustainability an integral part of every co-worker's daily work as this is essential for creating a more sustainable IKEA.*





## How we work

The IKEA Group of companies (INGKA Holding B.V. and its controlled entities) has an ownership structure that ensures independence and a long-term approach. Stichting INGKA Foundation in the Netherlands is our owner, and its funds can only be used in two ways: reinvested in the IKEA Group or donated for charitable purposes through the Stichting IKEA Foundation.

INGKA Holding B.V. is the parent company of the IKEA Group, located in Leiden, Netherlands. As per 15 January, its Supervisory Board consists of: Lars-Johan Jarnheimer (Chairman); Stina Honkamaa Bergfors; Tore Bertilsson; Luisa Delgado; Jonas Kamprad; Göran Lindahl; and Lone Fønss Schrøder. Ingvar Kamprad, the founder of IKEA, is senior advisor to the Supervisory Board.

The IKEA Group is led by its President and CEO, Peter Agnefjäll, together with Group Management.

The IKEA Group operates throughout the whole value chain from range strategy and product development to production, distribution and retail. This includes our own manufacturing units, trading service offices, customer distribution centres and 315 stores in 27 countries. In total, the IKEA Group has operations in 42 countries.

The IKEA Group franchises the IKEA retail system from Inter IKEA Systems B.V. in the Netherlands. Inter IKEA Systems B.V. is the owner of the IKEA Concept and the worldwide IKEA franchisor.

### Stichting INGKA Foundation

Owner of the IKEA Group

Charity  
Stichting IKEA Foundation

Management of financial assets  
Stichting IMAS Foundation

### The IKEA Group

(INGKA Holding B.V. and its controlled entities)

Chairman of the supervisory board, Lars-Johan Jarnheimer\*  
President and CEO, Peter Agnefjäll

#### Production

**44**  
Production Units

**20,100**  
Co-workers

#### Range & Supply

**9,500**  
Products

**27**  
Trading Service  
Offices

**13**  
Customer Distribution  
Centres

**34**  
Distribution Centres

**16,100**  
Co-workers

#### Retail & Expansion

**315**  
IKEA Group Stores

**110,800**  
Co-workers

#### Group Functions

Business Navigation & Finance  
Corporate Communications  
HR  
IT  
Legal  
Risk Management & Compliance  
Strategy & Process  
Sustainability

#### Centres

Shopping centres

#### Asset Management

Financial & Core related assets

\*Replaced Göran Grosskopf as new chairman of the IKEA Group from January 2015.



## Sustainability governance and management



**Sustainability is one** of the four strategic cornerstones of the IKEA Group direction, 'Growing IKEA Together', and is fundamental to our success. The business plan for every IKEA business unit specifies how it will contribute to our sustainability objectives.

Our Chief Sustainability Officer, Steve Howard, has overall responsibility for performance against our sustainability commitments – within Growing IKEA Together and People & Planet Positive strategy.

Steve is a member of Group Management and reports directly to the Group President and CEO, Peter Agnefjäll.

---

***All co-workers are responsible for sustainability in their area of work.***

---

Hundreds of people across IKEA have social and environmental objectives as part of their formal job description.

Each business unit and country retail organisation has a sustainability organisation, and the larger business units have their own sustainability team. They are supported by the central Group Sustainability team, which reports to Steve Howard and focuses on sustainability policy and compliance, reporting, and communications and innovation.

The Sustainability Management Group, chaired by Steve, brings together sustainability managers from the main business areas – Retail and expansion, Range and Supply, IKEA Industry and IKEA Food – as well as the Heads of Policy and Compliance, Sustainability Communication and Sustainability Innovation. The group helps to co-ordinate efforts and make key decisions on sustainability.

Progress against our sustainability objectives is reported to Group Management and the Board of Directors every three months.

Any risks or concerns relating to sustainability and climate change are flagged by sustainability managers to the IKEA Group Risk Committee. The committee includes three members of Group Management, and meets around four times a year. The most serious risks are communicated to the Group Sustainability team for further action if needed.

Read more about how sustainability is becoming a bigger part of everyone's daily work on page 44.

### Working with others

We can achieve many things on our own, but often we choose to collaborate with others to maximise our impact and create lasting change. Wherever possible, we partner with governments, industry organisations, NGOs and trade unions to strengthen our sustainability efforts.

Together with our partners, we are striving to transform how we work across our value chain – from factory and farm, to stores, to customers' homes and, eventually, to our products' end-of-life. Long-term partnerships with WWF, the Forest Stewardship Council (FSC) and the Better Cotton Initiative are increasing the level of responsibly sourced materials and resources we use across our global supply chain. The IKEA Foundation's partnerships with UNICEF, War Child, Médecins Sans Frontières and others focus on improving the lives of children and refugees in some of the world's poorest communities.

We established new partnerships in FY14:

- **Business and climate change.** IKEA is part of, and helped to form We Mean Business, a newly launched coalition of organisations that brings together global businesses to accelerate action on climate change. See page 104 for more information.
- **Fair wages.** We are working with the Fair Wage Network (FWN) to understand how we can ensure fair wages and working conditions across all our countries of operation and in our supply chain. See page 72 for more information.

- **Product impact.** We are members of the Sustainable Apparel Coalition, which is expanding its focus to include home textiles. The vision is an apparel, footwear and home textiles industry that produces no unnecessary environmental harm and has a positive impact on the people and communities associated with its activities.
- **Product innovation.** We are a founding partner of LAUNCH Nordic, an innovation platform launched in 2014. It brings together industry leaders and innovators to identify scalable sustainable technologies in materials, such as using recycled cotton fibres and new dyeing techniques.
- **Renewable energy.** IKEA is a founding partner of RE100, an international initiative to support companies aiming to be 100% renewable. See page 104 for more information.

## Learning from stakeholders

We are always open to feedback – by listening to others, we can make positive changes and develop long-term plans. We regularly invite our customers, suppliers, NGOs and other stakeholders to discuss what they think about our sustainability performance.

In FY13, we set up a dedicated Advisory Group to challenge and inspire us to continually improve our strategy. The Advisory Group is made up of senior representatives from NGOs such as The Climate Group, the Institute for Human Rights and Business, Oxfam GB, Save the Children and the

World Resources Institute.

We took the group's feedback on our People & Planet Positive Strategy in FY13 seriously and conducted further meetings through FY14 to build on their input.

While our environmental focus is seen as well developed, some members of the Advisory Group felt that we could be bolder and clearer on our work with people and communities. We recognise that everything we do at IKEA – from food to forestry – involves people and our strategy should reflect this. During the year, we have made our commitment to People and Communities clearer by redefining our focus areas and targets (see page 107).

The Advisory Group reconvened in May 2014 to give their feedback on our updated People & Planet Positive strategy. They met with our President and CEO and three other members of Group Management (our Chief Sustainability Officer, Group HR Manager and Range & Supply Manager) and senior sustainability experts from around the business. We made some further updates to our strategy as a result of these discussions (see page 100).

We also held a larger 'Future Search' meeting for stakeholders that brought together NGOs, customers, industry representatives and others. The goal of this dynamic session was to paint a picture of the sustainable IKEA of the future and work out how to get there. The first meeting outlined issues in food sustainability, and we will hold sessions later in the year to discuss our plans for the future.

## Engaging co-workers and customers

Every IKEA co-worker, in every store, distribution centre, production unit and office, plays a role in achieving our sustainability goals. To enable everyone to make sustainability part of their everyday work at IKEA, we are creating opportunities for co-workers to contribute their ideas and to learn about sustainability. Our new training package is designed to ensure that all co-workers understand and are inspired by sustainability – see more on page 76.

---

***We run regular co-worker campaigns to raise awareness and encourage participation in sustainability.***

---

In FY14, we held a global competition to encourage co-workers to increase sales of LEDARE LED light bulb for the Brighter Lives for Refugees project (see page 94).

The IKEA People & Planet Ideas website is where we encourage co-workers in distribution, food and retail to share their inspiring stories about being more sustainable. Read more about how we communicate with our co-workers on page 76.

We want our co-workers to live and breathe sustainability so that they can be the best ambassadors for our work. See page 21 for more on our More Sustainable Life at Home co-worker engagement campaign. And find out how we encourage all our retail managers to measure their local sustainability performance using annual KPIs on page 49.

As well as our co-workers talking to customers directly about sustainability, we communicate using in-store information (for example on leaflets and price tags), discounts on more sustainable products, interactive experience days and workshops, and other channels such as our catalogue and our website. IKEA FAMILY members receive additional discounts on products like our Hanergy solar panels. Read more about how we inspire our customers to be more sustainable on page 19.





## FEEDBACK FROM THE PEOPLE & PLANET ADVISORY GROUP IN FY14

### People and Communities

#### Feedback

IKEA has a significant opportunity to lead on social impact issues, just as it has on the environment. IKEA should reflect this in the language and commitments relating to People and Communities in the strategy.

#### What we are working on

We revised the People and Communities section of our People & Planet Positive strategy to reflect more specific priorities in four key areas: A better everyday life at work (see page 73), better lives for workers in our supply chain (see page 79), supporting human rights (see page 88) and creating lasting change for communities (see page 92). In FY14 we developed additional People & Planet Positive commitments which focus on diversity, community involvement, children's rights, supporting migrant and home-based workers and social entrepreneurs, and engaging customers and co-workers in more fundraising campaigns.

### Climate Change

#### Feedback

All members of the Advisory Group agreed that IKEA should prioritise action on climate change due to the scale of the challenge for the environment and the risks to communities around the world. IKEA should use its position as a business leader to call for action from other businesses and governments.

#### What we are working on

Action and advocacy on climate change are priorities for IKEA and we are working to become climate positive. Without urgent action, the threats climate change poses to people, business success and global prosperity will increase significantly. Many countries we source materials and products from are particularly vulnerable to climate change, and co-workers and communities are already feeling the effects. Acting on climate change will create innovation, economic benefits and business opportunities for a more prosperous future. We also want to encourage others to act, so climate change advocacy is one of the priorities in our global public affairs strategy. We are calling for robust policies to unlock the investment needed to accelerate the transition to a low-carbon economy. Read more about our other priorities for advocacy on page 102. We are engaging with national policy makers and business associations in the countries where we operate, and at EU level. We are also involved in key international events such as the United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties (COP) meetings and the UN Climate Summit held in New York in September 2014. See page 104.

### Human Rights

#### Feedback

IKEA works in some places with complicated human rights issues (see page 88), and as it expands into new markets, new concerns relating to human rights will arise. IKEA should plan for these future scenarios and understand how best to respond.

#### What we are working on

Respect for human rights is at the centre of everything we do and we have updated our People & Planet Positive strategy to better reflect this commitment. Using the UN and International Labor Organisation (ILO) principles as a starting point, we are establishing a consistent position on all human rights risks. We are working to ensure we have the right processes in place to react quickly and responsibly to any human rights issues that arise.

## FEEDBACK FROM THE PEOPLE & PLANET ADVISORY GROUP IN FY14

### Advocacy and leadership

#### Feedback

People & Planet Positive gives IKEA the opportunity to stimulate wider change by becoming an advocate and thought leader. It should take a stronger stance on the issues that matter most to its business – particularly climate change, given the increasing momentum of international climate talks and potential to drive positive change.

#### What we are working on

We recognise that as well as taking action in our business we can have a positive impact by advocating for wider change in society. We are engaging more on social and environmental issues by working individually and in partnership with others. We have identified climate change as an immediate priority and are urging for bold action from policy makers in the countries where we operate, and on a global scale (see Public policy, page 102).

### Corporate tax

#### Feedback

There is considerable and increasing social concern on the subject of corporate tax avoidance. IKEA is vulnerable to this because its business structure can seem complicated. It should be aware of public concern over tax and engage with the debate in an open and transparent way.

#### What we are working on

Our company structure was created to ensure we remain independent and to secure our long-term existence. The IKEA Group pays corporate income taxes in accordance with laws and regulations, wherever we are present as retailer, manufacturer or in any other role. We have a strong commitment to contribute to the societies where we operate. In FY14, the IKEA Group corporate income tax charge amounted to EUR 801 million. The effective corporate income tax rate was 19.3%, up from 18.9%. In addition, we incurred local and other taxes such as property taxes, business taxes, custom duties and environmental taxes. These taxes amounted to EUR 715 million in FY14. So, in total, the tax charge in FY14 for the IKEA Group amounted to more than EUR 1.5 billion. During the last five years (FY10-14), corporate income tax and other taxes amounted to about EUR 6.8 billion for the IKEA Group.



## Business ethics

**We work hard** to make sure the strong IKEA culture is felt throughout our business, wherever we operate around the world. The success of our business is built on a solid foundation of honesty, respect, fairness and integrity.

We encourage leadership by example, and all co-workers must understand and comply with our Code of Conduct, 'Good Business with Common Sense'. This reinforces the IKEA Group way of doing business and what we expect of everyone. We have a zero-tolerance policy for corruption, alcohol and drug abuse, and harassment, and we strive to make sure that all our co-workers act in a way that is consistent with our values. We give clear guidance for managers and co-workers on how to follow up any suspected misconduct.

Regional or country-level risk managers regularly conduct risk assessments in relation to co-worker misconduct, and any suspected breaches of policies are investigated and dealt with promptly.

We strive to communicate openly and honestly at all times. This is a core foundation of our business. Co-workers are encouraged to raise any concerns in good faith, and they can expect to be treated with respect and fairness. They can discuss issues with their manager, senior management or representatives from the Human Resources (HR) or Risk teams. If none of these feel appropriate, co-workers

can use the IKEA trust line to report a concern anonymously.

The trust line, launched in FY13, is available in 41 countries. It provides co-workers with the opportunity to raise concerns confidentially in their own language, 24 hours a day, seven days a week, either by phone or online. All concerns are evaluated by the trust line managers, and where appropriate they are escalated to the responsible HR or risk manager. See page 76.

### Anti-corruption

Honesty is an important IKEA value. Corruption in any form is contradictory to our goal of achieving low prices and being a good corporate citizen.

No one acting on behalf of the IKEA Group may accept or offer bribes, kickbacks or loans, or engage in other similar corrupt practices. Our Code of Conduct and detailed Rules on Prevention of Corruption outline our expectations of co-workers and suppliers, and explain what to do if corruption or misconduct is suspected. In FY14, 18 crime or corruption incidents were submitted via the trust line, of which 15 were investigated. Seven of the cases examined further were allegations relating to corruption.

## Public policy

**We want to use** our scale and influence to help bring about significant change for the benefit of people and the planet. An important way we do this is by taking part in public policy debates and working with governments and other organisations to tackle the big issues that affect our business and communities.

In FY14, we developed a Corporate Communication and Public Affairs Strategic Plan to streamline our public policy and advocacy activities which will be rolled out from FY15. This identifies four key areas of action:

- 1. IKEA's contribution to investments and growth in society.** We explain how our growth, expansion and investment plans bring value to society at large, including job creation, purchasing power, sourcing and investments in environmental solutions (renewable energy, public transport, etc.).
- 2. Product market requirements.** We are working on product safety, standardisation, chemical requirements, labelling and communication for consumers. We advocate for policies to support our ambition for healthy, safe and sustainable food.
- 3. People & Planet Positive.** We advocate for change in society that benefits people and the planet. This includes advocating for policies that tackle cli-

mate change, and unlock the business innovation and investment needed to accelerate the transition to a low-carbon economy.

- 4. IKEA as a great place to work.** We support our co-workers' right to freedom of association and promote positive and constructive relationships with trade unions. We also work with our own stakeholders including partners and trade associations of which we are members.

### Advocacy

During FY14, we met a number of government officials and Members of Parliament at the regional, national and local levels. Our main areas of public policy activity related to sustainability were:

- Climate policy.** We want to help drive more proactive climate change policies, including aggressive decarbonisation of business. Our Chief Sustainability Officer, Steve Howard, attended and spoke at the UN Climate Change Conference of Parties (COP19) in Warsaw, Poland. Steve and Peter Agnefjäll, our President and CEO, attended the UN Climate Summit in New York in September 2014 (see page 104). IKEA represented the private sector in the Petersberg Climate Dialogue, hosted by the German Chancellor Angela

Merkel, involving representatives from 35 countries that account for 85% of global greenhouse gas emissions. We contributed to the European Commission (EC) proposal on energy and climate targets for 2030, and sent letters to five European Heads of State calling for an early agreement on the climate and energy package. See page 47 for more on our approach to tackling climate change.

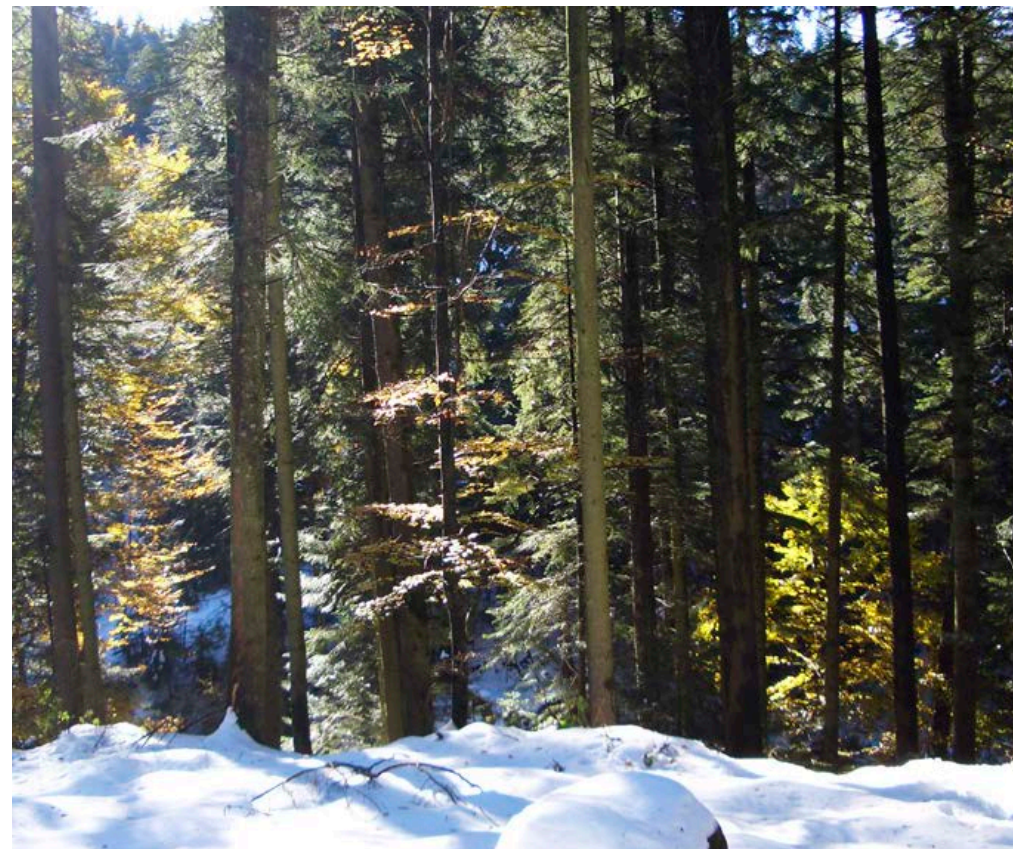
- **Forestry.** Around the world, we advocate for effective legislation to conserve forests and prevent illegal logging. By partnering with governments, regional authorities, NGOs and other stakeholders in Australia, China, Europe, Russia and the USA, we are influencing forestry policies and improving forest management. For example, we worked closely with the EC to support the introduction of the EU Timber Regulation, which came into force in FY13 and requires companies to ensure all wood entering the EU is from legal sources. See page 26 for more on our approach to sourcing wood from more sustainable sources.
- **Low-carbon economy.** We supported proposals for the reform of the EU Emissions Trading Scheme, and contributed to consultations on the 2030 framework for climate and energy policy in Europe. IKEA called for bolder targets and a bigger push for innovation and investment in the low-carbon economy. We are a lead partner in

The Climate Group's Clean Revolution initiative, a partnership of international statesmen and governments, business leaders and corporations, thinkers and opinion formers, calling for a swift, massive scale-up of clean energy and infrastructure with smart technologies. See page 47 for more on our approach to creating a low carbon economy.

- **Resource efficiency and waste policy.** We participated in a number of events and platforms, including Ellen MacArthur Foundation working groups, presenting our objective to turn waste into secondary raw materials. IKEA also became a member of the Extended Producer Responsibility (EPR) Club, which encourages manufacturers to be responsible for collecting, reusing and recycling their own products and packaging. See page 58 for more on our approach to resource efficiency and waste.

These are some examples of how we engaged with European policy in FY14: Together with EuroCommerce (an organisation that represents the retail, wholesale and international trade sectors in Europe), we contributed to EC consultations on the revision of the eco-design directive and energy label.

A letter from our Chief Sustainability Officer Steve Howard to the UK Business Secretary pledged our support for the new European Parliament directive on non-financial reporting. IKEA pushed for



the inclusion of non-listed companies and a stronger focus on the value chain. The directive was adopted by the EC in September 2014, and member states have two years to make the necessary updates to national legislation.

Other activities included participating in EU discussions on the safe use of endocrine disrupting chemicals, which can harm humans and wildlife.

We convened a major event on product safety in Älmhult, Sweden, in April. Around 100 participants, representing a mix of policy makers, industry and re-

search bodies, came together to establish five commonly agreed priorities for ensuring product safety and effective market surveillance.

From FY15, Pia Heidenmark Cook, our Head of Sustainability for Retail, will be co-chair - together with a director from the European Commission - of the Retailers' Environment Action Programme (REAP), an EU multi-stakeholder initiative exploring sustainable production and consumption.





## IKEA at Climate Week NYC and the UN Climate Summit

Nearly half a million people took to the streets of New York for the People's Climate March on 21 September 2014, urging world leaders to take action on climate change at the UN Climate Summit on 23 September. Peter Agnefjäll, our President and CEO, and Steve Howard, our Chief Sustainability Officer, were among the marchers.

During Climate Week, Peter reflected on the march: "It was truly great to see all the people out on the streets of New York. There can be absolutely no doubt what direction they want policy makers and businesses to take." He was speaking at the Clinton Global

Initiative plenary session, and over the week both Peter and Steve were involved in many more discussions, speeches, and campaign launches.

Later addressing the UN Climate Summit, Peter emphasised that businesses like IKEA stand behind policy makers who want to see a solution to climate change and that bold, long-term climate targets are good for business. He highlighted the importance of encouraging all parts of society to play a role in tackling climate change. Companies like IKEA are in a great position to spur innovation and renewal. But policy leadership is crucial to accelerate this.

Climate Week also saw the launch of two global initiatives to encourage the move towards a low-carbon future. We Mean Business is a coalition of global businesses and organisations including BSR, CDP, CERES and WBCSD, that creates a united voice for business to speak to governments and encourage climate policy. RE100 is a group of global corporations including BT, H&M, and Mars, who are working towards using 100% renewable power. IKEA is a founding partner and active member of both these initiatives.

For customers and co-workers who could not make it to New York, we sup-

ported the #Walkthewalk social media campaign. This gave people around the world the chance to get involved through Facebook, Twitter and IKEA.com. Customers and co-workers could post pictures of themselves walking, adding the hashtag to join the People's Climate March virtually.

It was the first time IKEA has ever participated in this kind of global climate change campaign, and we plan to be involved in more of the world's most important debates on climate change.

**"The role of leaders is to set visionary targets. We need bold commitments from policy makers about the direction we should move as a society."**

*Peter Agnefjäll at the launch of We Mean Business*

**"We are a home furnishing company, but we are also becoming a renewable power company. Renewable energy is common sense energy. There is no peak sun or peak wind."**

*Steve Howard at the launch of RE100*

## About our reporting

**This sustainability report** updates stakeholders on the progress IKEA is making in creating positive change for people and the planet. We are ambitious in our objectives, which means that we may not always achieve our goals. We are open about our challenges and setbacks, as well as our successes, and listen to feedback to help us improve. Sometimes we make mistakes, and when this happens we are committed to putting things right.

The information in this report, unless otherwise stated, is for the financial year 2014 (FY14) from 1 September 2013 to 31 August 2014. Data from the IKEA Foundation applies to the calendar year from 1 January 2014 to 31 December 2014.

The information and data in this report cover all wholly owned companies in the IKEA Group, except for our Russian shopping centre organisation which is excluded due to lack of internal reporting systems to gather this information. We are taking action to be able to include data from the Russian shopping centre organisation in our future reporting. Data for IKEA stores operated by franchisees outside the IKEA Group is not reported. Any other exclusions are stated in the text. In some cases, data has been estimated and this has been indicated in the text.

Our value chain approach means that we take account of all impacts where we can make a difference. We use reported

data for water use and carbon emissions in our operations and tier 1 suppliers, and models and estimations to assess our full value chain.

During FY14, we opened 12 new stores. IKEA Industry opened one saw mill. Data from these units is included from when they began operation.

### Defining the report's content

The commitments and targets in our People & Planet Positive strategy are based on the most significant sustainability issues across our value chain, and the areas where we can make the greatest positive difference. The strategy defines our vision for ensuring the long-term success of IKEA – how we are making the company fit for a sustainable future and how we can contribute to accelerating that change in society.

We have sought input to the strategy from our key stakeholders to ensure that its focus and commitments are as close to their expectations as possible (see page 99).

The document is designed primarily for our partners, customers, NGOs and other stakeholders who want a detailed account of our approach and performance relating to our sustainability strategy. We also produce a version for our co-workers. The IKEA Group of companies (INGKA Holding B.V. and its controlled entities) are owned

by a foundation, which means we do not have shareholders.

This report is an account of our performance against our People & Planet Positive strategy. Key performance indicators (KPIs) and content relate to this strategy. When additional information is necessary to give a full account of our sustainability performance or to meet the needs of our stakeholders, we include content and KPIs relating to other strategies like the IKEA People Strategy.



## UN GLOBAL COMPACT REFERENCE TABLE

		Location in FY14 Report
<b>Human rights</b>		
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and	Supporting human rights, page 88
Principle 2	make sure that they are not complicit in human rights abuses.	Supporting human rights, page 88 Better lives for workers, page 79
<b>Labour</b>		
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	A better everyday life at work, page 73 Supporting human rights, page 88 Better lives for workers, page 79
Principle 4	the elimination of all forms of forced and compulsory labour;	Supporting human rights, page 88 Better lives for workers, page 79
Principle 5	the effective abolition of child labour; and	Responsible sourcing, page 25 Supporting human rights, page 88 Better lives for workers, page 79 A better everyday life at work, page 73
Principle 6	the elimination of discrimination in respect of employment and occupation.	A better everyday life at work, page 73 Supporting human rights, page 88 Better lives for workers, page 79
<b>Environment</b>		
Principle 7	Businesses should support a precautionary approach to environmental challenges;	Resource and energy independence, page 23
Principle 8	undertake initiatives to promote greater environmental responsibility; and	A more sustainable life at home, page 11 Resource and energy independence, page 23
Principle 9	encourage the development and diffusion of environmentally friendly technologies.	A more sustainable life at home, page 11 Resource and energy independence, page 23
<b>Anti-corruption</b>		
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	Business ethics, page 96

**GRI and the UN Global Compact**

We use the Global Reporting Initiative (GRI) guidelines on sustainability reporting to inform our reporting. We welcome the GRI's G4 focus on materiality and reporting of impacts across the value chain. We align with this approach by focusing our reporting on our People & Planet Positive strategy, which covers our material impacts across the value chain.

IKEA is a signatory to the United Nations Global Compact, a set of 10 principles in the areas of human rights, labour, environment and anti-corruption. The UN Global Compact Reference Table (left) shows where we report our progress regarding the 10 principles.

# Performance against targets

Enabling change			
COMMITMENTS	GOALS	FY13	FY14
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"	70%	79% <sup>1</sup>
	By August 2017, at least 95% of co-workers view IKEA as a company that takes social and environmental responsibility	82% <sup>2</sup>	83% <sup>3</sup>
	By August 2015, 70% of customers view IKEA as a company that takes social and environmental responsibility	41% <sup>4</sup>	41% <sup>5</sup>
	By August 2017, at least 95% of our suppliers view IKEA as a company that takes social and environmental responsibility	89%	N/A <sup>6</sup>

A more sustainable life at home			
COMMITMENTS	GOALS	FY13	FY14
Take the lead in developing and promoting products and solutions that inspire and enable people to live a more sustainable life at home	We will achieve more than a fourfold increase (from FY13 levels) in sales from products and solutions inspiring and enabling customers to live a more sustainable life at home by August 2020	EUR 641 million	EUR 1,015 million
	Our energy-consuming products will be, on average, at least 50% more efficient than our range was in 2008 by August 2015	41%	50% <sup>7</sup>
	By September 2016, all our electric hobs will be energy-efficient induction hobs	43%	55%
	By September 2015, our entire lighting range will switch to LED offered at the lowest price	51%	75% <sup>8</sup>
	By September 2017, offer the most energy-efficient home appliances at the lowest price	A to A++ offered in all categories	N/A <sup>9</sup>

<sup>1,3</sup> Results are based on the VOICE survey of 87,644 co-workers. Results are not directly comparable between years as different parts of IKEA and different numbers of people participate, and in FY14 we also updated the VOICE questions.

<sup>2</sup> FY13 - Data based on 82,488 participants of our VOICE survey. Not directly comparable with FY12 as different parts of IKEA participate in VOICE each year. <sup>4</sup> FY13 - Based on response to Brand Capital survey. Calculated as average between two questions "IKEA takes responsibility for the environment" and "IKEA takes responsibility for the community" <sup>5</sup> FY14 - Based on response to new question in Brand Capital survey. IKEA "is committed to operating in a way that is better for society and the environment" <sup>6</sup> This information is collected every two years so is not available for FY14. <sup>7</sup> This score reflects our progress on energy efficiency. There are some uncertainties in our calculation methodology, and we are reviewing this so that we can implement a new approach from FY15. <sup>8</sup> 75% of all lighting products sold were LED or were compatible with LED bulbs (e.g. lamps which customers can use with an LED bulb). <sup>9</sup> We are adjusting the methodology for measuring energy efficiency of home appliances, so there is no figure reported for FY14.



Resource and energy independence			
COMMITMENTS	GOALS	FY13	FY14
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.	By August 2015, all cotton used in IKEA products will be sourced from more sustainable sources , and we will continuously investigate complementary fibres with improved sustainability performance relative to cotton	72%	76%
	By August 2017, at least 50% of our wood will come from more sustainable sources	32%	41%
	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	-	32%
	By August 2020, 90% of the total sales value will come from home furnishing products classified as more sustainable	39%	52%
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 recycled, 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, recyclable (on at least one market on an industrial scale) or recycled materials	98%	98%
	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	88% <sup>1</sup>	89% (Stores: 77% material recycled, Distribution centres: 81% material recycled, IKEA Industry: 66% material recycled)
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, on Group level, we will produce as much renewable energy as we consume	37%	42%
	Become 20% more energy efficient in our own operations by August 2015 and 30% by August 2020, compared to FY10 <sup>2</sup>	8% in stores	15% in stores
	Encourage and enable our direct suppliers to become 20% more energy efficient by August 2017, compared to FY12 <sup>2</sup>	10.9%	19%
	By August 2015, reduce carbon emissions from our own operations by 50%, compared to FY10 <sup>3</sup>	19%	24%
	By August 2015, reduce carbon emissions of our suppliers by 20%, compared to FY12 <sup>3</sup>	0% <sup>4</sup>	11%
	By August 2016, reduce carbon emissions from the transport of goods by 20% compared to FY11, and by 30% compared to FY12 by August 2020 <sup>4</sup>	11%	13%

<sup>1</sup> Breakdown for FY13 not available as data for material recycling was not collected separately. Figures restated from FY13 due to changes in the methodology used in Division Board, and the integration of Division Board and Divisions Flatline and Solid wood (formerly Swedspan and Swedwood). <sup>2</sup> In relative terms, measured by energy consumed/m<sup>3</sup> products sold or goods purchased. <sup>3</sup> In relative terms, measured by CO<sub>2</sub>/m<sup>3</sup> products sold or goods purchased. <sup>4</sup> In relative terms, measured by CO<sub>2</sub>/m<sup>3</sup> goods transported. <sup>4</sup> Restated from FY13 (-0.01) due to fine-tuning of calculations.

Better life for people and communities			
COMMITMENTS	GOALS	FY13	FY14
Be a great place to work for our co-workers.	Ensure every co-worker has an agreed, individual development plan		71% <sup>1</sup>
	By 2020 50% of managers will be women	47%	47%
	By 2020 achieve a Leadership Index result of 75 in our VOICE survey	74	73
	By FY20 achieve an index of 725 in our VOICE survey	711	704
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 services <sup>2</sup>	99%	98.6%
	By August 2015, expand the reach of our supplier Code of Conduct by securing IWAY approval at all local IKEA Food, Indirect Material and Services (IMS) and retail suppliers within the scope of IWAY <sup>3</sup>	Local IKEA Food suppliers: 27% IMS suppliers: 53% Retail suppliers: 19%	Local IKEA Food suppliers: 29% IMS suppliers: 77% Retail suppliers: 40%
	By August 2017, go further into our supply chain by securing compliance to IWAY Musts at all sub- suppliers of critical materials and processes <sup>4</sup>	20%	91%

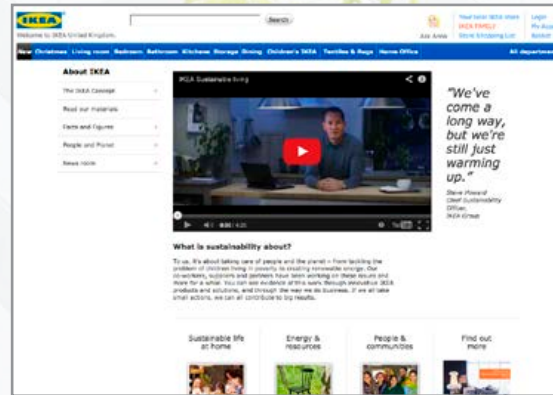
<sup>1</sup> Of the 87,644 co-workers who completed the VOICE survey and answered positively to: "Have you within the past twelve months together with your manager agreed on a development plan for the coming year?" This question is new and not comparable with previous years. <sup>2</sup> Data for home furnishing suppliers includes IKEA Industry factories. Excludes new suppliers that have up to 12 months to be approved. Suppliers where a non-compliance has been identified and are within the 90-day period allowed to correct the non-compliance are categorised as approved. Suppliers pending a scheduled audit are categorised as approved (applies to 0.5% of the total in FY14). In FY14, the remaining 1.4% applies to suppliers being phased out. In China we are working with suppliers to reduce working hours to comply with working hour limits. As an interim step, suppliers can become IWAY approved if working hours do not exceed 60 hours a week including overtime. <sup>3</sup> For the retail operations, the current IWAY focus is on cleaning, home delivery, security and waste management suppliers. <sup>4</sup> IWAY Musts are the immediate requirements that IKEA suppliers must meet before a contract can be signed. IWAY Musts are the immediate requirements that IKEA suppliers must meet before a contract can be signed.





## Read the IKEA Group Yearly Summary

Find out what happened at IKEA in FY14 — get facts, hear stories and see where we're headed in the future.



## People & Planet Positive

Visit the People & Planet Positive section of IKEA.com



## IKEA Foundation

Discover what the IKEA Foundation is doing to improve the lives of children around the world.

