

# Bringing IKEA to more people in new ways

**Annual Summary & Sustainability Report FY19**  
Ingka Group (Ingka Holding B.V. and its controlled entities)

**INGKA™**

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The financial year 2019 (referred to as FY19) of the Ingka Group (Ingka Holding B.V. and its controlled entities) refers to the period between 1 September 2018 and 31 August 2019 and the entities controlled by Ingka Holding B.V. during this time. Ingka Group operates under franchise agreements with Inter IKEA Systems B.V., the worldwide IKEA franchisor.

Inter IKEA Systems B.V. is part of Inter IKEA Group, which also includes IKEA range, supply and certain industrial activities. Together with Inter IKEA Group and 11 other IKEA franchisees, we improve and develop IKEA to be more relevant and inspiring. In February 2020, Inter IKEA Group will publish the IKEA Sustainability Report, which reports on all companies in the IKEA franchise system and value chain.



# 374 IKEA stores in 30 countries

- In FY19, we had ecommerce in all **30 countries**, and ecommerce sales **grew by 46%**
- **839 million** visits to IKEA stores
- **480 million** visits to Ingka Centres meeting places
- **2.6 billion** visits to IKEA.com
- **22.6 million** visits to the online IKEA catalogue
- **26 million** visits to the IKEA store app

# Who we are

**Growing from our Swedish roots**  
 In the three decades since we were founded, we've brought the IKEA Brand to 30 countries and millions of homes. Driven by the IKEA vision to create a better everyday life for the many people, we're united by our culture, values and entrepreneurial spirit. Togetherness, simplicity, cost-consciousness and caring for people and the planet, are some of the values that drive us to constantly innovate and improve our way of working.

**Passionate about life at home**  
 We're passionate about life at home, about bringing functional, affordable and sustainable home furnishing solutions to people with big dreams and thin wallets. We always put our customers first, and as their needs change, so do we. Through the biggest transformation in IKEA history, we will reach more customers in more ways, with the products and services they want, at prices they can afford.

**Making sustainable living affordable**  
 Resourcefulness has always been part of our DNA. And we want to have a positive impact on people and the planet – not only by going all in to contribute to the IKEA ambition to be circular and climate positive but also by making healthy and sustainable living attractive and affordable for as many people as possible.

**Shaping the future of home furnishing retail**  
 We're curious about the world around us and want to make a positive difference in people's lives. As we continue our transformational journey, we're determined to lead home furnishing retail into the future – meeting even more people with affordable, well-designed and sustainable home furnishing solutions for a better life at home. It inspires us even more today than ever before.



**2.6**  
**billion visits to IKEA.com**  
 22.6 million visits to the online IKEA catalogue and 26 million visits to the IKEA Store app.

**50/50**  
 Half of our managers are women, as are more than half of our co-workers and 30% of Ingka Group Management.

**x 534**  
 We have invested in 534 wind turbines and two solar farms in 14 countries and have 920,000 solar modules on the roofs of our stores and warehouses. This enables us to generate more renewable energy than the energy we use in our operations!

**141**  
**million IKEA Family members**  
 Our most loyal customers are members of IKEA Family. More than 46,000 new members join every day!

**EUR 36.7**  
**billion IKEA Retail sales** (EUR 34.8 billion in FY18)  
 An increase of 5.0% from last year, at constant currency rate. Total revenue was EUR 39.1 billion, and online sales grew by more than 46%, amounting to 11% of total IKEA Retail sales.

**839**  
**million IKEA store visits**  
**480** million Ingka Centres shopping centre visits

**374**  
**IKEA stores in 30 countries**  
 At the end of FY19 we also had:  
 • 45 Ingka Centres shopping centres in 15 countries  
 • 30 Distribution Centres in 18 countries  
 • 51 Customer Distribution Centres in 16 countries

**7**  
**IKEA Home Solar in 7 countries**  
 The number of IKEA Home Solar customers grew by 29%, and each customer saved, on average, EUR 400 per year on their energy bill.

**210,000**  
**hectares**  
 We own approximately 210,000 hectares of responsibly managed forests in Estonia, Latvia, Lithuania, Romania and the USA.

**16**  
**countries**  
 are supporting refugees, youth and other vulnerable groups to develop skills for employment.

**27.2%**  
**corporate income tax**  
 Corporate income tax amounted to EUR 0.7 billion globally, which equals an effective corporate tax rate of 27.2% (30.0% in FY18). Our total tax bill including other taxes and duties amounted to approximately EUR 1.1 billion.

**EUR 1.8**  
**billion net profit** (EUR 1.5 billion in FY18)

**32**  
**social entrepreneurs**  
 We have partnerships with 32 social entrepreneurs and social businesses in 16 countries.

**47**  
**million products saved**  
 We successfully gave 47 million recovered products a second life. 38 million products were resold through the As-Is area and more than 9 million products were repacked and sold.

**Hej**  
**166,200**  
**co-workers**  
 IKEA Retail: 160,100  
 Ingka Centres: 2,100  
 Ingka Investments: 200  
 Ingka Group functions: 3,800

A MESSAGE FROM JESPER BRODIN

# Bringing IKEA to more people in new ways

FY19 was a special year! I know we tend to say that every year, but this time we really rolled up our sleeves – with big results. In challenging times for many retailers, we ended the year with growth, close to a 50% increase in online sales and more people coming to our IKEA stores than the year before. And we were able to do this in the middle of the biggest transformation in IKEA history, going all in to become more affordable, accessible and sustainable.

**O**ur vision is more relevant than ever. To start with, let's take a look at the world we live in. We see that more people are moving into big cities and living in smaller spaces – still with thin wallets and big dreams. We see how technology is changing everything, creating new opportunities for us to reach more people in better ways. Sustainability is becoming the defining issue of our time, and the younger generation in particular is calling for more and urgent action – and rightly so.

All this means that the IKEA vision – to create a better everyday life for the many people – is more relevant than ever before. As a big brand with a big purpose, we have a unique opportunity to really make a positive impact for people and the planet and contribute to wider changes in society. Actions speak louder than words, and we keep pushing forward to reach the IKEA ambition for 2030 – to become a circular and climate positive business and to offer healthier and more sustainable solutions at scale that more and more people can afford.

We're on track to produce as much renewable energy as the energy we consume in our own operations by 2020. We're rolling out affordable home solar offers, switching to 100% electric vehicle home deliveries, offering a new veggie hot dog with 15% of the carbon footprint of a hot dog made with meat, testing circular business models like furniture leasing – the list goes on. For us, business and sustainability go hand in hand as we work to meet customer demand for more sustainable products and services.

*"We continue to grow, and this year we opened seven IKEA stores and 11 smaller stores and IKEA planning studios in growing cities like London, Moscow, New York and Paris."*

### Creating a new IKEA in three years

We're one year into our big, three-year transformation to create a new IKEA. Thanks to the amazing team effort and spirit of our 166,200 co-workers, we're becoming a more accessible and sustainable retailer that's ready to meet customer needs in more channels and better ways. I'm very happy for all the incredible progress in FY19, and some days I'm even more happy for the failures that we see along the way. This tells me we have the curiosity

and courage to test things, in the true entrepreneurial spirit of IKEA, together with other IKEA franchisees and Inter IKEA Group. It's a fast and exciting way of working – and the best way to get it right in times of change.

### Big expansion in big cities

We continue to grow, and this year we opened seven IKEA stores and 11 smaller format IKEA stores and IKEA planning studios in growing cities like London, Moscow, New York and Paris. We're testing and trying different formats, with a plan to expand to 40+ cities in the next few years. We're also continuing to invest in our Ingka Centres meeting places and blue box IKEA stores, turning them into festivals – full of home furnishing knowledge and inspiration, food and activities that give people even more reasons to come and visit us.

### Towards a new digital IKEA

Eighty percent of our customers start their journey online, and it's by connecting all our customer meeting points through data and analytics that we'll truly transform. There has been phenomenal work done within digital, and we've put massive efforts into creating a modern infrastructure that can take our digital transformation to



Front Days have been a part of our IKEA culture for many years, letting all office-based co-workers work in a store for two days a year. It's a great opportunity to engage with colleagues, meet customers and get experience from our IKEA Retail operations. Read more about Front Days on page 50.



the next level. During the year, we launched the new IKEA app, an improved web experience and digital display tools for our city stores – with more to come as we move ahead.

*"Turning our network of stores into fulfilment hubs gives us a big logistical advantage. We can offer faster, more affordable and sustainable home deliveries."*

### All about the logistics

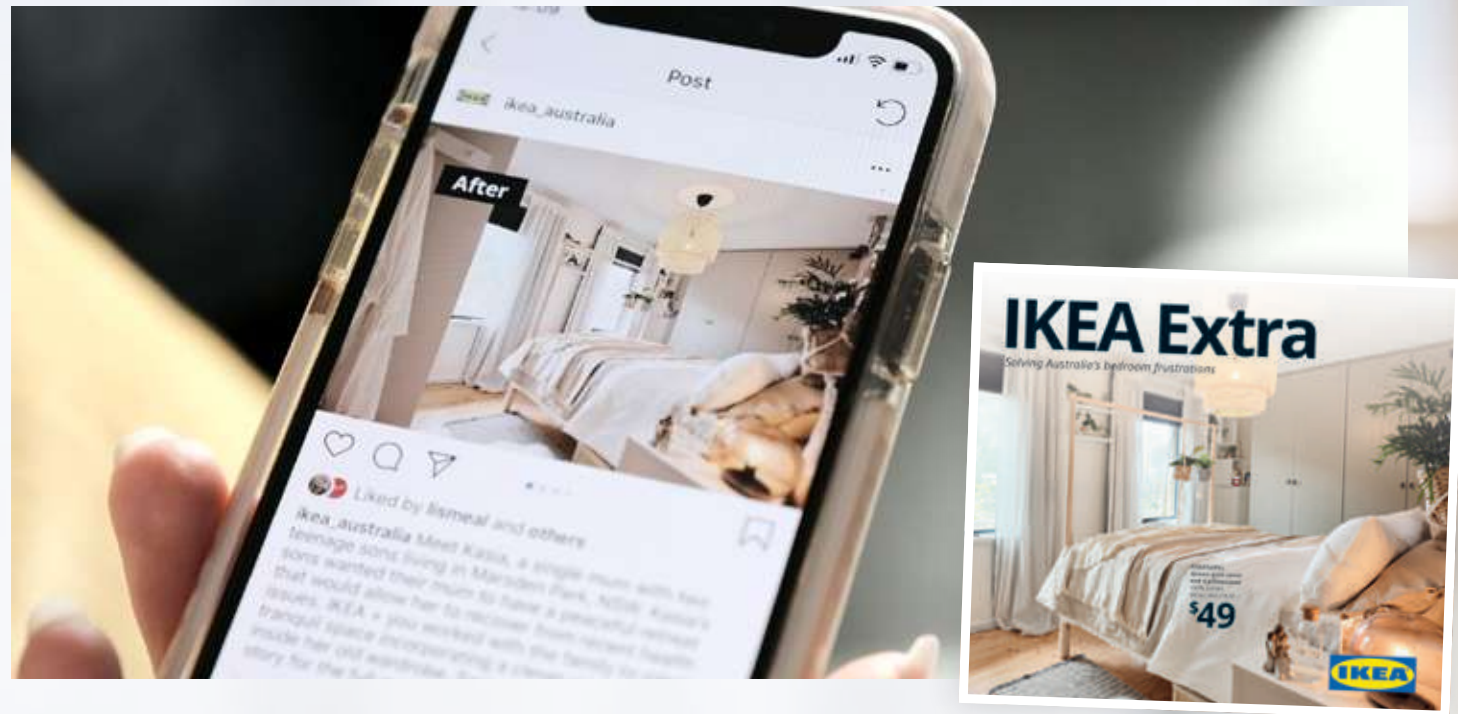
Logistics is perhaps the most important part of it all. Through intense work with fulfilment and services, we've been able to bring down lead times to a few days or below, which is phenomenal for big items like furniture. Through Ingka Investments, we're also investing in innovative companies like TaskRabbit and Traemand that help us speed up and evolve our total offer of on-demand services.

### Time to celebrate, no time to stop

After a year like this, it's time to celebrate! But it's no time to stop. Going into FY20, we'll keep investing in lower prices for our customers and in our stores, making them shine like never before. At the same time, we'll continue to develop our advantages in home deliveries and take even bigger steps in digital. And above all, we'll continue our efforts to become people and planet positive, making sustainable choices affordable to the many people.

**FY20 will also be a year where we put extra focus on our culture and values**, on what really makes us different – the fact that we're being part of something big and meaningful. As the world keeps changing, our vision to create a better everyday life for the many people is more relevant than ever before. We can make a huge difference for people and the planet, and we're more determined than ever to do it!

**Jesper Brodin**  
President and CEO, Ingka Group



# We're passionate about life at home

We believe that a better home creates a better everyday life. Building on our 75+ years of home furnishing knowledge and research, we also regularly visit people all over the world to find out what life at home is really about.

Some aspects of home are shared the world over – like sleeping and eating – and some things are defined by our culture and traditions, the amount of space we have and what the weather is like. So when we visit people, we explore every space, every drawer and every moment that takes place. We ask what people do at home and how they feel when they are there. And sometimes we'll join them for a cup of tea, the weekly clean or a large family meal. Our home visits help us understand what life at home is like in every country we're in. It means we can create better solutions that meet people's real needs and reflect the hopes and dreams of our customers.

### Solving Australia's biggest bedroom frustrations

The "IKEA + you" home makeover initiative in Australia is one example of how we engage with customers to learn about their needs and help create a better, more inspiring and affordable life at home. In FY19, we focused on the bedroom – a personal, closed-door space and often the last room in the home that people renovate, remodel or refresh. Australians trusted us to solve their biggest bedroom frustrations and transform this frequently forgotten space into a retreat.

### Taking a truly multichannel approach

In total, we've worked with over 150 real families to co-create the bedrooms of their dreams. To inspire others with their stories,

we hosted in-store events with the families and extended the conversation online, including how-to videos with our interior designers. We even created the small magazine *IKEA Extra*, detailing how people could bring the solutions to life in their own home with any wallet size.



## Creating a sanctuary for restful recovery

Kasia is a community worker and single mom, living with her two sons in the suburbs of Sydney. When the family was rocked by the news of Kasia's cancer diagnosis, it was important for her to get the rest and recovery she needed in a calm space. To maximise the potential of her bedroom, we used smart storage to organise clothes and things, creating a calming sanctuary. We were even able to fit a small home office within a second wardrobe and help solve storage frustrations.

A big part of Kasia's recovery was rest indoors, out of the sun. To bring some of the outdoors in, we used the hanging space at the end of her new GJÖRA bed frame to hang a canopy of leafy plants.

For the full makeover of Kasia's bedroom and other IKEA + you makeovers, see [www.ikea.com/au/en/campaigns/IKEA+you](http://www.ikea.com/au/en/campaigns/IKEA+you)



Kasia, Bidwill, New South Wales



BÖJA  
Table lamp  
€29.95

# Our business

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**STRANDMON**  
Children's armchair  
**€99**

## We bring IKEA into people's lives

Ingka Group is bringing the IKEA Brand to 30 countries, operating 374 IKEA stores and worldwide digital solutions and ecommerce. Our expansion and reach are strengthened by our network of shopping centres and an active investment arm to support our growth, business transformation and sustainability goals.

**Ingka Group, is representing the IKEA Brand** through multichannel retail in a variety of physical and digital formats, and in FY19, our 166,200 co-workers generated over 90% of total IKEA Retail sales. With 839 million visits to our stores and 2.6 billion visits online, our customers are always at the heart of everything we do. Whether it's the full experience at one of our IKEA stores, the convenience of shopping online or a spontaneous visit to a city store, our focus is to keep creating a better retail experience in a growing number of channels.

Our home furnishing expertise, low prices and relevant solutions will always be critical success factors, but we're also working hard to enable customers to experience our offer in new and different ways. We are determined to make healthy and sustainable living an attractive and affordable choice and to contribute to the IKEA ambition to become circular and climate positive. Ingka Group is made up of three businesses, working closely together: IKEA Retail, Ingka Centres and Ingka Investments.

### **IKEA Retail**

IKEA Retail is our core business, and we continue to expand in new and existing countries, reaching more and more customers through IKEA stores, digital solutions, new IKEA formats and touchpoints. In FY19, we opened seven new IKEA stores, three city

stores and 19 fulfilment units to support our delivery services. Our mix of touchpoints included 374 IKEA stores in 30 countries, 20 IKEA planning studios, 30 Distribution Centres and 51 Customer Distribution Centres, as well as a fast-growing online presence.

### **Ingka Centres**

We also own and operate one of the world's biggest shopping centre businesses. Ingka Centres runs 45 vibrant shopping centres in 15 countries across Europe, Russia and China – always anchored by an IKEA store. The main purpose is to support the establishment of IKEA stores and drive visitation by creating innovative meeting places for people to shop, dine and entertain themselves.

### **Ingka Investments**

Through Ingka Investments, we make strategic investments and acquisitions to secure the long-term financial independence of Ingka Group and support our growth and business transformation. Our investments and partnerships allow us to connect with innovative companies that help accelerate our business development and digitalisation and to reach our sustainability goals. From renewable energy to a circular economy, we invest not only in the future of our business but in the future of our planet.

## The world is changing fast. So are we.

As the world continues to change, we're accelerating the biggest transformation in IKEA history. Adapting to new customer needs, we're investing in our existing stores, expanding to more cities and improving digital solutions and services. It's all in order to reach more customers and become more accessible, affordable and sustainable.

**F**or the past 75 years, we've been driven by the IKEA vision of creating a better everyday life for the many people. From flat packs to the veggie dog, we've always looked for ways to innovate and improve the way we meet the needs and dreams of our customers. Today, we see big global movements in technology, digitalisation, urbanisation and environmental awareness that fundamentally change the way we live and shop. For us, this means many challenges and vast new opportunities. But most of all, it means change.

### **Change everything (almost)**

To adapt to this new reality, we've ignited the biggest transformation in IKEA history – and we're changing everything (almost). In order to reach more people than ever before, we're creating new digital solutions and improving our delivery, assembly and installation services. We're investing in our existing stores, opening new city stores and other touchpoints and continuing to integrate our retail business with our shopping centres. On top of this, we're investing in innovative start-ups and companies that can help us move even faster. The transformation is also about becoming people and planet positive and making healthy and sustainable living an attractive and affordable choice for as many people as possible.

As we transform, we've identified three critical challenges that we're determined to turn into our greatest opportunities: affordability, accessibility and sustainability.

### **More affordable, for more people**

All over the world, more people are improving their living situations and getting a chance at creating a better life and a better home. But space is tight, and most wallets are thin. As we grow, we must stay cost-effective so that we can reach an increasing number of customers with the products and services they want at prices they can afford.

### **Getting closer to our customers**

Today, convenience and accessibility is key. More people are moving into cities. Many don't have, or even want, a car. People shop more online and expect faster and better services. To get closer to our customers, we need to offer a great experience in all channels – in our stores and shopping centres, in cities and online. And it all needs to be integrated with seamless services for delivery, assembly and installation that are both fast and sustainable.

### **People and planet positive**

Climate change, unsustainable consumption and inequality are real threats facing our business and our planet. Our values, size and reach give us an opportunity to lead. We want to grow a sustainable, fair and inclusive business that inspires and enables millions of people to live better everyday lives within the limits of the planet.

### **All powered by our entrepreneurial spirit**

We have a long history not only of entrepreneurship and coming up with creative solutions to difficult problems. But also of pulling together and getting things done, constantly renewing and improving our business. Together, we're determined to make this transformation happen – fast. We have a growth mind-set that's agile and innovative. Our backbone is our culture and values, the IKEA Brand, passionate and performance-driven people and a deep knowledge of sustainability and life at home. This transformation is just the beginning of a new everyday reality for Ingka Group, as changes will of course continue to accelerate. We're excited about that future.



<b>01</b> Create a strong position leading from our purpose – let people know what we stand for.	<b>02</b> Create a home furnishing movement.	<b>03</b> Create a simple and unique digital customer meeting.	<b>04</b> Create and offer affordable services to make IKEA convenient.	<b>05</b> Create a new world of IKEA in the city.
<b>06</b> Create the IKEA store of tomorrow.	<b>07</b> Create a people and planet positive IKEA.	<b>08</b> Create "always-on" growth.	<b>09</b> Create a simpler and better IKEA, designed for the future.	<b>10</b> Create a people movement and make our culture and values a living reality.

## IKEA RETAIL

## Creating a new IKEA – 10 jobs in three years

To succeed with the transformation of our business, we've identified the 10 most important tasks we need to complete in three years.

One year in, we're seeing strong movements in digital development, store transformations, city expansion, services and sustainability initiatives.

**In order to turn** our strategic goals of becoming more affordable, accessible and sustainable into concrete actions, we're focusing on what we call "10 jobs in three years." We know that in order to meet new and changing customer behaviours, we need to offer great customer experiences, deliver seamless services and reach people where they are. We're investing heavily in new sales channels, innovative IKEA formats and improved services.

### Why 10 jobs?

These are the 10 most important tasks that we must accomplish in order to create a new IKEA, in all of our countries and across our company. They're big, bold initiatives that will have a significant and positive impact on our business, our customer experience and our sustainability goals.

### Why three years?

With the pace of change that's happening around the world, speed is of the essence.

Whether it's where and how people shop their furniture, how they get it home or the environmental impact of our business, our customers' expectations are changing fast, and so will we.

### All together now

One year into our three-year transformation, we're 166,200 problem-solvers across Ingka Group, all pulling together to deliver on the 10 jobs.

**Driven by our entrepreneurial spirit**, we're simplifying, becoming quicker and leaner. Not afraid to make mistakes, we're testing and trying new things, moving fast to get quick results. We're open and collaborative, with ideas and solutions coming not only from all over the organisation via a digital sharing platform that crowdsources our best practices and solutions but also from the many innovative companies we collaborate with and make investments in.

*In the rest of this chapter, you'll see a few examples of some of our many initiatives within the 10 jobs during FY19.*

## Innovating with start-ups at IKEA Bootcamp

In March 2019, we saw the second edition of IKEA Bootcamp, an initiative for co-creation with innovative start-ups in the retail space. Out of 1,100 applicants from 62 countries, 18 joined the programme.

► **IKEA Bootcamp is a three-month** accelerator programme, run by several companies<sup>1</sup> operating under the IKEA Brand, to collaborate with innovative growth-stage start-ups that share our vision and can contribute to our business transformation and reaching our sustainability goals. The programme gives them access to all major parts of IKEA, allowing them to work with key decision-makers and experts to develop pilot projects.

"When we bring together fast start-ups with the world of IKEA, great things happen. Together, we've created solutions that went from theory to practice in record time. Some initiatives are now being tested, and everyone is a winner: the customer, the start-up and Ingka Group," says Davide Urani, Strategy, Development and Innovation Manager, Ingka Group.

The 2019 IKEA Bootcamp concluded with a Demo Day in Älmhult, Sweden, in June 2019, where progress and next steps were presented. Among those participating were:

► **Jido Maps.** An augmented reality company developing new digital ways for customers to find what they're looking for in stores. A scalable solution that was tested in five markets during the programme.

► **Beam Impact.** A values-based loyalty service that enables users to donate part of their purchase price at partnered brands to a cause they both believe in. Read more about our collaboration with Beam Impact in New York on page 34.

<sup>1</sup> IKEA Bootcamp is a partnership between Ingka Group and Inter IKEA Group, which is responsible for product development and the IKEA supply chain worldwide. Learn more on: [www.ikeabootcamp.rainmaking.io](http://www.ikeabootcamp.rainmaking.io)



## Co-creating solutions from over 20,000 co-workers

How can we unleash the entrepreneurial spirit of our co-workers, to help transform our business? Sharing ideas and best practice through the new internal co-creation platform VETLANDA is one of the most popular ways.

**Vetlanda is the name** of a village in Småland, Sweden, and literally means "knowledge landing." But VETLANDA is also a platform that allows Ingka Group co-workers to share ideas and learn from our many initiatives. From inspiring good examples to cutting-edge innovations, VETLANDA creates incentives to both share and adopt the best ideas and solutions across our markets. "There are so many great ideas out there, but we're sometimes developing similar solutions at the same time, reinventing the wheel instead of leveraging our global diversity," says Stiven Kerestegian, Innovation Manager, Ingka Group.

**Since its launch in January 2019**, VETLANDA has attracted over 20,000 users who share, search and co-create solutions online. More than 500 solutions have been published on the platform, and the numbers are increasing. "VETLANDA has sparked a growing co-creation movement that

builds on our tradition of togetherness and collaboration. In times of transformation, any activity that creates new capabilities and solutions is also actively contributing to our positive performance," Stiven continues.

*"We encourage all our co-workers to embrace a proactive, entrepreneurial mindset".*

Stiven Kerestegian,  
Innovation Manager, Ingka Group.

**Among the many** crowdsourced solutions are an interactive map that helps customers in Poland find their way around the stores and a Russian initiative involving bloggers in the design of room settings in stores. Some of the best solutions will be used in the "Store of tomorrow" pilot project in Shanghai, which you can read more about on page 31.



01

Create a strong position leading from our purpose – let people know what we stand for.

Everything we say and do positions IKEA – from how we meet customers to how we connect to the world around us. In order to better reach the many people in the future and have a positive impact in society, we're creating a positioning movement like never before.



## It's all about purpose

Driven by the IKEA vision to create a better everyday life for the many people, we're proud to be purpose-led. From the way we engage with customers and co-workers to our actions for climate and equality, our deeply rooted purpose is the basis of everything we do. Because a better home creates a better life.

**O**ver 40 years ago, IKEA founder Ingvar Kamprad declared in his memo, Testament of a Furniture Dealer, that "The first rule is to maintain an extremely low level of prices. But they must be prices with a meaning;" that "waste of resources is one of the greatest diseases of mankind;" and that "without low costs, we can never accomplish our purpose".

As the world is changing and we transform our business to meet today's many challenges, this purpose is more important than ever. It's about making a positive difference in people's lives, meeting even more people with affordable, well designed and more sustainable home furnishings for a better life at home. But it's also about taking a more active stand on matters that are important to us and our customers, like more sustainable living, human rights and equality. The home is where we live and also the planet we share.

**Today and even more so tomorrow**, customers want to engage with brands that stand for something they care about, with a clear, positive

purpose that helps them make better choices – and they expect companies to take the lead rather than wait for legislation. Co-workers want to be part of something meaningful, part of contributing to positive change in the world. So to remain unique and relevant in people's lives, to reach more customers and attract more people to work with us, our purpose is everything.

*"The first rule is to maintain an extremely low level of prices. But they must be prices with a meaning."*

Ingvar Kamprad, IKEA founder, from Testament of a Furniture Dealer, 1976

**By positioning ourselves** with our purpose, we can connect with people in a more meaningful, emotional way. We can build more personal, long-term relationships with our customers. And we can engage with others to join the movement to create a better everyday life for the many people.



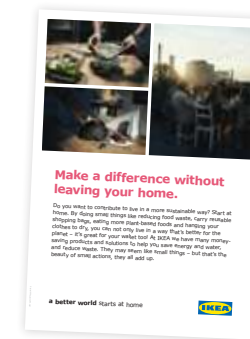
## Standing up for our LGBT+ friends

► **In Italy**, there's a homophobic expression that labels LGBT+ people as out of place, just for being themselves in public: "Do it at your home." For the International Day Against Homophobia, Transphobia and Biphobia, IKEA Retail Italy launched a campaign to celebrate everyone's right to feel at home everywhere by giving this

statement a new, positive meaning: "Do it at your home. Because home is wherever you are." We shared our commitment with media, institutions and associations. To celebrate Pride Month and to help raise funds and awareness for LGBT+ rights, IKEA Retail Italy also released the limited-edition rainbow-coloured KVANTING carrier bag.

## Let's celebrate the everyday climate heroes!

► **In April 2019**, we launched the campaign A Better Worlds Start at Home to create awareness about how people can make more climate friendly choices in their daily lives. In the campaign, we celebrate people doing good through their everyday actions, supported by IKEA products, such as water saving, energy saving, reducing waste and food waste and generating renewable energy. When combined, these actions can reduce a person's carbon footprint by around 50%. The campaign is based on interviews with 14,000 people in 14 countries about how they think about climate change, what encourages or stops them from taking climate action and how we can motivate and enable them to do more.



**KORVMOJ** vegetable hot dog €3



## Hello, nice to eat you

► **The yummy, healthy veggie hot dog** has only 15% of the carbon footprint of a hot dog made with meat. It's served now at all our stores in Europe and in the USA and is coming to the rest of the world in 2020.

## Sharing our insights on life at home

► **Just like people**, homes come in all shapes and sizes. To understand the different ways that life at home takes place, we do research and make home visits all over the world and use our insights to create better solutions. And we love to share stories, so we release our research into the world to empower others to make life at home better.

*With 30,000+ interviews in 35 countries, our Life at Home Report 2019 was the largest review into homes so far, and demonstrates our expertise in life at home and commitment to help make it better.*

Read more on: [lifeathome.ikea.com](http://lifeathome.ikea.com)

## Raising the bar for low prices

► **In Portugal**, where 60% of the population lives on EUR 13,500 per household per year, most people can't afford to easily improve their homes. This means that if we are to live up to our vision, we need to become even more affordable. To stretch the price ladder and prioritise lowering prices in our most popular furniture categories, we're investing EUR 6 million over the coming year to lower the price of 185 products, 130 of which are already available in stores and on [IKEA.pt](http://IKEA.pt).

As we celebrate 15 years of IKEA in Portugal, we're working to enable more of the many Portuguese to improve their lives at home – by making functional, sustainable, good quality and beautifully designed solutions even more affordable.

The result?

**70%**

of **IKEA store visitors in Portugal**, said they were able to find more affordable solutions than before the lower price initiative was introduced.

02

Create a home furnishing movement.

Home furnishing is the essence of IKEA, central to the IKEA vision and the core of what we do. To create a home furnishing movement, we'll develop an even deeper understanding of people's lives at home, their needs, challenges, aspirations and dreams, in every city and market. In the years to come, we'll empower more of our co-workers to be home furnishing experts and engage with more people in unique, personal and digital ways.

## Your own personal interior designer

To share our home furnishing knowledge in an engaging way, we're developing new services that make it fun and easy to create your dream home. In Norway, customers can now book 90-minute sessions with an IKEA interior designer to help with everything from a simple refresh to a complete home makeover.

**B**ased on 75+ years of home furnishing knowledge, we launched a new home furnishing service in Norway. Nine interior designers in IKEA stores across Norway now offer a wide selection of services ranging from advice on colours and materials to lighting plans and complete furnishing solutions. The 90-minute sessions are booked online and can take place in the store or online (which can be a great way to give the interior designers a "virtual home visit"). This is a service that's relevant to anyone who wants to make their home more functional and beautiful but perhaps doesn't have the time, knowledge or even interest, to do it without some inspiration and tips from a pro. "Norwegians love their homes. They dream of larger spaces, personalisation and living more sustainably, but they sometimes don't know where to start. That's where we come in with inspiration and solutions to help make homes better," says Carolin Fredriksson, Interior Designer, IKEA Furuset, Oslo.

### Different needs, different solutions

Customers have different needs, so being flexible is a key to success, just like the need to continuously develop the service. For example, we're developing pilot projects to test home visits and new digital tools that can make the interior design experience even better and more efficient for both co-workers and customers.

*Ninety-two percent of our customers were very happy with the service and would recommend it to friends.*

"The best part of the job is that we get to help so many different people find great home furnishing solutions. One day it's a student on a tiny budget who needs help maximising space in a 20 m<sup>2</sup> flat; the next day it's a 90-year-old who wants us to give her 250 m<sup>2</sup> home a complete makeover," Carolin continues.

With a growing interest in home furnishing and increasing demand for convenience, IKEA

Retail Norway saw an untapped potential to add value around home furnishing services. Today, the interior design service and has been up and running for just over one year and been very well received. So far, home furnishing planning services have been implemented in 12 Ingka Group countries, and the ambition is to be able to offer it in all markets where we have IKEA stores.



Carolin Fredriksson, Interior Designer at IKEA Oslo

## For the love of a good night's sleep

Listening to customers and sharing home furnishing knowledge is at the heart of what we do. With inspiring events like the Better Sleep Expert Forum and the IKEA Nap Bar, we're inviting people to engage with us on how to create a better life at home – which of course always starts with a good night's sleep.

**W**e have a long history of research to genuinely understand people's life at home – their needs, challenges and dreams. Take sleep, for example, and the importance of the entire sleep environment from beds and mattresses to pillows and curtains. Through the countless bedroom products that we have sold, we've gained many valuable insights into how people sleep – insights that help us create a better sleep experience for our customers. Being a global business, we also know that the way people sleep differs between countries. In the Asia-Pacific region, for example, most customers want a really hard mattress – while many in the USA prefer to sleep in much softer beds.

Through a series of local events dedicated to the topic of better sleep, we bring customers, co-workers and experts together to share, inspire and co-create, including external pop-up events, in-store event activities, guided tours, workshops, seminars and more.

*Discussions were based on a survey of 5,000 participants in Germany about their sleeping habits and attitudes. Among the results: a majority consider sleep a waste of time and often associate sleeping with being lazy!*

### The science of better sleep

In March 2019, IKEA Retail Germany hosted the first Better Sleep Expert Forum in Berlin, with more than 40 experts, researchers, journalists, bloggers and influencers coming together for a full day of talks and workshops on sleep and how to improve it. The pop-up event also featured a Sleeping Comfort guide to analyse sleeping behaviours, expert booths to find products for better sleep and a pyjama competition branded the #Pyjamachallenge. The event sparked big engagement from influencers on social media and blogs, including the popular #IKEASchlafgut hashtag on Instagram.

"The response was overwhelming and really contributed to our objective of creating a societal debate about a topic that's so important for all of us: a better sleep," says Sandra Schwertfeger, Interior Design Manager, IKEA Retail Germany.

### Giving people a break with IKEA Nap Bars

In August 2019, we created an event called the IKEA Nap Bar in Bratislava, Budapest and Prague. Six comfy nap rooms were set up in downtown locations, giving office workers a chance to try a refreshing 20-minute nap in the middle of their workday – and learn a bit about the importance of sleep at the same time. We also offered expert talks, yoga classes and consultations with IKEA designers and sleep experts on how beds, mattresses, textiles and accessories can help improve the quality of sleep.



The Better Sleep Expert Forum in Berlin featured talks with Dr. Guy Meadows and other leading experts on sleep.



## 03

Create a simple and unique digital customer meeting.

We are tapping into the potential of bringing the uniqueness of IKEA to life digitally, together with personalisation and convenience. Our mission is to offer an excellent user experience across all digital channels to make it simple for customers to search, find, choose and buy in just a few clicks. In FY19, we took an important step by launching the new IKEA app.

## Driving change with digital and data

Digital is at the very core of our transformation. Driven by data and analytics, we're quickly becoming a more accessible company. With new digital capabilities, we can improve people's lives at home and connect with more people, wherever they are and whenever they want.

**W**e have great potential to bring out the uniqueness of IKEA and our home furnishing knowledge in digital ways – with inspiration, problem-solving and experiences for our customers and co-workers that complement physical meetings. Today, 80% of our store visitors start their journey online, making it essential for our customer meeting points to support and reinforce each other. To make this happen, we're developing new solutions to make it easier for our customers to, in a more personalised way, explore, choose and buy in just a few clicks, in all countries and on any device.

*"Digital brings amazing opportunities for us. With the range at the core, fuelled by digital, we can adapt to consumer needs faster than ever before. We can truly be a companion for inspiration, for accessibility – and a beacon of hope by being a good example of people and planet positive."*

Barbara Martin Coppola,  
Chief Digital Officer, Ingka Group

### The new IKEA app

Launched in FY19, our new app is an important step to better serve our customers. "The new IKEA app is an inspirational touchpoint that our customers interact with frequently, allowing them to visualise how to furnish their homes with IKEA products. It also allows us to develop a deeper customer relationship and provide a greater shopping experience based on individual needs," says Sandra Osbeck, Senior Product Owner, Ingka Group. In addition to the possibility to buy everything directly, other features include a more appealing user interface, product

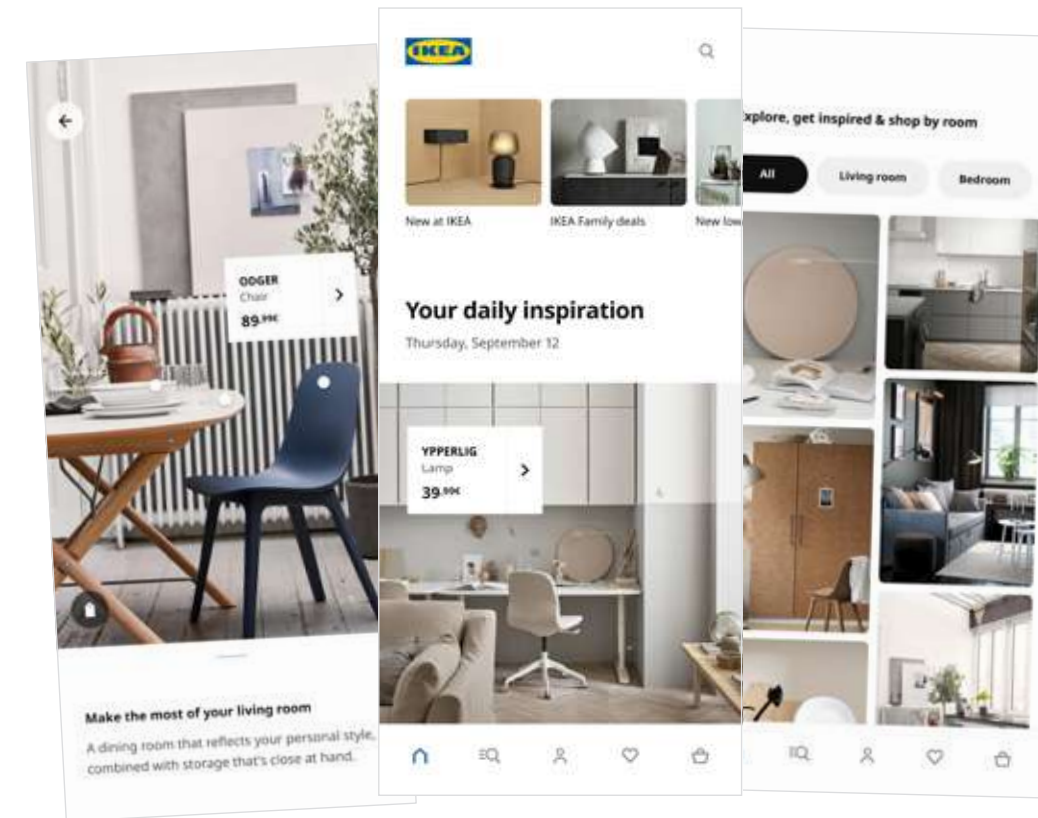
recommendations and a better login experience. More functionality will be added, like making it possible to scan articles from the shelves in stores and pay for them right away in the app. The rollout of the new app is underway and it's already live in France, Ireland, the Netherlands, Spain and the UK.

### All about data

Behind the scenes, it's all about data. In FY19, we've put a lot of resources into creating a modern infrastructure that can support our efforts to take the digital IKEA experience to the next level in the years to come. We're becoming a data-driven organisation, enabling better decision making and predictions. And we're using data to optimise how we operate internally and to personalise and create a more relevant offer for our customers – like recommending products and tailoring the inspirational feed in the new IKEA app. This lets us enhance and personalise the online experience for our customers and better share our home furnishing knowledge in digital channels.



Emil Jørgensen,  
Data Science Lead, Ingka Group



"Using data is about creating simple and useful digital experiences for our customers. By better identifying their needs and preferences from their online activity, we are able to offer a completely different level of services and much more relevant product recommendations," says Emil Jørgensen, Data Science Lead, Ingka Group.

**Data is also key to improving** the in-store experience. "If we look at our smaller city stores, with limited space compared to a regular-sized IKEA store, the use of analytics can help us determine which products we should offer in a particular city store. It's about knowing what customers like to buy where and when – whether it's online, in the big IKEA store or in the small city store – so that we can optimise the customer experience in every channel," continues Emil.

### Enabling the omnichannel IKEA

We're building an omnichannel IKEA, with more customer meeting points than ever before. Through our new digital capabilities, we can connect them all: the many IKEA formats, the web – on both desktop – and mobile, and the app. By gathering and combining data from different sources and situations, we can analyse, predict and create a better customer experience wherever and whenever our customers choose to interact with us.



## A smarter wardrobe system with AI

Artificial Intelligence (AI) can be used for many clever things. In China, it's helping customers plan and customise their PAX wardrobe systems.

► **PAX is our top-selling wardrobe system** in China, generating about 4% of all sales. It's a flexible system that can be customised with many combinations of doors, frames and interior fittings. "Selling system furniture like PAX can be complex. It requires deep knowledge of the full PAX range and capabilities to create the best combination for a specific customer," says Jerry Wu, Senior Product Owner, Ingka Group.

**"That's why we developed** this interactive 3-D tool to create an easy and inspiring way for customers to explore the endless possibilities of PAX," Jerry continues. Customers enter relevant information about their needs into the tool, which then uses AI to generate a virtually infinite amount of PAX solutions for the customer to fine-tune. "When we concluded the test in our pilot store, customer feedback was positive both on the experience of using the tool and on the overall shopping experience. The sales of PAX in our pilot store also saw positive development," concludes Jerry.

**The PAX planner tool** is now used in five of our 29 IKEA stores in China. The plan is to scale it globally once the technology is mature.

## 46% increase in online sales

In FY19, online sales represented more than 10% of our total IKEA Retail sales. We also started ecommerce in China and India, making our online store available to many more people.

► In October 2018, our ecommerce solution went live in China, covering 227 cities and enabling up to 95% of the population to shop online at IKEA.com. At the end of FY19, ecommerce accounted for 5% of total IKEA Retail sales in China.

► In August 2019, IKEA Retail India first launched its online store in the megacity Mumbai, as part of an ambition to reach 100 million customers in three years with an omnichannel approach. With a digital first rollout, customers are now able to shop online in Mumbai even before we've established any physical stores and customer meeting points.

## 04

Create and offer affordable services to make IKEA convenient.

**The future of home furnishing**, and almost every other business, is about your choice and your way. Our focus is to offer our services in all touchpoints making IKEA accessible to the many. We will expand our fulfilment network and create new partnerships with service providers. We'll bring products and services to more people when they want them, where they want them – in a sustainable and affordable way. Through this we'll make shopping at IKEA easy, as well as increase interest in home furnishing, enable a sustainable life and strengthen the emotional connection to the many people.



## 100% electric, 100% of the time

A year ahead of target, all IKEA home deliveries in Shanghai are made by electric vehicles. We're on track to reach 100% electric or emission-free home deliveries by the end of 2020 in Amsterdam, Los Angeles, New York and Paris – and in all our countries by the end of 2025.

**S**hanghai, with more than 26 million inhabitants, was a natural choice to pilot our conversion to electric vehicles for IKEA home deliveries. With three IKEA stores and one Distribution Centre, the Shanghai market handles more than 20,000 home deliveries every month. Reducing emissions and noise, while lowering our carbon footprint, is one of the ways in which we can make Shanghai a healthier and more sustainable place to live. "In a city of this size, traffic is a major source of noise and air pollution. We need to constantly reduce emissions to improve the air quality, as well as reduce the traffic noise to create a better everyday life for the many people," says Ken Zhong, Service Fulfilment Operations Manager, IKEA Retail China.

**An important success factor** to reaching our goal early has been the strong collaboration with our local service providers – with leased vehicles and thousands of charging and maintenance stations all over Shanghai. This model of partnering will be implemented as we move forward with emission free deliveries in many more cities across China. "As the number of home delivery services grow, we're increasingly conscious of our impact on air quality and people's health. We need to make sure we're growing in a responsible way, setting a good

example and securing we have the right business model to keep delivering goods to our customers' homes for years to come," says Angela Hultberg, Sustainable Mobility Leader, Ingka Group. With our success in Shanghai showing that transformation of last-mile deliveries can in fact be done, we now look to the future. It's clear to us that this change is not something happening soon, but happening now, and we're determined to take action.

Amsterdam, Los Angeles, New York and Paris are next in line for 100% electric or emission-free deliveries by the end of 2020, with more cities preparing to follow suit. Our goal is to have all 30 Ingka Group countries worldwide offering 100% electric or emission-free services by the end of 2025.

Read more about our how we're tackling emissions from travel and deliveries on page 78.



**Angela Hultberg,**  
Sustainable Mobility  
Leader, Ingka Group



## A new kitchen made easy

As we're adapting to better meet the needs of our customers, offering accessible and affordable services is key. Our investment in the kitchen installation company Traemand gives more of our customers a seamless experience all the way from planning to installation and customer support.

**W**e're transitioning from a "do-it-yourself" company to more of a "we-can-also-do-it-for-you" company. In FY19, we've taken several steps to improve the customer experience in services like home delivery, furniture assembly, planning and installation. Buying a kitchen, for example, can be a long and complex process with many choices and decisions to be made. In December 2018, Ingka Group acquired a stake in Traemand ("carpenter" in Danish), a leading kitchen service company that offers planning, measurement and installation services for IKEA kitchens in the USA and Canada. To help customers through the process of getting a new kitchen, Traemand has systems and tools that – when integrated closer to IKEA Retail – will offer a seamless journey from measuring and planning (online and in-store) to installation. It will be an end-to-end IKEA branded experience where our customers will be met by co-workers who share the IKEA values – across all touchpoints.

*Traemand's systems and tools will offer IKEA customers a seamless journey from measuring and planning (online and in store) to installation.*

"**The kitchen buying experience** can be tricky at best and I'm really excited about the opportunity to work even closer with Traemand to further enhance our service offer. Working with Traemand to insource kitchen services will allow us to develop a more efficient kitchen buying process and to reduce any after sales issues, identifying improvements that can lead to lower costs, less transportations, and thereby less impact on the environment," says Rob Kelly, Selling Manager, Ingka Group.

**Traemand has been a fully dedicated** partner for IKEA's kitchen service business in the US for 13 years, and more recently also in Canada. "We've had a successful partnership with IKEA Retail US, where we have supported thousands of customers in the journey of buying their dream kitchen. This investment makes it possible for us to take the next steps in developing our tools and services to better benefit the many IKEA kitchen customers," says Bjarne Rasmussen, founder of Traemand. The investment will allow us to collaborate even closer with Traemand and make their kitchen service concept available to more of our countries. We're currently piloting the partnership in the UK, followed by Spain in 2020, with the ambition to roll out the concept to more Ingka countries in the near future.



**VARIERA**  
Cutlery tray  
€29.99

05

Create a new world of IKEA in the city.

**Urbanisation is on the rise, and people are moving into cities like never before.** Value for time is more and more important, and we'll be where the many people live, work and socialise. With a digital and fulfilment backbone, we're finding new ways to meet many more people in cities, enabling them to conveniently access our total offer close to where they are.

We will discover new and unique formats that allow people to reach us more easily, including working with our Ingka Centres colleagues to create meeting places of the future. We'll create an IKEA Retail business that's relevant to the challenges and needs of people living in big cities. We'll strengthen the IKEA Brand, co-create new models and services and redefine what it means to be a good neighbour in the city – we create a positive impact on people, society and the environment.

## Big moves in big cities

To reach new customers and bring IKEA closer to where people live, work and socialise, we're expanding fast in several big cities. Complementing our blue box IKEA stores, we're adding a variety of new IKEA formats – always hand in hand with an improved digital experience.

**B**ringing the IKEA home furnishing offer to more people isn't just about adding locations and entering new countries. As demographics and consumer behaviours change, we're also looking at how we can deepen our impact in the big urban areas where we already have a strong presence. Even in our biggest countries, we have a great potential to grow with a variety of formats, locations and digital customer meeting points that complement each other and meet different needs at different times.

### An IKEA for every occasion

Saturday with your family at the IKEA store, an impulse buy on your lunch break in the city, a midnight purchase on your phone. Sometimes you want the full IKEA store experience; sometimes you want to see a kitchen planner over coffee on your way to work; and sometimes you just want a new door mat right away. We want to make sure we are there when you need us.

### A new mix of IKEA formats

To make the full IKEA experience better than ever, we're investing heavily in our blue box stores. We're also adding a mix of existing and new formats in 40+ cities, including stores and IKEA planning studios for more complex purchases like kitchens and bedrooms – always closely integrated with an improved digital experience.

### A blue box delivery network

In the multichannel era, logistics is key. Our network of blue box stores gives us a big competitive advantage when it comes to cutting lead times and offering faster and more sustainable home deliveries – even for bigger furniture and items bought online or in a city location.

### The journey has just begun

Starting with new IKEA formats in London, Madrid, Moscow, New York and Paris, to name a few, we're expanding fast in 40+ cities over the next few years. In FY19, we opened 42 new stores and fulfilment units, and we plan to open 50 more in FY20.

As we keep growing, we'll be wherever people are – whenever and however they want to meet IKEA. It's never been a more exciting time in terms of expansion and customer focus. We're thrilled to create better ways to serve our existing customers and keep reaching new customers. With this city expansion and our variety of digital and physical formats and customer meeting points, we keep working towards our vision to create a better everyday life for the many people – many, many more of the many people.

*To move fast and learn, we're testing different urban solutions, getting quick results and adjusting. All in order to quickly become more accessible and convenient to more people.*

## IKEA now comes in different sizes

### ► IKEA store

The blue box IKEA store is where you always get the full IKEA experience, all under one roof – plenty of inspiration, food and all the help you need to plan your home. Come here to get ideas, advice and to try out the products. You can take your purchases home right away – unless you prefer home delivery or collecting at an IKEA pick-up point.

### ► Smaller format IKEA store

These stores are much like the IKEA stores (including the food!), just smaller and closer to where you are. Inspiring room settings and digital tools let you discover and order the full range, and you can buy and bring home most home furnishing accessories directly. Larger items will be delivered to your home or the closest IKEA store or IKEA pick-up point.

### ► IKEA shop

Lets you and your fellow city-dwellers explore a specific part of our range – be it bedrooms, small space living or other home furnishing themes. All IKEA shops are centrally located and carry a range of items you can take away on the day. Products can be planned, ordered and purchased.

### ► IKEA planning studio

Here, we offer personalised, one-on-one advice from our home furnishing specialists on solutions for kitchens, bedrooms, storage, bathrooms and more. There are no items to bring home right away, but all relevant products are here for you to touch and try. And the full range can be planned, ordered and purchased.

### ► IKEA pick-up point

An IKEA pick-up point makes it easy to collect your purchases where and when it works for you. It's an accessible and affordable alternative to home delivery or to bringing your products home from the store yourself.

### ► IKEA pop-up

An IKEA pop-up highlights a specific theme, event or message. Marketing-driven and available for a limited time only, they give us a great opportunity to try out fun, bold and innovative ideas. That way, we hope to inspire you in new and unexpected ways.



## In the beating heart of Paris

In May 2019, we opened our first IKEA store in the heart of Paris. At IKEA La Madeleine, our focus is to create a uniquely urban customer experience, tailored to city life in general, and to the needs and dreams of Parisians in particular.

**T**he average Parisian home is small, and IKEA La Madeleine focuses on small space solutions – with 1,500 IKEA products, including accessories and smaller furniture available to take home right away. The rest of our product range can easily be experienced and ordered through in-store digital tools and the new IKEA app, which just launched in France.

"Covering an area of 5,400 m<sup>2</sup>, the store presents smart, small space solutions that support Parisians in all parts of their homes. All our energy and passion are dedicated to sharing our home furnishing knowledge and delivering solutions that meet our new city customers' expectations," says Annie Bétreau, Store Manager, IKEA La Madeleine.

### Exploring the range, Paris style

To create a uniquely Parisian home furnishing experience, we're testing a new way of exploring the product range based on the way Parisians live, with themes like food, socialising and recharging. Just like at home, there is no separation between furniture and accessories, which means that the sleep area includes both large furniture items (beds, mattresses) and relevant complements (bedding, duvets and pillows).

### La Scène – the event space

It wouldn't be Paris if we didn't have a stage. With "La Scène," we're interacting with Parisians in new, entertaining ways, such as exhibitions, workshops and concerts – as well as relaxation therapy and other activities focused on well-being. Here, we're also elevating sustainability issues related to home furnishing and life at home, like how to prolong the life of products, upcycling and reducing waste in your daily life.

*Deliveries are made with bicycles and electric vehicles. We're also testing electric barges on the river Seine for incoming goods.*

### Swedish on the go

Paris is the city of food, and we're excited to bring a little bit of Sweden to the table. Focusing on healthy and sustainable food at a low price, we're testing new urban food concepts, like "Swedish on the go," where people passing by can grab coffee, quick bites and takeaway of iconic IKEA food. The menu changes with the seasons

and customer demand, with popular favourites including our own vegan ice cream and the new veggie dog. With 1,300 food visitors a day so far, the new food concepts are giving our city customers even more reasons to stop by.

### Service in the city

Being in the heart of the city gives new customers a chance to meet our co-workers and try our services. In addition to kitchen planning, we're offering new planning services also for storage solutions and general home furnishing advice – all opening an hour before the store, just like the café. Co-workers equipped with tablets move around the store, ready to help customers and provide home furnishing knowledge.

### Bonjour, zero-emission transports

Minimising our footprint and contribution to city congestion, noise and emissions is part of being a good neighbour. Deliveries of small packages are made with bicycles, while bigger furniture are 100% delivered by electric vehicles, supporting the Ingka Group goal to

reach zero-emission deliveries by 2020. We are also testing electric barges on the river Seine. Orders are prepared at a distribution centre north of Paris, then transported along the Seine to the Parisian ports of Javel, Champs-Élysées, Grands Augustins and Henri IV. From there, customers can pick up their goods or have them home delivered by bicycle.

### Off to an exciting start

A few months after opening, we're happy to see that 50 percent of the IKEA La Madeleine store's more than 11,000 daily visitors are new to IKEA – people who would not have been able to visit us so easily before. The city store is driving consumer interest in IKEA, not just in the city but online and for the blue box IKEA stores as well.

**By increasing our presence in cities,** we're able to bring a more accessible IKEA home furnishing offer to many more people. This makes us very excited about the future, not just for Paris, but for our city expansion as a whole. Merci!



# Moscow: the fast and the convenient

In June 2019, we opened our first Russian city store in Moscow. Adding to the mix of IKEA stores, IKEA planning studios, ecommerce and next-day delivery, the new IKEA format makes a big move towards more accessibility for the busy people of Moscow.

**L**ocated in **Aviapark**, the largest mall in Europe, the new IKEA Khodynskoe Pole store has a catchment area of 5 million people and is easily accessible by public transportation, right by a metro station. With its smaller size and central location, the store has been designed for fast and accessible shopping, with a new approach to display, navigation, digital tools and self-serve check-outs.

"With this new city store, we're introducing a new way of shopping at IKEA. It's designed for busy Muscovites with little time who want to complete their shopping fast," says Pontus Erntell, Country Retail Manager, IKEA Retail Russia.

### Full range on display, next-day delivery

The new store has an IKEA planning studio for kitchens and wardrobes, as well as an easy access IKEA pick-up point. The full IKEA range is on display for customers to touch and try, with a selection available to buy and take home right away. The rest of the range can be ordered, and we now offer next-day

deliveries of items bought both in-stores and online to all areas of Moscow.

### Adding to the Moscow mix

"Moscow is a good example of our total market approach, capturing different segments and situations with a variety of IKEA formats and ecommerce that all support each other," Pontus continues. "In Moscow, we now offer three IKEA stores connected to our MEGA shopping centres, one new store in the Aviapark shopping mall in central Moscow and two IKEA planning studios – as well as the online store – with next-day home delivery regardless of touchpoint."

### More city stores coming

With more than 11,000 visitors per day, the IKEA Khodynskoe Pole store is our first important step into the city of Moscow. In the near future, IKEA Retail Russia is looking to open five to seven more small format stores across the country, meeting the many people of Russia wherever and whenever they want to shop with us.



## IKEA Khodynskoe Pole, Aviapark mall

Moscow, Russia

► **Smaller format IKEA store**, opened 27 June 2019.

## Welcome to the city

► **In the time taken** to read this, the urban population has increased by 10 people.



## IKEA Blue City

Warsaw, Poland

► **IKEA shop**, opened 24 October 2018.



## IKEA Bromley

London, UK

► **IKEA planning studio**, opened 28 March 2019.



## IKEA Vesterbro, Copenhagen, Denmark

► **IKEA planning studio**, opened 29 August 2019.

**42**  
openings in FY19

- » IKEA stores
- » IKEA store relocations
- » IKEA planning studios
- » IKEA shops
- » Ecommerce launches
- » Customer Support Centres
- » Fulfilment units

## New openings in 2020

### ► IKEA Harajuku, Tokyo, Japan

This city location in Tokyo will focus on small space living for the 40 million people that pass by every year. Opening in spring of 2020, this IKEA shop will complement four IKEA stores and the online IKEA shop.

### ► IKEA Yangpu, Shanghai, China

Our first smaller format IKEA store in China, located in a new shopping centre in Shanghai, with a population of 26 million people. Opening in early 2020, it will add to the mix of three IKEA stores and the online IKEA shop.

### ► IKEA Åkersgata, Oslo, Norway

Our first IKEA planning studio in Oslo, complementing two existing IKEA stores and the online IKEA shop. Planned to open in the beginning of 2020.

And with more to come during 2020.



## IKEA Upper East Side

New York, USA

► **IKEA planning studio**, opened 15 April 2019.

**70%**  
will be living single in Tokyo in 2027

## IKEA Gregorio VII

Rome, Italy

► **IKEA Planning Studio**, opened 20 September 2019.

## 06

Create the IKEA store of tomorrow – making our stores experience centres for life at home.

The IKEA stores are magical worlds of home furnishing and offer the total IKEA experience, and they'll continue to be a strong part of our new reality as we transform them into experience centres for life at home. We'll bring home furnishing inspiration and knowledge to a whole new level and become the best destination for beautiful, smart and sustainable homes. We'll also make them key components in our fulfilment network as they also can fulfil online orders, which enables us to live up to customer lead time and quality expectations.



## Turning our blue box stores into a home delivery network

In the new multichannel world of retail, turning our network of IKEA stores into fulfilment units is a big competitive advantage when it comes to faster, more affordable and sustainable home deliveries. A pilot project in Madrid leads the way.

**I**n a time when customers want fast and affordable home deliveries – also of bigger furniture items – having a network of 374 stores with big logistics capabilities close to where our customers live is a huge advantage. By decreasing the self-serve furniture areas and increasing the fulfilment areas, we can offer better services like home delivery and off-hour pickups, whether you bought your items in your local store, in the city or online. "By using our existing stores as local fulfilment units, we'll be able to meet our customers' demand for faster and more sustainable home deliveries at affordable prices. And we're able to secure a vast logistics network of local delivery hubs that can handle the substantial online growth we're planning for," says Laia Blanch, Project Manager, IKEA Retail, Ingka Group.

As fulfilment hubs, the IKEA stores will handle not only home deliveries for items bought at the store but also orders placed online, at IKEA city stores and IKEA planning studios or at Customer Support Centres. Deliveries will be faster and transports shorter, enabling more sustainable transportation like electric vehicles and bicycles, and resulting in lower CO<sub>2</sub> emissions.

### Making it happen in Madrid

One IKEA store leading the way in logistics transformation is IKEA Alcorcón in Madrid, Spain.

Thanks to three simple but major changes, the store is now a fulfilment unit for the entire Madrid area. First, the store adjusted the self-service furniture area to customers' needs in terms of what goes to the check out area and what goes to home delivery.

"We can already see that the result is a more efficient process," says Laia. Second, a 16-metre locker solution was installed outside of the store, allowing customers to pick up their online orders 24 hours a day – a big step towards a more accessible shopping experience.

**Third, an unused parking space** underneath the store is being transformed into an outbound delivery area. The idea is to use it to store orders that can now go straight to customers – instead of being transported via a delivery company first. We have 137 stores built on pillars with parking underneath, just like IKEA Alcorcón and see great potential for a speedy rollout at a limited cost.

"With a better sense of what our customers want and need and where our co-workers see room for improvement, we're able to quickly change our ways of working. And it's our co-workers who make it happen. It's their curiosity and resourcefulness that make it possible for us to move forward this fast," Laia finishes.

## A sneak peek at tomorrow, today

With a pilot project in Shanghai, we're turning our blue box stores into experience centres for life at home – engaging and entertaining like never before. By bringing home furnishing inspiration to a whole new level, we're finding new ways to be the best destination for beautiful, smart and sustainable homes.

**O**ur blue box stores are our greatest assets, and we're making big investments to make them shine like never before. In Shanghai, we're creating a pilot for the IKEA store of tomorrow within the walls of the blue box store in Xuhui. The new concept rests on four pillars: the home furnishing experience centre, the sustainable store, food as a new experience and people meeting people. Among the many innovations, IKEA Xuhui will have a big focus on sustainable, healthy and circular lifestyle choices that are accessible and affordable for the many people. After the Shanghai pilot, Milan and New York will be next.

"An engaging place that's much more than a furniture store – it will be an engaging place to explore home furnishing in new and different ways. For example, with augmented reality you can see, experience or co create the latest trends," says Ines Silva, Project Leader, IKEA store of tomorrow, Ingka Group.

*We want our IKEA stores to become centres in their communities, bringing people together around home furnishing and enabling affordable, healthy living in a fun way.*

The store of tomorrow will also have a strong sustainability profile, based on key learnings from our IKEA Kaarst and IKEA Greenwich stores (read more on page 64), and a focus on good and healthy food. "We want food to be a totally new experience, moving from the current canteen to an entertaining food court experience, offering a culinary trip to Sweden," continues Ines. The transformation of the IKEA Xuhui store will be completed in just one year. That way, we'll be able to evaluate the initiative before 2021, when our three-year transformational journey is being summed up.







07

Create a people and planet positive IKEA.

**We have started the journey to become people and planet positive.** Now we'll go all in and, together with stakeholders across IKEA and society, develop a sustainable business model for home furnishing. We'll put sustainability at the core of our offer, truly understanding and pre-empting changing customer and societal needs. We'll co-create sustainable living solutions and circular services with our customers.

## A clean energy movement

We've helped our customers transform their rooftops into clean energy power stations. Now, we want to build the biggest clean energy community in the world – enabling more people to save money and cut their emissions.

**S**ince 2015, our **IKEA Home Solar and energy storage** offer has helped thousands of customers generate and use their own clean electricity. It's good for the environment and for the pocketbook – our IKEA Home Solar customers saved, on average, EUR 400 per year on their energy bills. "We want to help create a clean energy movement beyond our own operations," says Alejandro Castro Pérez, IKEA Home Solar & Energy Service Business Leader, Ingka Group. "By getting our customers and our partners to come on the journey with us, we'll create a ripple effect and increase our positive impact."

### A home solar revolution

Our home solar business grew by 29% last year, and together our solar customers generated 60% more clean energy than the year before. So far, we've rolled out the offer in seven countries, and we aim to reach all 30 Ingka Group countries with IKEA Home Solar and other clean energy solutions by 2025.

### Clean energy, more accessible

With IKEA Energy Services, we aim to make it even easier for more people to reduce their energy

costs and climate footprints. For those who live in apartments or who can't afford the upfront investment in their own solar panel system, we're exploring new solutions such as a clean energy subscription offer. This offer will help customers access renewable electricity and guide them to other relevant services like efficient heating and cooling solutions, LED bulbs or kitchen appliances. We're looking into the potential for other clean energy services too, including electric vehicle charging.

**We want to accelerate** the transition away from fossil fuels by making the clean energy market more accessible and affordable for all. The aim is to build the biggest and most inclusive clean energy community, together with our co-workers, customers and partners around the world.

# EUR 400

Each customer saved on average EUR 400 per year on their energy bill.

IKEA home solar customers **Dario and Ljuba Häusermann**, Waltenswil, Switzerland



## Rent-a-BILLY, lease a couch

With furniture leasing, we're testing new and more circular ways for our customers to use, care for and pass on their IKEA furniture.

**L**ife at home has different needs for different stages. Your child may need a baby crib for a little while, then a child's bed and then a teenage bunk. Or maybe you're living in a temporary home or setting up a home office in the basement. Our research shows that customers don't like to throw things away, but they sometimes only need our furniture for a set period of time. What if our customers could use their IKEA furniture for as long as they need to, without having to own it? That's the concept behind "furniture as a service," a new circular business model we're testing. Our goal: to see if we can meet customer needs for flexibility and accessibility, while building in sustainability by extending the life of our products and reducing waste.

*What if our customers could use their IKEA furniture for as long as they need to, without having to own it?*

**During FY19, we began several small-scale tests** exploring the feasibility, viability and desirability of different approaches and subscription models. The core idea is that customers lease the furniture, which we maintain and repair as needed during the leasing period. Upon return, we clean, refurbish and make the furniture ready for its next home. When the furniture has been reused as many times as possible, we recycle the materials and components.

**In the Netherlands, we offered furniture leasing** to students. In Switzerland, we created an offer for business customers, allowing them to spread the cost over a longer period and to change their furniture as their business evolved. In Sweden, we offered leasing of a mix of new and used furniture. The results so far have been positive, with clear sustainability benefits from extending the life of materials and resources. We've also had good feedback from customers who appreciate the flexibility, affordability and sustainability benefits of this approach.

We aim for all our countries to contribute to testing furniture as a service in 2020, building towards larger-scale pilots in the future. The learnings will enable us to tailor our offer to meet customer needs and preferences, as well as work on some of the practical challenges, such as how to store furniture between rentals.

**For this business model to achieve its full potential,** we need to work together across the IKEA value chain to fine-tune every aspect of the offer. For example, as part of the ambition to transform IKEA into a circular business, Inter IKEA Group is integrating "leasability" into its product development approach. This means that we'll be able to offer more IKEA home furnishing products designed for the rental market, including tougher finishes and even more durable materials.

Read more about how we're promoting circular consumption on page 66.

08

Create "always-on" growth – offering many more great reasons to visit IKEA.

**We need to ensure that every one of us works closely to achieve healthy and sustainable growth.**

To do so, we'll have an "always-on" mindset for growth and provide the many people with many more reasons to visit IKEA, through our stores and digital experiences, 365 days a year. We'll be more responsive and provide customers with more personalised offers, rewards, support or solutions, whenever they have a need for it, in the channels they choose.

## Earning points that make a difference

In times of fast change, we're more focused than ever on building meaningful customer relationships. IKEA Family is testing a new loyalty programme that lets customers donate part of their purchase to a good cause of their choice.

**W**ith over 141 million members in 30 countries, IKEA Family is one of the biggest customer clubs in the world. Now we want to make it the most member centric one. A club that's not only about great benefits, offers and discounts – but also about connecting with members in more personal and meaningful ways that go beyond traditional rewards and incentives.

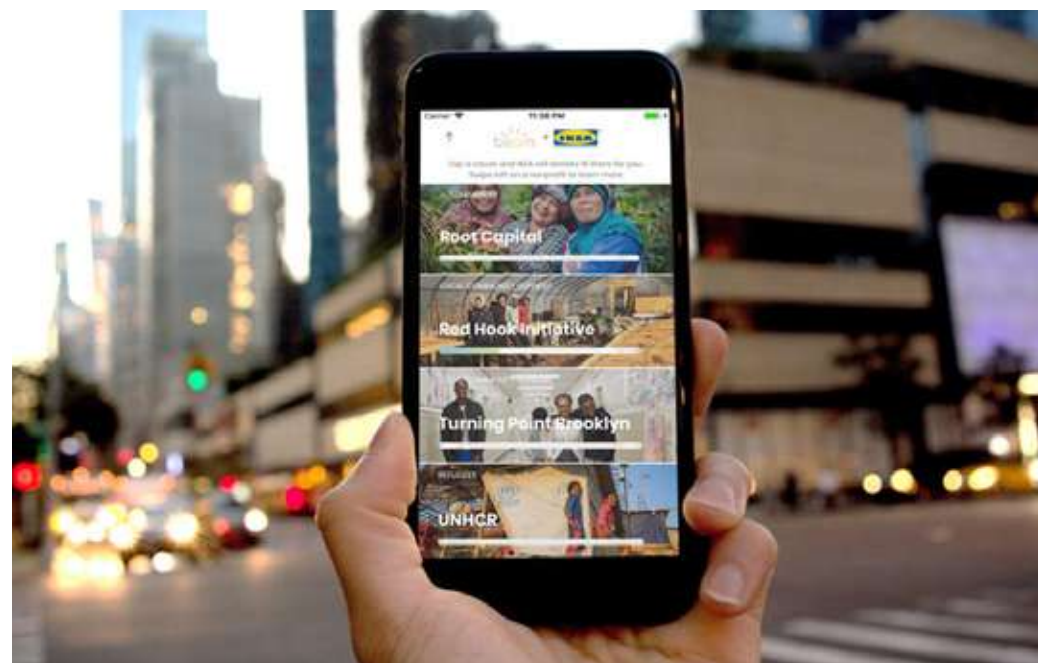
Together with the values-based loyalty service Beam Impact, we're testing a new, purpose-led rewards programme in two stores in New York. Instead of collecting points and receiving discounts, IKEA Family members can let IKEA donate a percentage of their purchase to a good cause of their choice, with no extra cost to them.

"We're exploring how values-based rewards can be connected to different social missions and engage our members in new, meaningful ways. By letting members donate part of their spend to causes they like, often local ones that they have a relationship to, our members get to contribute to a better everyday life for others – and so do we," says Aaron Mitchell, Global Customer Engagement and Loyalty Manager, Ingka Group.

*"We're proud to amplify customer awareness of the IKEA commitment to people and the planet and to help drive deeper connections with customers, especially young ones. Initial results indicate that twice as many pilot participants said they were likely to recommend IKEA to friends compared to the market baseline."*

**Viveka Hulyalkar,**  
Beam Impact CEO and Co-founder

The partnership with Beam is a result of the IKEA Bootcamp programme, where we team up with growth-stage start-ups to co-create innovative retail solutions (read more on page 15). Going forward, we'll scale the learnings from the New York pilot as we continue to develop personalised rewards programmes with more tests in several countries.



## Simple actions for big savings

To keep our prices low, we're always looking to simplify and reduce unnecessary costs. Energy savings is one area where a few simple steps can lead to big cost savings, while also helping to reach our sustainability goals.

**B**eing resourceful and cost-conscious is part of who we are and is necessary in order to transform our business and become even more affordable. In FY19, we rolled out several initiatives to simplify our ways of working and cut costs. For example, we improved our reporting processes and continued to automate, standardise and digitalise new tools across our business.

### Good savings that do good

We also saw how a few simple actions can have a big impact when it comes to cost savings on energy. In a typical IKEA store, lighting makes up 30-40% of the total energy consumption and restaurant equipment up to 25%. One example of how energy efficiency measures can cut costs is IKEA Katowice in Poland. By, for example, introducing an energy monitoring system,

switching to 100% LED lighting, installing motion detectors for lighting and turning off equipment that's not in use, co-workers managed to decrease the store's energy use with 17%, leading to cost savings of EUR 50,000 per year.

"The simplest way to cut costs and save energy is to switch to LED lights. It's easy to implement, and the return on investment is very fast," says Mariusz Podgorski, Energy and Climate Manager, IKEA Retail Poland. "Turning off equipment when it's not in use is another easy fix that makes a big difference. This can be lights, air conditioning, computers, kitchen equipment – the list goes on," Mariusz continues.

*"The simplest way to cut costs and save energy is to switch to LED lights. It's easy to implement, and has fast return on investment."*



### The power of co-worker engagement

A firm believer in the power of co-workers when it comes to simplifying, Mariusz attributes the Polish cost-cutting success to strong co-worker engagement. "We're all responsible for our energy consumption, to a larger or smaller extent. Knowing where energy can be saved can make huge savings in our budget while reducing our carbon emissions at the same time," he concludes.

09

Create a simpler and better IKEA designed for the future – with less time planning and more time doing.

**A low-price company must also be a low-cost company, and cost-consciousness is part of who we are.** We'll

work with a holistic cost performance approach to reduce unnecessary costs and build the prerequisites to make investments that create profitable growth as well as reducing costs. Cost performance will focus on small and big initiatives. We'll build scale and efficiency in customer fulfilment flows, simplify and automate on a global scale, accelerate digital delivery and ensure our strong retail foundations. We also look at efficiencies in marketing, in-house deliveries and procurement. To enable investments in creating a new IKEA, we'll use our resources in a responsible way with a long-term perspective.

10

Create a people movement and make our culture and values a living reality – unleashing the potential of us all.

**Our customers want to meet engaged, competent and serviceminded co-workers** at every IKEA customer meeting point. To make sure that we have the prerequisites to meet our customers, we'll develop ourselves and lead our business into the future by learning and building new capabilities together. We grow from within, we welcome new talent who share our values and we develop the next generation of leaders. We will unleash the potential of people and go all in on equality – ensuring that Ingka Group is a good example of equality, diversity and inclusion.



## Our culture and values in times of change

As we transform Ingka Group to be a more digital, connected and innovative retailer, we all need to change how we work and adopt new ways of doing things.

**B**ut one thing that will never change is our commitment to live our values. In fact, in times of change, our values are more important than ever – helping us maintain our strong culture and make the right decisions. To support our leaders with the tools they need to lead through big changes, we've developed a new leadership approach with Inter IKEA Group, called "Leadership in a new era." The approach defines effective leadership based on three themes to help us deliver an excellent co-worker and customer experience: entrepreneurship of the many; performance with meaning, and working together.

In FY19, we ran a development programme to help leaders adopt this new approach. Through events, experiential workshops and coaching, participants explored the new mindsets and behaviours required to lead in this new era

– working on their self-awareness, emotional intelligence and the importance of leading with compassion in complex times. The programme included a strong focus on making values-based decisions that positively impact our customers, ourselves and our planet. Values-based leadership encourages experimentation, collaboration and continuous learning and will remain at the core of our leadership approach.

"As leaders we must walk the talk and show how we lead with our values every day. The programme was a game-changer for me – how we need to relearn, innovate and show with our actions how we're transforming. Being able to share, learn and gain new tools and insights has made me a more self-aware and confident leader," says Helene von Reis, Country Retail Manager, IKEA Retail Japan.

## The IKEA values

Our shared values and strong culture make IKEA unique, both as a place to work and as a brand.

**Our values are:**

► **Togetherness** – Togetherness is at the heart of the IKEA culture. We are strongest when we trust each other, pull in the same direction and have fun together.

► **Caring for people and planet** – We want to be a force for positive change. We have the possibility to make a significant and lasting impact – today and for the generations to come.

► **Cost-consciousness** – As many people as possible should be able to afford a beautiful and functional home. We constantly challenge ourselves and others to make more from less without compromising on quality.

► **Simplicity** – A simple, straightforward and down-to-earth way of being is part of our Smålandic heritage. It is about being ourselves and staying close to reality. We are informal, pragmatic and see bureaucracy as our biggest enemy.

► **Renew and improve** – We are constantly looking for new and better ways forward. Whatever we are doing today, we can do better tomorrow. Finding solutions to almost impossible challenges is part of our success and a source of inspiration to move on to the next challenge.

► **Different with a meaning** – We are not like other companies and we don't want to be. We like to question existing solutions, think in unconventional ways, experiment and dare to make mistakes – always for a good reason.

► **Give and take responsibility** – We believe in empowering people. Giving and taking responsibility are ways to grow and develop as individuals. Trusting each other, being positive and forward-looking inspires everyone to contribute to development.

► **Lead by example** – We see leadership as an action, not a position. We look for people's values before competence and experience. People who 'walk the talk' and lead by example. It is about being our best self and bringing out the best in each other.

## Supporting refugees with jobs training

As we scale up our "skills for employment" programmes, we offer training and work experience to people with refugee backgrounds to improve their chances of finding jobs, at Ingka Group and elsewhere.

**O**ur skills for employment initiatives help refugees gain work experience, practice local language, develop new skills and improve their opportunities of finding a job – also to connect with locals, make new friends and increase their understanding of the local culture. After completing the training, participants are invited to apply for a job at Ingka Group. Every single store that's carried out the initiative has found it to be mutually enriching, giving both participants and co-workers new perspectives and opening up to alternative ways of thinking. Refugees who have joined us as co-workers are highly committed and show a high tendency to stay with the company.

"**Having a job** when you're new in the UK, or as a refugee, is very important. Without this programme, I don't think I would have got a job. It gave me more confidence," says Samer Al Haffar, a former refugee from Syria who joined IKEA Retail UK after completing a programme with our partner Breaking Barriers. First hired as a cashier, Samer quickly advanced to Shift Coordinator at the IKEA Wembley store.

"My next step is to be Team Leader, then Supervisor, then Manager, then Store Manager," Samer says with a smile.

*By including refugees in our business, we benefit from their talents, skills, diversity and different points of view.*

**In countries where refugees and asylum seekers aren't allowed to work, we seek to influence opinion by sharing the positive experiences we've had from our initiatives.** We're also partnering with organisations like the UNHCR and the Tent Partnership for Refugees to share examples of the positive contribution refugees make to businesses and host communities when they have the right support.

**Since FY18, we have run** refugee inclusion programmes in 13 countries. By FY22, we'll scale up these initiatives in 300 IKEA stores, offices, Distribution Centres and Ingka Centres meeting places across all Ingka Group countries.



Samer Al Haffar, Shift Coordinator, IKEA Wembley store, the UK

## INGKA INVESTMENTS

# Accelerating growth through investments

Through Ingka Investments, we make strategic investments and acquisitions that secure our long-term financial strength and support our growth, business transformation and sustainability goals.

**Our financial approach is unique.** We have a saying that you should earn it before you spend it and not rely on external funding. With this discipline over the last 75 years, Ingka Group has built up a very strong liquidity position of over EUR 20 billion. The majority of our liquidity is invested in low-risk securities that are aligned with our values and the principles of environmental, social and governance (ESG) investing. As a self-funded company, we keep a strong focus on investing for the long term, all while being focused on delivering a strong performance every day.

**As we're transforming our business,** we also take a more dynamic approach to investments and acquisitions, aiming to actively support our core business development and sustainability goals. We invest in minority and majority shareholdings in innovative companies that support speeding up our transformation in areas such as digitalisation and services. We also invest in circularity, renewable energy and forestland. We work closely with all areas of Ingka Group to align our investments with our business needs, and we want to make a positive difference in the societies where we invest.

"We're engaging with cutting-edge companies that are developing new technologies, solutions and business models that can help accelerate our business transformation and reach our sustainability goals. We've invested approximately EUR 200 million in 23 companies to date, as we're looking to disrupt rather than to be disrupted," says Krister Mattsson, Managing Director, Ingka Investments.

#### Supporting our IKEA business

To help speed up our business development and transformation, and as a way to access

new technology and business models, we'll continue to invest in companies focusing on retail services, digital innovation and a circular economy. We believe that acquisitions will help us move faster and learn quicker as we improve and broaden our service offering. In FY19, for example, we invested in Traemand, our kitchen planning and installation partner in the USA. It's a collaboration that led to an investment that will enable more of our IKEA customers to have a seamless experience all the way from inspiration, measurement and planning to installation and customer support.

#### Engaging with innovators

We also make minority shareholding investments in companies without an immediate aim to integrate them into our business. It's essential to constantly gain new insights in consumer and shopping behaviours, new technologies and business models, and we're determined to collaborate with these fast-paced innovators and entrepreneurs to stay on top of this constantly evolving landscape.

**We need to be wherever** our customers want us to be, which means that we need to become even more affordable, accessible and sustainable. By putting our excess liquidity to work, Ingka Investments will continue to secure our financial independence and play a key role in transforming our business in order to meet the needs of our customers, today as well as tomorrow.

EUR **200** million  
invested in 21 companies over  
the past three years

EUR **2.5** billion  
invested in renewable  
energy since 2009

**920,000**  
solar modules on our store  
and warehouse rooftops

**715,000**  
solar modules under  
construction in two solar  
parks in the USA

**534**  
wind turbines in  
14 countries

## Ingka Investments portfolios

#### ► Business Development Investments

This portfolio focuses on investments in, and acquisitions of, innovative companies that can strengthen our IKEA Retail business with new capabilities and services. Recent investments in kitchen planning and installation company Traemand and services marketplace TaskRabbit are good examples of this approach, offering our customers new ways to access flexible and affordable services. Both companies are active in Canada and the USA and are rolling out operations in Europe.

#### ► Prioritised City Real Estate

This portfolio makes investments in top-location real estate in prioritised cities in order to support a faster execution of the prioritised city strategy of IKEA Retail. Such investments will only be considered if we can open an IKEA store in the building. We secure real estate ownership instead of leasing and preserve value on a long-term basis.

#### ► Venture & Growth Capital

Included in this portfolio are minority investments in cutting-edge companies, including start-ups, that can create synergies for our core business. This allows us to broaden our investment landscape and diversify our financial risk and return profile. In FY19, we invested in home renovation and design platform Livspace; recycling companies RetourMatras, Umincorp and NGR; reverse logistics provider Optoro; and small space robotics furniture company Ori.

#### ► Renewable Energy

In this portfolio, we invest in renewable energy assets such as wind and solar power. In FY19, we produced renewable energy equivalent to 93% of the energy we use in our operations, and we'll reach our goal of 100% by 2020. Our ownership and commitments include 534 wind turbines in 14 countries, and two solar energy farms with 715,000 solar modules under construction in the USA. In addition, there are 920,000 solar modules on our store and warehouse rooftops. New investments include an offshore wind farm in Germany, wind farms in Romania and solar farms in the USA. Since 2009, we've invested close to EUR 2.5 billion in renewable energy.

#### ► Forestland

The Forestland portfolio has a focus on responsible forestland ownership that preserves and increases the forest quality for generations to come. Our high internal standards for sustainable forest management include certification by the Forest Stewardship Council (FSC®), which means that our forests are inspected annually to ensure compliance. So far, we've invested in forests in the Baltic States, Romania and the USA. As per year-end FY19, we own approximately 210,000 hectares of forestland<sup>1</sup>. In FY19, we planted 6.7 million seedlings.

#### ► Financial Markets Investments

This is our main portfolio where we invest the majority of our liquidity in order to safeguard the long-term financial strength and independence of Ingka Group. These are investments in fixed income (bonds), listed equities and alternative funds concentrating on infrastructure financing. We avoid undesired sectors, and we develop and explore the possibilities to invest with a positive ESG selection within the constraints of our mandate.



<sup>1</sup> Ingka Group owned forests do not currently directly supply raw material for the IKEA range.

# At the cutting edge with venture and growth capital

Through our Venture & Growth Capital portfolio, we make minority investments in fast-moving companies that support our retail transformation and ambition to become people and planet positive.

**To reach our business and sustainability goals** as fast as possible, we're joining forces with other companies, including start-ups, through different types of investments. While our Business Development Investments portfolio is focused on direct business needs and more mature companies, the Venture & Growth Capital portfolio has a broader approach, looking at new companies in strategic areas like retail and services, digital innovation and circularity.

**With Venture & Growth Capital investments**, we explore and learn from the latest technologies, solutions and business models. Our ambition is to help shape the IKEA of tomorrow, with bold moves that can help our business leapfrog into the future. We work in close collaboration with co-workers throughout the organisation to identify possible investment and acquisition opportunities and to align our activities with the business needs for the 10 jobs in three years initiatives.

## Accelerating in 2019

FY19 was a year of acceleration for the Venture & Growth Capital portfolio, with new and follow-on investments doubling our total



invested capital. Six new investments were closed in FY19, and the Venture & Growth Capital portfolio now has 18 active companies.

### Three examples in FY19:

► **RetourMatras** is a Dutch company that recycles mattresses and is a key contributor towards a circular economy through an automated process that makes it possible to recycle more than 90% of the materials in a mattress. RetourMatras will scale up their recycling capacity, initially growing to 1 million mattresses per year in the Netherlands – and possibly in other IKEA Retail countries.

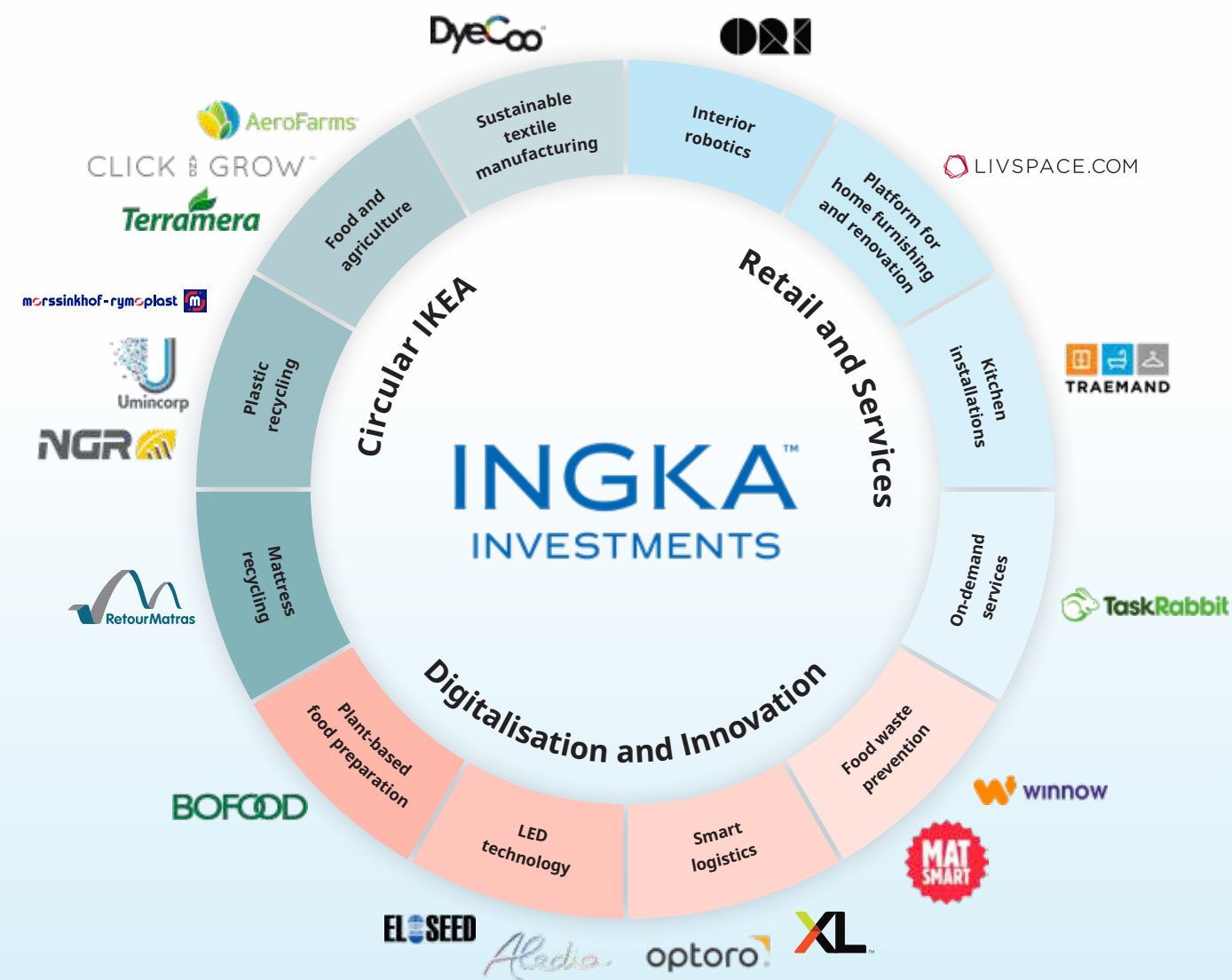
► **Livspace** is a home renovation and design platform in India, with international expansion plans, that connects consumers, suppliers and service providers in a seamless way. Livspace manages the whole process from design to liveable rooms, helping people with everything from tiling and plumbing to home furnishing and installation services. This investment marks our commitment to India and Asia and enables potential business collaborations.

► **Optoro** based in the USA, is a provider of a software platform for reverse logistics for retailers. It allows goods to be returned, processed and resold in an efficient way, thereby reducing waste and CO<sub>2</sub> pollution. The platform has the potential to significantly improve the way retailers manage their returns and reverse logistics flows, creating a better customer experience and helping to accelerate the transition towards a circular economy.

## We're open for business

► **The goal of our Business Development Investments and Venture & Growth Capital portfolios** is to support and accelerate our business, growth and transformation. Therefore, we work closely with co-workers throughout Ingka Group, from global functions to local organisations and partners, to identify possible investment and acquisition opportunities that can help our business and speed up growth initiatives.

We're also actively looking to learn more about new companies in relevant sectors that share our values, where we both could benefit from a closer collaboration, investment or acquisition.



## Our active investments

With minority and majority shareholding investments, we continue to focus even more on investments in prioritised areas that support our retail business. We're ramping up investments and acquisitions in retail tech, including digital, customer fulfilment, sustainability and a range of services including logistics and delivery services.

### Global Cleantech Top 100

Three of our recent investments, **Aerofarms** (indoor urban farming), **Terramera** (bio-pesticides) and **Optoro** (reverse logistics), have been listed on the 2019 Global Cleantech 100, a list of companies with the highest potential to make the most significant market impact within the next 5-10 years. A fourth investment, **XL** (vehicle electrification), made it to the 2019 Global Cleantech "Ones to Watch" list.

Read more about Global Cleantech Top 100 here: [www.cleantech.com/the-global-cleantech-100](http://www.cleantech.com/the-global-cleantech-100)

## INGKA CENTRES

# Vibrant meeting places with a blue-and-yellow heart

We're moving from the traditional notion of shopping centres to an innovative concept we call "meeting places." Always anchored by an IKEA store, our Ingka Centres meeting places offer a unique mix of activities and experiences that bring value to the local communities.

**W**ith 45 locations in 15 countries and 480 million visitors a year, Ingka Centres is a main driver in our business transformation to become more accessible to more people. We're transforming our centres from spaces where people simply shop, to places where people can also learn, experience, meet other people and connect with their communities. That's what we call "meeting places" – and all of them feature an integrated IKEA store, our blue-and-yellow heart. We also work with local and international partners, for a total of more than 1,600 brands, operating over 7,000 shops. To create a varied and engaging experience for our visitors, we collaborate with IKEA Retail, our partners, local authorities and the many people that visit our meeting places every day.

*"We're now bringing our business closer to the people who work in our meeting places, as well as the local communities."*

Gerard Groener, Managing Director, Ingka Centres

"Throughout FY19, we've taken a leap in our journey to create meeting places. We've managed to go through a massive

transformation, while at the same time outperforming our goals on visitation, sales income and cost-reduction targets," says Gerard Groener, Managing Director, Ingka Centres. "We're now bringing our business closer to the people who work in our meeting places, as well as the local communities, listening to our many visitors and designing our offer according to their needs and aspirations."

### More digital, more sustainable

In FY20, Ingka Centres will focus on two main areas: becoming a more digital business and finding new ways to collaborate with partners and communities to become more sustainable. "We'll continue to understand the needs and drivers of the digital customer. Investing in digital development will allow us to get closer to our customers and expand the range of services we can offer," Gerard says.

We're working towards being powered by 100% renewable energy and recycling 100% of our waste, whilst reducing greenhouse gas emissions. Together with our partners, we're also developing offers and experiences that can inspire and enable our customers to live healthier and more sustainable lives.

EUR **7.3** billion  
investment to transform  
the business

**4** million  
m<sup>2</sup> leasable area

**480** million  
visitors a year

**7,000**  
shops and 1,600 brands



## From shopping centres to hyper-connected microcities

Vasco Santos, Sales and Leasing Manager at Ingka Centres, talks about our work in FY19 to create a new kind of meeting places that engages people and brings local communities together.

### We've continued to map the customer journey in order to develop new and more personalised experiences.

The one-size-fits-all format doesn't work for us at Ingka Centres. When we adjust our offer to people's wishes, performance grows and satisfaction soars.

### We're revisiting the floor plans to make our meeting places more relevant.

In some cases, we've reorganised to make more room for social activities or a better food experience. In Avion Shopping Park, Bratislava, Slovakia, we transformed a previous hypermarket area into a nice and comfortable food area. This became the heart of the meeting place, where people come to eat and socialise.

**We welcomed new brands that our customers want.** In FY19, more than 200 international brands joined us for the first time. And another 600 brands, that were already our partners, opened new stores or refurbished existing ones within our meeting places.

### We have been searching and testing new ways to simplify the customer journey.

In LUZ Shopping, Jerez, Spain, we opened the LEGO Fan Factory, a playground that's just as fun for kids as it is a safe and convenient place for parents to leave their children while visiting the stores.

*Each Ingka Centres meeting place is unique, developed to meet the specific needs of the local community.*

**We want to explore personalisation even further.** Experience, leisure, entertainment and community are what's shaping the evolution of the offer of our meeting places, turning them into hyper-connected microcities, connecting consumers, retailers and communities through different activities and experiences.



## Integrating the meeting place with the IKEA store

In FY19, Ingka Centres launched a new integration project to allow visitors to experience the IKEA range in new ways – and move more seamlessly between the IKEA store and the rest of the meeting place.

**O**ur first pilot was the MEGA meeting place in Ekaterinburg, Russia. The driving idea was to increase spontaneous visits from the meeting place to the IKEA store and vice versa and to inspire visitors with IKEA home furnishing already at the entrance of the store. By including IKEA in the shop-browsing route for all visitors and opening up new entry points to the store, we created better access to both the IKEA store and the IKEA restaurant, with simplified check-out points at the entrance and in the seasonal shop.

"To amplify commercial benefits and bring out synergies, we've been working hard to find new ways to inspire people with the IKEA range and to encourage and enable cross-visitation between the meeting place and the store," Enzhia Vafina, IKEA Retail Integration Mission Leader, Ingka Centres. We also opened a common wardrobe and info desk, allowing customers to leave their bags and collect them later. Reactions from customers and visitors have been very positive, and an index growth of planned visits to MEGA and IKEA have increased from 18% to 40%.

### A seamless shopping experience

In May 2019, four of our meeting places supported the IKEA launch of TÄNKVÄRD limited edition collection with "Look and feel" festivals that attracted more than 9,000 people. The format included fashion shows where people were invited to model on the runway, as well as talks, lectures and workshops arranged together with IKEA. In August and September, we created awareness around the SYMFONISK collection of lamps and bookshelves with built-in speakers created in collaboration with Sonos. Thanks to inspiring pop-up areas in seven meeting places, 137,000 visitors could experience the sound of SYMFONISK.

*Thanks to these integration projects, we've seen lots more visitors entering the IKEA stores and getting inspired by our home furnishing expertise.*

"At the same time, we had the chance to identify different components we're now developing even further to test in FY20. We still have some work ahead, but we're getting better and better at creating a whole new, exciting way to experience IKEA in our meeting places," Enzhia finishes.



## FY19 highlights

► **Sign language translator** – To support our hearing-impaired visitors and create a great shopping experience for everyone, our Aleja Bielany meeting place in Wrocław, Poland, now offers an instant video call service with a sign language translator.

► **Taking care of surplus food** – Re-Food is a project that enables people to have a positive impact on their community and environment by reducing food waste, while helping others at the same time. At MAR Shopping Matosinhos in Portugal, a group of volunteers regularly collect surplus food from the meeting place's restaurants, supermarkets and cafés. The food is then classified, sorted and distributed to local families in need.

► **Digital Mall in China** – Launched a year ago in LIVAT Wuxi, the Digital Mall is a loyalty programme based on WeChat, China's largest social media platform. By using the app, registered LIVAT Family members can collect points on their spending, redeem gift coupons, enjoy special offers, navigate the meeting place and much more. New features in FY19 include smart parking, real-time navigation and shopping festivals for members. The project has shown great results and is about to be rolled out globally.

► **A unique food experience in Bratislava** – In the Avion Shopping Park in Bratislava, Slovakia, we made room for a new food area with 650 seats in eight different zones, a relax area, an exterior terrace, 14 operators, three kiosks, two cafés and two entertainment units for kids. But what makes it really unique is the design, architecture and cosy atmosphere.

► **Wola Fun Park** – Together with our partner SportZone, we created a fantastic space for teenagers in our Wola Park meeting place in Poland. A combination of store and sports facility, Wola Fun Park is an innovative concept offering teenagers affordable products, while bringing people together around sports, like skateboarding, at the same time.

## A meeting place to call home

With a total investment of almost EUR 510 million, Ingka Centres will soon open our fourth meeting place in China, this time with an innovative concept that integrates the meeting place with 30,000 m<sup>2</sup> of IKEA-inspired homes.

**W**hat if we could take our meeting place concept a step further and transform our centres into places where you can feel truly at home – or even actually live in real homes? That's the idea behind the development of our new centre in Changsha, southern China. Set to open in 2020 under our LIVAT brand, the meeting place will include an IKEA store, 350 tenant units, 3,500 car park spaces and something absolutely unique for an Ingka Centre: 30,000 m<sup>2</sup> of IKEA-inspired apartments. The project aims to cover all aspects of life and work, turning LIVAT Changsha into a vital hub for the community.

The interior design for the apartments and commercial units will be created in collaboration with IKEA Retail China, with a focus on functionality and small space living. In a market study conducted before construction, locals named "relaxed" and "enjoyable" as the two most important feelings they wanted the new meeting place to convey – something that will also be taken into account.

### Mixing spaces, services and opportunities

With its innovative concept and strategic location, the Changsha mixed-use project offers quality living and work spaces for local people wanting to move closer to

cities as well as unique opportunities for international and local partners seeking a spot in the fast-growing Chinese market. As Jan Kristensson, Expansion and Development Manager, Ingka Centres, explains: "LIVAT Changsha will feature social spaces, gyms, reading areas and FIKA Swedish-style coffee spaces. The development marks a new step for us, moving away from a traditional approach, as we follow our customers to create communities that engage them based on their changing requirements."

*The meeting place will include an IKEA store, 350 stores, 3,500 car park spaces and 30,000 m<sup>2</sup> of IKEA-inspired apartments.*

### Sustainability in focus

The Changsha project has achieved our first LEED Silver precertification<sup>1</sup>, in China. Some of the sustainability initiatives include: electricity savings through insulation and solar modules; water savings through a rainwater recycling system; and the installation of charging stations for electric vehicles to support more sustainable transportation.



<sup>1</sup> LEED certification provides independent verification of a building or neighbourhood's sustainable features, allowing for the design, construction, operations and maintenance of resource-efficient, high performing, healthy, cost-effective buildings.



# Our people

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# Creating a people movement

At the heart of our business are the 166,200 people in our organisation. Nothing would be possible without the committed and talented co-workers across IKEA Retail, Ingka Centres and Ingka Investments.

**W**e want our customers to meet engaged, competent and service-minded co-workers who understand life at home, help make their dreams a reality and solve their needs and problems.

We are purpose-led and want to attract people who share our vision and values. We aim to provide a workplace where people can be themselves, and where everyone has the conditions and competence to perform successfully and to grow as professionals and individuals.

With our people strategy, we'll take our business into a new era by developing new capabilities, mindsets and ways of working, while staying grounded in our culture and values. Our strategy has three central pillars:

» **People choose Ingka for what we stand for.** We are a values-driven company, committed to attracting, recruiting and retaining talent and to driving equality across the organisation and, together with our partners, in society at large.

» **Engaged Ingka people with customers at heart.** We provide a great co-worker experience by

creating a meaningful workplace that enables our people to grow and develop, empowering them to create the best customer experience possible.

» **A modern, lean and agile Ingka fit for growth.** To build for performance, we challenge ourselves to be more innovative. We organise with simplicity and clarity to ensure faster decision-making, and we invest in technology to add value to both business and people.

**The world is changing fast**, and the retail sector is being disrupted by new business models and ever-changing consumer behaviours. This creates risks and opportunities for our business and our approach to people management, including: growing competition for talent; changing competence requirements; and the impact of automation and digitalisation on the retail sector. Our people strategy helps us to find solutions to these challenges and to benefit from new opportunities by enabling us to attract and retain the right people, develop the right competences and maintain co-worker engagement and resilience to change.

**166,200**  
co-workers

**50/50<sup>↑</sup>**  
Gender-balance in  
management positions

**81%**  
of co-workers believe  
Ingka Group is a great  
place to work



## Recruitment and competence development

The way we recruit and develop our co-workers is important to achieving our business and people goals. We aim to recruit based on our values and to continuously innovate in how we attract talent.

**W**e are increasing our focus on competence development, so we can grow more of our talent from within, providing opportunities for co-workers to develop their skills and capabilities while achieving our business objectives.

### Recruiting with our values

During FY19, we recruited 32,571 new co-workers. We select co-workers who share our values, since this helps to strengthen and sustain our culture and uniqueness as we transform our business. We've developed a digital toolbox of resources to support our recruiters in values-based recruitment. This includes asking potential co-workers about their strengths and motivations, so we can identify those who share our values and are best suited to thrive in our culture – rather than having a narrow focus on qualifications and experience. Once on the job, every co-worker is recognised for how they live our values as part of our job chats and through feedback.

*"We've taken a proactive approach to competence development so that we can deliver and upskilling our co-workers, so they're ready to take on the jobs of the future."*

**Pernille Hagild**, Leadership & Competence Development Manager, Ingka Group

**We're focusing on increasing** the number of co-workers with digital skills. To support this, we've launched a global social media recruitment campaign to raise our profile with people who may not have previously considered Ingka Group as a potential employer. This campaign emphasises our focus on culture and purpose in order to differentiate our business and attract applicants who share our vision to side with the many people. ▶▶▶

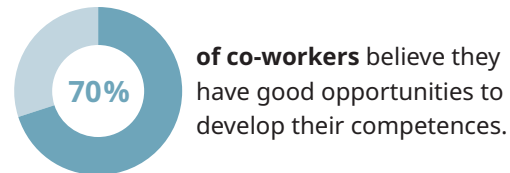
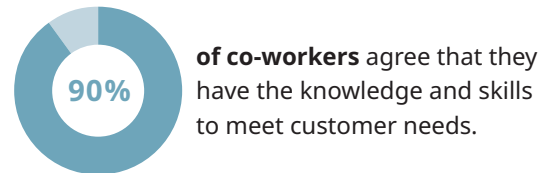
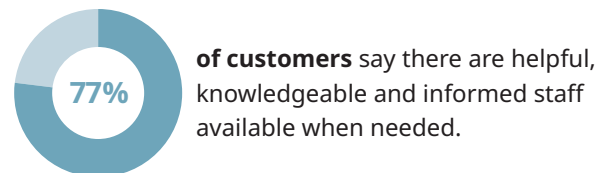
**Building skills and capabilities**

To transform our business, we're adopting a more proactive approach to competence development. This means ensuring co-workers across Ingka Group have the right skills and abilities combined with the knowledge, motivation and capability to meet changing customer needs and to encourage more sustainable living.

During FY19, we started the work of identifying the core competences we need to deliver on our business goals today and in the future. Based on this, we're developing our learning offer and strengthening our succession planning and recruitment processes to ensure we have people with the right competences.

By strengthening our approach to competence development, we'll improve the co-worker experience too, providing more opportunities for people to grow and develop their skills and know-how with us.

We're particularly focused on building our capabilities of digital literacy and in areas such as digitalisation and services, through programmes like our Coding Bootcamp, see page 51.



Source: IKEA Customer Satisfaction Survey; I Share co-worker survey, FY19

## Front days – keeping us connected

We define success by our ability to create a better everyday life for the many people. We need everyone at Ingka Group to lead by example in keeping our customers at heart.

**That's why we value and offer "Front Days"** – a programme that lets our office-based co-workers experience working with colleagues in IKEA stores, Customer Support Centres and Distribution Centres. It's recommended that new co-workers start off their time at Ingka Group with a week in one of these units and then two days every year thereafter. We encourage all office-based co-workers to participate, including our CEO and senior leaders, around 16,000 people in total.

Front Days provide all of us with insights into our customers' dreams, needs and frustrations and with first-hand experience of our business operations. We all benefit from the opportunity to spend time with each other and to learn from each other's perspectives and feedback.

*"When I had the opportunity to work in the Textiles, Logistics and Recovery departments, I gained a lot of new insights. I was so impressed with the unity and togetherness among co-workers and their commitment to serving our customers."*

Sylvia Przytulska, Learning Development Leader, Ingka Group



## Think beyond. Dare to try. Keep on growing.

When we take a bit of time out of our normal routine to learn, reflect on our goals and share ideas, it can benefit us both personally and professionally.

► **That's the idea behind Talent Focus Week**, our annual Group-wide event open to all co-workers. Our FY19 event, in which 80,000 colleagues took part, encouraged everyone at Ingka Group to think beyond the norm and to try something new.

At IKEA Retail South Korea, Talent Focus Week brought together 1,138 co-workers through 38 professional development workshops, quizzes, events and talks. Sessions included "10 ideas in 15 minutes," where co-workers shared work goals and challenges with colleagues from different teams and functions, generating new ideas and approaches. Other sessions explored topics such as developing a growth mindset, managing change at work and challenging yourself to try new things.

**Co-workers shared their knowledge** and experiences with each other as presenters, facilitators and workshop participants. Feedback showed that these personal reflections were particularly inspiring for colleagues.

"We're so focused on our daily to-do list that it's hard to find the time to reflect and think about where we're headed. Talent Focus Week motivates us all to learn new things, appreciate what we've achieved and plan how to move forward," says Minha Lee, Talent Sourcing & Employee Value Proposition Leader, IKEA Retail South Korea.



Gracy Kantzabedian, Coding Bootcamp graduate

## Reskilling for a digital future

Every day, we each run millions of lines of code as we use our computers, phones and tablets. But how many of us can actually write our own code? At our 10-week Coding Bootcamp, Ingka Group colleagues from around the world are learning to do just that.

**Gracy Kantzabedian is a Coding Bootcamp graduate**, one of 21 co-workers of nine nationalities to complete the course during FY19. Previously a customer service leader in our IKEA Burbank store in the USA, Gracy was attracted to work at IKEA by our values. "It's not so often you find a brand with strong values that actually sticks to them – it's what brought me to join and what motivates me to stay," she explains.

Gracy had long been interested in technology. She built her own computer at the age of 12 and had taught herself the basics of coding. After joining IKEA Retail US, she soon had the chance to develop these skills. "When a colleague suggested I apply for a programme to train as a digital architect, I jumped at the chance," says Gracy. "And a year later, I applied to join the Ingka Group Coding Bootcamp to further build up my digital skills."

**Coding Bootcamp is an intensive**, full-time 10-week course. Participants attend lectures but spend most of the time on practical

exercises and tasks, learning to apply their knowledge and culminating in building their own apps. For the FY19 graduates, the final projects included: a furniture exchange app; an app that calculates whether the contents of your shopping cart will fit in your car; and a digital buddy for furniture assembly.

*"It was a tough 10 weeks but an amazing experience. I gained so much knowledge and learned how to apply it. I now have a new role as a software engineer based in Sweden."*

**Coding Bootcamps** is just one of the ways we're building our digital capabilities; reskilling our co-workers to develop the apps, websites and digital functionality we need to transform our business and help our customers shop in the way that suits them best.



# Going all in on equality

At Ingka Group, we embrace diversity and want to create a workplace where everyone has equal opportunities, feels included and thrives.

**O**ur commitment to equality, diversity and inclusion is the right thing to do and is also essential to the success of our business. It enables us to expand our talent pool, to serve a diverse customer base and to contribute to positive change in society. Our co-workers value our commitment too – in fact, feedback from co-workers shows it's one of the top reasons people choose to work at Ingka Group.

In every country, we have an Equality, Diversity & Inclusion (ED&I) Leader who co-creates plans and initiatives together with the global ED&I team. Their responsibility is to ensure that these initiatives have local relevance, are implemented and followed through and ultimately reach all co-workers.

Our processes in areas such as recruitment, succession planning and rewards support a diverse and inclusive work environment. New training programmes help our recruiters spot and address unconscious bias, so we can be confident that we're selecting diverse candidates who are the most qualified for the job.

Our inclusion index monitors co-worker views on whether we're succeeding in creating an inclusive workplace. It's based on questions from our co-worker survey, I Share, and the score for FY19 was 80%. Our goal is 85%.

- » **78% of co-workers** feel included at Ingka Group.
- » **82% of co-workers** feel they can be themselves at Ingka Group.

**Equality is a fundamental human right**, and we know that gender balanced teams are more productive and effective. We achieved our previous goal of gender balance across all leadership positions ahead of schedule. However, there is further work to be done to achieve gender balance for each location (unit, store and

country level), function and for group- and country-level boards and committees, including our most senior leadership roles. We're analysing each of these units individually with a stretching commitment to achieve gender balance by 2022. We will be particularly focused on functions that traditionally tend to be more male or female dominated.

We're joining up with others to promote equality. This includes signing the Women's Empowerment Principles, see page 53, and joining Business for Inclusive Growth, a business coalition launched at the G7 summit aiming to tackle inequality and promote diversity in workplaces and supply chains. We're also working with the World Economic Forum's Global Future Council on the New Equality and Inclusion Agenda, which aims to set a new global agenda for equality and inclusion.

Each of our countries in the European Union has signed their country's national Diversity Charter, committing to promote equal opportunities in the workplace and in society.

Gender balance – % of women	FY18	FY19
Supervisory Board	37.5%	37.5%
Group Management	30.0%	30.0%
All leaders (management positions)	49.4%	49.7%
All co-workers	55.2%	54.6%

Note to chart: We define gender balance as equal representation. In practice, this can vary year on year, and we consider a range of 45–55% to be gender balanced. For boards/committees with a small number of members, the range may be 40–60%.

***Our goal: achieve gender balance in the leadership of all functions, locations, boards and committees by 2022***

### Towards gender-equal pay

We're one of a small number of global companies to have been accepted as a member of The Equal Pay International Coalition (EPIC), alongside national governments, trade unions, multilateral and non-governmental organisations. EPIC is an initiative led by the International Labour Organization (ILO), UN Women and the Organisation for Economic Co-operation and Development, which aims to make equal pay a reality across all countries and sectors by 2030.

Our membership is one way we demonstrate our commitment to equal pay to current and potential co-workers and help to raise the profile of this issue.

### It's only fair that everyone receives equal pay

for work of equal value regardless of gender. To secure this, during a 2018 EPIC event, we pledged to roll out a framework for gender-equal pay in all Ingka Group countries by 1 January 2019. We also pledged to identify and perform concrete actions within 18 months. We're on track with our commitments. In FY19, we rolled out our common approach and conducted our first assessment, analysing data for over 150,000 co-workers. In the majority of the countries in which we operate, we have pay for identical groups (same pay band, same job title) on the weighted average within a margin of +/-3%. Besides quantifying the pay gaps, we focus on analysing the reasons for the gaps and performing concrete actions where necessary.

Our goal is to achieve gender-equal pay for work of equal value by the end of 2021. However, securing gender-equal pay is not a one-time fix. We'll continue to apply our holistic and cyclical approach beyond 2021.

**Achieving gender-equal pay** entails the following:

- » **Each identical group** (same pay band, same job title) with a difference in pay will be investigated and have clear explanations for the differences.
- » **Each gap found** in the identical group that cannot be explained by performance, competence or legal requirements will have a concrete action plan to address the gap.

## A rainbow bag for LGBT+ inclusion

We value our co-workers and customers, whatever their sexual orientation or gender identity. We want to speak up for LGBT+ rights and stand against discrimination.

► **That's why every 17 May, we celebrate IDAHOT**, the International Day Against Homophobia, Transphobia and Biphobia, through events in our stores and offices.

This year, at the suggestion of one of our co-workers, we made our support even more visible with the launch of the rainbow-coloured KVANTING carrier bags. These limited-edition versions of the IKEA blue bag were sold in 21 countries with some of the profits given to LGBT+ organisations, including the Human Rights Campaign Foundation.

We co-created and endorsed the UN Standards of Conduct for Business on tackling discrimination against LGBT+ people. These outline how companies should respect, support and promote

the rights of LGBT+ co-workers, customers, communities and other stakeholders.

See [www.unfe.org](http://www.unfe.org)



## Women's Empowerment Principles

When it comes to equality, we aim high. We want to be transparent about our progress and to encourage other businesses to act.

► **That's why we've signed the Women's Empowerment Principles** developed by UN Women and the UN Global Compact (UNGC). The Principles commit us to:

- » **Establish** high-level corporate leadership for gender equality.
- » **Treat** all women and men fairly at work – respect and support human rights and non-discrimination.
- » **Ensure** the health, safety and well-being of all women and men workers.
- » **Promote** education, training and professional development for women.
- » **Implement** enterprise development, supply chain and marketing practices that empower women.
- » **Promote** equality through community initiatives and advocacy.
- » **Measure** and publicly report on progress to achieve gender equality.

*"Signing the Women's Empowerment Principles helps us to keep equality top of mind, to hold ourselves accountable and to be transparent about our progress or challenges. Even when we're doing a good job today, we must not lose focus or we could go backwards. Having the Principles as our guide helps us to continue improve."*

Sari Brody, Global Equality, Diversity & Inclusion Manager, Ingka Group

# Creating a great co-worker experience

We want to create a great working experience for everyone at Ingka Group – rewarding their efforts, treating them fairly and responding to their feedback.

**T**his helps us to attract and retain the talent we need and provides the right conditions for our co-workers to do a great job for customers. When our people feel engaged and empowered, they thrive – and so does our business. We're proud that 81% of co-workers believe Ingka Group is a great place to work. This is well above the 72.4% average score for the benchmark group of companies and makes progress towards our goal of 85% by FY21. Our co-worker turnover rate was 25.3% in FY19, which includes both voluntary and involuntary turnover.

## Listening to our co-workers

We want to know how our co-workers feel about their jobs, their teams and Ingka Group as an employer. Regular surveys supplement direct conversations and help us to identify areas for improvement. In FY19 we launched our new co-worker survey "I Share," to make it easier for co-workers to share feedback and enable our managers to respond more quickly. Co-workers can now share their views at least once a year via a 10-minute survey.

*When our people feel engaged and empowered, they thrive – and so does our business. We're proud that 81% of co-workers believe Ingka Group is a great place to work.*

**Around 73,000 co-workers completed the survey** during FY19. The results show that we perform strongly in areas such as Engagement and Leadership and that 80% of co-workers feel inspired by the IKEA vision. Our co-workers are also proud of their collaboration with colleagues.

Survey responses are also helping us to understand and respond to co-worker views on our transformation.

## Rewarding performance and competence

Our compelling and competitive rewards, opportunities for professional and individual growth, inclusive working environment and strong culture, all help us attract, motivate and retain a talented workforce. We want to make sure that our total offer adequately rewards performance and competence, so co-workers know that their efforts are recognised and that results matter. During FY20, we'll be exploring how to better communicate our total rewards offer to co-workers across Ingka Group.

Our variable pay programmes benefit all our co-workers worldwide, recognising their commitment and contribution to the business. Our annual One IKEA Bonus programme rewards co-workers for achieving our business goals – more than 120,000 co-workers received a bonus for FY19. The loyalty programme, "Tack!" ("thank you" in Swedish), has shared EUR 612 million since FY14. It now operates on a three-year cycle.

## IKEA employment standards (IES)

IKEA is a diverse and values-driven brand with a vision to create a better everyday life for the many people. This means that we care as much about our co-workers, customers and suppliers as we do about the development of our business.

The IES provide the framework for the relationship between Ingka Group and our co-workers. They outline our way of working and include principles that inspire and support us in engaging with our many co-workers.

The standards set the minimum requirements we apply to the employment relationship for all co-workers, regarding contracts, scheduling, working hours, equality of treatment and open communication. The IES continue to form part of the base of our employment offer with our co-workers, and we'll learn and update as necessary with changing shifts in both our workforce and business.

## Building strong social relations

Our co-workers are our most valuable asset, and we're committed to providing a great place to work for all of them, which we achieve through a spirit of collaboration.

Social Relations within Ingka Group is defined as our values-based collective collaboration and dialogue between our leaders, co-workers, co-worker representatives and all other internal and external stakeholders.

Ingka Group is committed to respect and realise the principle of freedom of association, and we recognise the right to collective bargaining, in compliance with local legislation.



## Supporting co-workers through change

We're transforming our business to create a modern, lean and agile Ingka Group that's fit for growth.

► **This means changing how we lead and work**, building new capabilities and reorganising many parts of our business. Throughout our transformation, we'll stay close to our co-workers, offering the right support and listening to their feedback.

**Through our transformation**, many new jobs have been created, while other jobs have been changed, moved or made redundant, mainly in our global functions and offices in 30 countries. To support our co-workers, we're providing training, support and guidance in the process. We want all co-workers to understand why we're making these changes and to feel they've been listened to and treated with respect.

*To support our co-workers, we're providing training, support and guidance in the process.*

**Where redundancies are necessary**, our approach includes providing one-to-one meetings with line managers, offering coaching and support to find a new role and ensuring that affected co-workers have the opportunity to be interviewed for a new role at Ingka Group. They can also choose to join our talent pool to be kept informed of new vacancies after they've left the company.



## Improving health, well-being and occupational safety

We want to provide a safe and healthy work environment for everyone at Ingka Group. We're strengthening our processes for safety management and plan to launch a health and well-being framework for our co-workers in FY20.

**W**e want to help our co-workers to improve their health, to boost their performance and well-being, to feel connected with their colleagues and to enable them to manage a healthy work-life balance.

Currently each Ingka Group country offers many local health and well-being programmes, as well as training and initiatives to encourage healthy living. To ensure we're providing a consistent co-worker experience and meeting co-worker needs in every location, we'll launch our global Health and Well-being Framework in FY20.

The Framework takes a holistic approach, encompassing mental and physical health and other areas that contribute to wellbeing. We've appointed a Health and Wellbeing Leader in every country to help us identify and address local priorities.

By increasing our focus in this area, we aim not only to improve co-worker health and well-being but also to support engagement and job satisfaction. It will help us to manage the impact of trends such as technological advances and an ageing workforce. We'll track progress using our engagement survey.

## Managing safety risks

Risk areas for co-worker safety at Ingka Group include logistics and food areas, often when co-workers are handling material or using hand tools.

We updated our Group Safety and Security Rule in FY19 to provide new guidance on how each location should evaluate and mitigate safety risks and prevent accidents. We're supporting Inter IKEA Group in developing a new web based learning solution that's available for all co-workers.

We're also continuously improving our incident reporting system to make it easier to input, use and share our data both at Ingka Group and country level. While health and safety issues are managed locally, these changes will improve consistency between different parts of the business.

**Our accident frequency rate** (severe accidents per million worked hours) was 11.6 in FY19. We're not able to compare performance with previous years due to the changes we made to our data reporting system this year.



# People and planet positive

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# Becoming people and planet positive

Our overall ambition is to become people and planet positive and to inspire and enable the many people to live a better life within the limits of the planet by 2030.

**Our People and planet positive strategy** has three focus areas:

**1 Healthy & sustainable living.** Inspire and enable 1 billion people to live a better life within the limits of the planet.

**2 Circular & climate positive.** Strive for zero waste, contribute to the IKEA ambition to be circular and climate positive by 2030, and advocate for positive change in society.

**3 Fair & inclusive.** Improve the well-being of millions of people by becoming a truly inclusive and people-centred company and employer.

**We're moving towards** becoming people and planet positive, and we've taken important steps in FY19. But there is still much more to do and much more to learn. Tackling global challenges means we need partners across the world. We aim to be open and transparent with our stakeholders, and we listen and act, together through forums like ONE HOME, ONE PLANET, see page 60.

## About our strategy and priorities

The Ingka Group Sustainability Strategy sets a common, bold sustainability ambition for the Ingka Group (IKEA Retail, Ingka Centres

and Ingka Investments) and empowers people across the group to lead and contribute. It's fully aligned with the IKEA Sustainability Strategy made available by Inter IKEA Group in 2018.

The focus areas and goals set in the IKEA Retail section of our strategy contribute to the sustainability ambitions set by Inter IKEA Group.

*We want to play our part in creating a movement in society – one that encourages everyone to live within the limits of our planet, and one which is truly inclusive.*

**Our strategy is inspired** by the IKEA vision to create a better everyday life for the many people. It's our response to global trends and changes in society, including the challenges highlighted by the UN Sustainable Development Goals. We listen to stakeholders and our partners to decide what matters most and where we should focus our efforts, see page 91.

**Information about governance** of sustainability at Ingka Group is included on page 90.

## SUSTAINABLE DEVELOPMENT GOALS

### UN Sustainable Development Goals

Many of the global sustainability challenges that we're responding to in our strategy are described in the United Nations Sustainable Development Goals (SDGs).

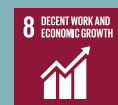
► **Launched in 2015**, the SDGs provide an inspiring framework for collective action. They guide us as we develop our business, set ambitions and engage with our partners. All of the goals are connected, and we use them to help guide our strategy and work. At Ingka Group, we support all of the goals, but our strategies contribute to six of them in particular:



**Gender equality**  
see page 52



**Affordable and clean energy**  
see pages 32 and 75



**Decent work and economic growth**  
see pages 48 and 84



**Reduce inequalities**  
see page 82



**Responsible consumption and production**  
see pages 62 and 81



**Climate action**  
see page 70

See how we contribute to the 17 SDGs on page 112.

A MESSAGE FROM PIA HEIDENMARK COOK

## A turning-point year

2019 will be remembered as the year when the world finally woke up to the urgency of climate change and biodiversity loss. New research shows just how quickly we need to act, and many more of us started to feel the impacts of climate change firsthand. And children held older generations to account through school strikes and demonstrations across the globe.

**W**e invested in our first wind farm a decade ago, and this year we'll reach a new milestone as we'll generate more renewable energy than the energy we consume in our own operations. Decades of making bold commitments and working with sustainable innovation has taught us that caring for people and the planet is core to our future success. It makes us a company that our co-workers are proud to work for and creates opportunities for growth and cost efficiency. This conviction that sustainable business is the only way to do business means we are eager to accelerate progress and go even faster and further than before.

*"We need everyone – from the shop floor to senior leadership – to take responsibility for creating a more sustainable business."*

### Leading a sustainable transformation

As we transform our business to come closer to customers and their needs and dreams, we know the greatest opportunities will come when we're more sustainable, more affordable and more accessible – all at the same time. We can achieve our goals if we make sustainability as much a part of our culture and the way we work as our commitment to offer well-designed, affordable products, solutions and services for a better life at home. We need everyone – from the shop floor to senior leadership – to take responsibility for creating a more sustainable business.

With this in mind, we made an important change to how we manage sustainability this year – making our Country Retail Managers also Chief Sustainability Officers for their countries. This means they are accountable for delivering our sustainability goals at the national level and for putting sustainability at the heart of the new business we're transforming Ingka Group into. They are, of course, supported by a national, as well as global, team of sustainability business partners.

### Meeting customer needs for affordable sustainable living

We also made good progress at integrating sustainability into our customer offer and the way we communicate the sustainability stories behind our products in a clear and compelling way. As the largest retailer in the IKEA franchise system, reaching hundreds of millions of customers and visitors every year, I'm very excited and motivated by the opportunity to contribute towards a movement in sustainable living. Few other businesses are as well placed as IKEA – thanks to our brand, offer and reach – to contribute to making sustainable and healthy living attractive, easy and affordable for the many people. This is a big priority for us, and we aim for all our

customers to see IKEA as the brand that can support them in making a positive change. We know this is important to our co-workers, customers and the communities that host us.

### Taking a stand on the issues that matter

In what can feel like an increasingly polarised world, we believe we have a responsibility to demonstrate our vision, values and commitment to inclusive growth. How we treat and care for each other is more important today than ever before, and we know that customers and co-workers increasingly look to companies like ours to drive progressive change in society. I'm so proud to see our IKEA Retail countries running local initiatives and campaigns raising issues such as LGBT+ rights, gender equality and children's rights – they are contributing to important debates and helping to create a more fair and equal world.

Going into FY20, we keep pushing forward on many fronts with a lot more to learn and achieve. I'm confident that by working together with our co-workers, our customers and communities we can achieve the IKEA vision – to create a better everyday life for the many people – because home isn't just where we live, it is the planet we all share.

**Pia Heidenmark Cook**  
Chief Sustainability Officer, Ingka Group



# ACT ~~SOON~~ ~~LATER~~ ~~TOMORROW~~ NOW

## ONE HOME, ONE PLANET

The time to act is now. To achieve the IKEA ambition to become people and planet positive, we need to speed up, challenge ourselves and seek out new ideas and inspiration.

**T**hat's why we convened **ONE HOME, ONE PLANET** – a global two-day event attended by 200 thought leaders from inside and outside our business. In April 2019, participants gathered at one of our leading sustainable stores, IKEA Kaarst in Germany, to explore ideas and actions for a sustainable retail sector.

We asked leaders from businesses, start-ups, policy organisations, academia and NGOs to give their take on how we can meet the challenges and opportunities we're faced with, from unsustainable consumption, to climate change and inequality.

Everyone was able to directly contribute to our sustainability plans and share ideas and actions through co-creation working sessions. Together we explored three key questions:

- » **How do we** make sustainable and healthy living a desirable choice that's affordable, attractive and accessible for as many people as possible?
- » **How do we** become circular and climate positive?
- » **How do we** move from inequality to being truly fair and equal?

**During the two days**, we discussed how we can take action to create a movement to increase the scale and speed of the transition to sustainable living and how we can work with partners to better understand the impact of sustainable living.

Attendees challenged us to develop more circular solutions and ways of working in order to connect communities and enable people to live more sustainably, reduce waste and reuse resources. We explored how we can go further to develop our commitments to support refugee inclusion and social entrepreneurs.

We also showcased some exciting projects and partnerships, such as those on renewable energy, behaviour change and circular urban farming.

**ONE HOME, ONE PLANET** is an important milestone in accelerating our people and planet positive activities. We'll bring leaders together again to continue the work at IKEA Greenwich in London in FY20.



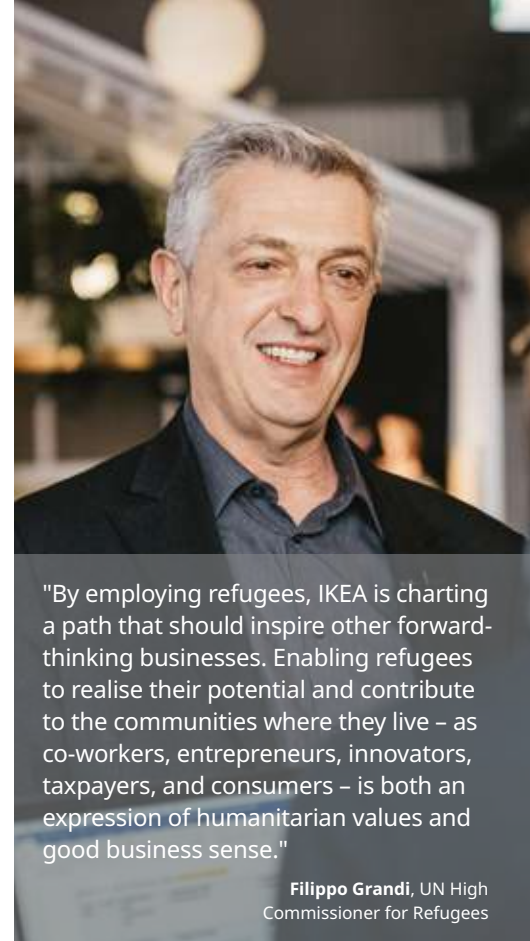
"People come to an IKEA store to be inspired. That's an incredible opportunity and responsibility that IKEA has to influence the way people think and to inspire optimism. IKEA has to be the example of efficient use of resources and efficiency. The past reputation of IKEA was quite the opposite – it used to be buy, use, dispose – and that is a reputation that IKEA must completely transform. It should become the global icon for circularity."

**Christiana Figueres**, Founding Partner, Global Optimism. Former Executive Secretary of United Nations Framework Convention on Climate Change, 2010-2016



"What will make the difference is leadership and action. We start with ourselves and take a big responsibility to lead and inspire others with bold actions and learnings, so that we do even better tomorrow."

**Jesper Brodin**, CEO, Ingka Group



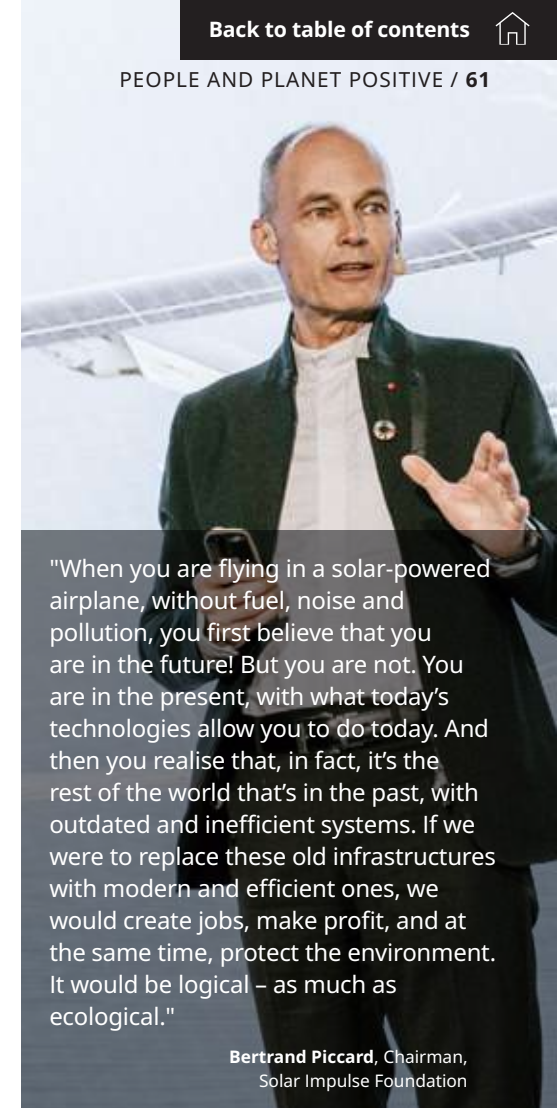
"By employing refugees, IKEA is charting a path that should inspire other forward-thinking businesses. Enabling refugees to realise their potential and contribute to the communities where they live – as co-workers, entrepreneurs, innovators, taxpayers, and consumers – is both an expression of humanitarian values and good business sense."

**Filippo Grandi**, UN High Commissioner for Refugees



"Bringing together experts with deep knowledge and understanding of the issues facing people experiencing poverty and inequality enabled us to develop our approach to working with refugees and social entrepreneurs. This kind of co-creation session has been invaluable in ensuring our initiatives create a bigger impact, developing all participants' knowledge and sharing of good practice."

**Mercedes Gutierrez**, Global Communities Engagement Leader, Ingka Group



"When you are flying in a solar-powered airplane, without fuel, noise and pollution, you first believe that you are in the future! But you are not. You are in the present, with what today's technologies allow you to do today. And then you realise that, in fact, it's the rest of the world that's in the past, with outdated and inefficient systems. If we were to replace these old infrastructures with modern and efficient ones, we would create jobs, make profit, and at the same time, protect the environment. It would be logical – as much as ecological."

**Bertrand Piccard**, Chairman, Solar Impulse Foundation



"We live in the best time we have ever lived in. We have horrible problems to fix but to do that, we need to know where we are today. We have to change the way we look at the facts and the world around us; we need to be humble and curious and find fact-based solutions."

**Anna Rosling Rönnlund**, Vice President and Founder Gapminder, founder Dollar Street, co-writer of the book *Factfulness*.

You can read more about responsible sourcing, home furnishing suppliers, product design, product safety and other related topics on [about.ikea.com](https://www.ikea.com/about).

# Healthy and sustainable living

**W**e will make healthy and sustainable living a desirable choice that's affordable, attractive and accessible. Today the world's natural resources are being used at an unsustainable rate, and this increasingly impacts people, communities and ecosystems. It also affects the long-term future of the IKEA business, giving us even more reason to play our part in addressing this challenge.

We know that most people want to live more sustainably but not at the expense of price, quality or convenience. They would like us to make it easier for them, and we have a great opportunity to do so, with our scale and influence, the IKEA range of products, our knowledge of life at home and our hundreds of millions of customer interactions. With 839 million store visits and 2.6 billion web visits each year, we reach a huge audience.

**We believe that living more** sustainably makes life better and should not be a luxury for the few. That's why sustainability is one of the IKEA Democratic Design principles alongside form, function, quality and a low price. Helping all our customers enjoy a sustainable and healthy life at home will be good for our business, good for the planet and good for the many people.

In FY19, we:

- » **Updated our approach** to in-store and online communication and information to highlight the

sustainability aspects and benefits of IKEA products.

- » **Engaged almost 60,000 customers** around the world to adopt more sustainable everyday habits through our IKEA Better Living app.
- » **Launched 10 new** plant-based recipes that are good for our customers' health and reduce greenhouse gas emissions, compared with meat alternatives.
- » **Tested urban farming** at two stores to produce salad greens and herbs for our IKEA restaurants that are fresher and have a lower carbon footprint, compared with conventional production.
- » **Launched our Learning Lab** at IKEA Greenwich to inspire customers about sustainable living.

**The products we sell** are supplied by Inter IKEA Group. From responsibly sourced certified tea and coffee in our Swedish Food Markets and IKEA Restaurants to products that help customers recycle waste and become more energy efficient, there are lots of inspiring sustainability stories behind the IKEA range. You can read more about responsible sourcing, home furnishing suppliers, product design, product safety and other related topics on [about.ikea.com](https://www.ikea.com/about).

Together with Inter IKEA Group, we're developing a measurement framework to enable us to track and report progress against our 2030 ambition.

## Our ambition and focus areas

Our ambition for 2030 is to inspire and enable 1 billion people to live a better life within the limits of the planet. We will focus on the following commitments:

- » **Creating a movement in society** around better living.
- » **Promoting circular** and collaborative consumption.
- » **Enabling and inspiring people** to live healthier, more sustainable lives.



## A better world starts at home

It's possible for all of us to take simple and affordable steps at home that make a difference – to the planet and to our own well-being.

**T**he IKEA home furnishing range, developed and supplied by Inter IKEA Group, is designed according to the five dimensions of Democratic Design: form, function, quality, sustainability and a low price. This means building sustainability into how the products are made – such as the choice of materials – and in some cases how they're used – such as functions that enable people to save water or energy.

As the largest IKEA retailer in the IKEA franchise system, we have a big opportunity to demonstrate how the IKEA range can enable healthy and sustainable living and to offer services, inspiration and knowledge to help make sustainable living a reality.

*Our research shows that the majority of people want to live more sustainably but don't know what action they can take.*

**Our research shows that the majority of people** want to live more sustainably but don't know what action they can take and there is growing interest in how products are made and sourced.

We want to show that more sustainable options are accessible and affordable to everyone and to inspire customers to make changes in their everyday lives that benefit people and the planet.

We do this through a wide range of channels and interactions, including: highlighting the sustainability stories behind our products and services; inspiring and engaging our customers and co-workers to make small changes; and enabling communities to come together and share sustainable living tips and ideas with each other.

### Communicating sustainability in-store and online

During FY19, we trialled a new communications approach at our stores in Austria, highlighting products with strong sustainability credentials. This included adding sustainability information and

icons to our brochures, website, IKEA Family communications, newsletters, room sets and product labels. The results of the test show that there is interest in the sustainability aspects of products as mobile shoppers were 5% more likely to purchase a product featuring a sustainability icon, and overall sales of highlighted products increased.

We're using the results, together with those from similar tests in other countries, to develop a communications approach that will highlight the sustainability aspects and benefits of IKEA products and services in a consistent and impactful way. This will be implemented across all countries in FY20.

Using the findings of research with customers, we'll also develop tailored room settings in each country, designed to inspire customers on the most relevant and appealing aspects of low carbon living. This is another way we can meet customer needs for inspiration and ideas on simple, achievable sustainable living choices.

### Engaging and inspiring customers and co-workers

We're using our stores, websites and advertising to engage co-workers and customers on sustainable living, see examples on page 65. Every year, our stores and Ingka Centres meeting places host sustainability events, workshops and trainings for customers and co-workers. According to our co-worker survey, I Share, 80% of our co-workers feel they actively contribute to IKEA taking care of people and the planet.

**80%** of our co-workers feel they actively contribute to IKEA taking care of people and the planet.





## IKEA Greenwich leads the way

Our new Greenwich store in London is putting sustainability at the heart of the IKEA experience. Through events, shared spaces and information, we're supporting customers to make sustainable and healthy choices – while providing new spaces for local people to meet, share, learn and shop.

**One of the most exciting features** at IKEA Greenwich is the Learning Lab, where customers can explore how to reuse, refresh and prolong the life of their products. In this fully equipped space, customers can join regular, hands-on craft and maker sessions with local experts. During these inspiring sessions, they may learn how to install, repair or upcycle their IKEA products or how to make new, useful items for the home from materials that might otherwise have become waste.

In the first seven months, there were 267 workshop sessions, and 1,766 customers got involved. Ninety-six percent of participants said they loved the workshop they'd attended, and 75% said they would definitely use the skills they had learnt at home.

Throughout the store, information boards, displays and room settings provide easy-to-digest information on sustainability and our products, helping customers to make informed choices.

*"The changes at Greenwich are all part of our Leading Sustainable Store concept, through which we're developing new ways to help customers to lead more sustainable and healthy lives. We want to help bring about a circular economy, where products aren't just used and discarded. Innovations such as the Learning Lab will play an important part in this transition."*

Hege Saebjornsen, Country Sustainability Manager, IKEA Retail UK & Ireland

**Upstairs there's a roof garden with views** of London and a pavilion with two large event spaces. Both can be used for free to hold local events, classes and meetings, or informally for people to socialise, study and work. Thirty-six different community groups used the

space in the first five months after the store opened.

We'll be using what we've learnt from IKEA Greenwich and our Learning Lab pilot to introduce similar changes at our other stores.

### Feedback from our customers:

- » It's a perfect way to learn new skills, to learn about protecting our planet and also make new friends.
- » It was just excellent, I can't wait to come again, love the learning lab space, it's a truly inspiring area.

## Our greenest store yet

Behind the scenes, our Greenwich store is more sustainable too. From the moment you enter, it feels a little different.

**Lighter and brighter**, the building design makes use of large windows, skylights and sun pipes to bring in more daylight – reducing energy bills and creating a pleasant place to shop.

On a sunny day, the store's large solar array generates more electricity than the store uses. Ground source heat pumps cover 60% of the store's heating and hot water needs, and it also uses 100% LED lighting, rainwater harvesting and renewable materials. To encourage visits by public transport, we've made it easy and affordable for customers to have their products delivered home.

It's one of just a few hundred buildings worldwide, and the first retail building in the UK, to achieve the BREEAM Outstanding rating. Read more on [www.breeam.com](http://www.breeam.com).



## Life of an icon: The POÄNG chair

► **A new short film** is helping to inspire, inform and engage our co-workers on sustainability. Using virtual reality, it immerses our co-workers in the story of the POÄNG chair, following it from the timber's origins through to the customer's home.

## All the little things

► **A campaign at Ingka Centres** meeting places in Sweden and Finland encouraged everyone to make small changes to help look after our planet. Visitors to the centres took part in second-hand clothes sales, learnt how to grow their own vegetables, found out about sustainable living products on sale at IKEA and heard from inspiring speakers.



## Black Friday that makes you think

► **Our research in Poland** found that many people store old belongings that they no longer use – many of which could be repaired, upcycled or donated. Based on this insight, our Black Friday campaign for 2018 asked customers to think before they shop and to ask themselves – can I do something useful with the things I already have? A dedicated webpage included ideas for how to make possessions useful again. It received almost 70,000 visits during Black Friday. See [www.IKEA.pl/przydasie](http://www.IKEA.pl/przydasie)



## Sustainable Living Festival Beijing

► **Customers young and old** were able to try out sustainable living solutions, watch a sustainable fashion show and attend talks at our Livat Beijing meeting place and IKEA Beijing store. They could also redeem discount coupons for products that support healthy and sustainable living.

## App helps customers make savings

► **Our IKEA Better Living app** helped almost 60,000 customers around the world to save 1,500 tonnes of carbon, 101 tonnes of waste and 3 million litres of water by making small and simple changes, logging their progress and competing against friends. It was part of our global A better world starts at home campaign, see page 17.



## Maintain, upgrade, repair at IKEA Norway

► **The simple act** of regularly tightening the screws on your IKEA furniture can help products last longer. This was the message in a customer campaign in Norway on Black Friday that encouraged customers to take care of their IKEA furniture. The IKEA Norway website also featured tips on how to maintain and upgrade older furniture.



## Promoting circular consumption

Our customer research shows that many people feel bad about throwing things away. They often want to repair, reuse or recycle but lack the time, knowledge or energy to do so.

**W**e're exploring new solutions to make circular consumption more convenient and relevant for our customers. For example, we're testing the potential for furniture leasing, see page 33, launching take-back and buy-back schemes and helping customers repair, reuse and recycle old furniture or give it a second life through reselling.

IKEA furniture from IKEA customers in our As-Is areas too – providing a useful service for customers and helping to extend the life of products and materials.

In FY19, six Ingka Centres meeting places in Russia collaborated with tenants on a circularity campaign, running events to encourage visitors to reuse, share, recycle, upcycle and repair items, along with talks about circular principles. The campaign will now be rolled out to Ingka Centres meeting places in China and Poland.

Our stores sell unused returned products through our As-Is areas; 38 million products were sold this way in FY19, see page 80. In many stores, we offer second-hand used

## A second life for your old IKEA furniture

IKEA Retail Canada is testing whether a buy-back and re-sell service can help create a more sustainable and affordable shopping experience for Canadians.

► **The service enables customers** to apply to sell their gently-used IKEA products back to us, in exchange for store credit, with the aim to give products a second life through resale or donation. It also remade its famous advert from 2002, which showed someone discarding an old lamp and replacing it with a new IKEA one. The 2019 version shows how the discarded lamp actually found a new and happy home – and ends by encouraging everyone to reuse.



## IKEA stores grow their own lettuce

We know many of our customers like to grow their own fruit and vegetables. What if we could do the same?

► **Global food production** is responsible for up to one-third of greenhouse gas emissions<sup>1</sup> – so cutting the carbon footprint of the food we eat has never been more important. That's why we're testing small-scale urban farms, exploring whether we can become self-sufficient in some of the fresh produce we use in our IKEA restaurants. The potential benefits of healthier food are significant, from fewer emissions to less waste.

In FY18, we grew our own herbs and lettuces in small-scale urban farms in Sweden and Switzerland. In FY19, we extended the tests, installing medium-scale container farms with romaine and frisée lettuces outside the IKEA Malmö and IKEA Helsingborg stores in Sweden. The farms use hydroponic technology and operate in a circular way, with food waste from the store used to create a nutrient solution to feed the lettuces.

**The early results are promising.** We produced enough to supply the in-store restaurants with all the lettuce they need. Since they're grown onsite, the lettuce can be used almost straight away, meaning they're fresher, tastier and contain more nutrients. They also grow faster, with less water and waste than conventional farming and without the use of pesticides and herbicides. A life-cycle assessment shows that when the urban farm is powered by renewable energy, the carbon footprint of the lettuce is 30% smaller than the ones we would usually use. We'd like to extend urban farming so that we become self-sufficient in herbs and lettuce across all our store restaurants.

The main challenge is that our produce is currently more expensive than a conventionally farmed alternative. We've already made progress on reducing these costs, and we're continuing to find ways to improve efficiency. Ingka Investments has also invested in two urban farming businesses in the USA and Estonia to support development of the industry.

<sup>1</sup> Source: CGIAR, [ccafs.cgiar.org](https://ccafs.cgiar.org)

## Good food that's good for the planet

We aim to provide healthy and sustainable food for our customers and co-workers in the IKEA Restaurants, IKEA Bistros and Swedish Food Markets.

**F**rom sustainably sourced ingredients to meat-free options and locally grown produce, we want to promote the benefits of food that tastes great and is better for the planet too. The IKEA Food range, sourced and supplied by Inter IKEA Group, includes a variety of sustainably sourced options from organic rapeseed oil to responsibly farmed seafood and certified coffee and cocoa. We're increasing the information we provide on our food and sourcing to highlight our sustainable products to customers.

*"By providing delicious and attractive plant-based food, we can encourage more people to become 'flexitarians' – reducing the amount of meat they eat to lower their carbon footprint."*

Catarina Englund, Innovation and Development Leader, Ingka Group

**We're working to further develop** our food range strategy, with the aim of offering our customers a wider range of healthy, sustainable and affordable food options in our country-specific food offers. During FY19, around half the food we sold in our IKEA stores was

sourced directly by Ingka Group and the rest was supplied by Inter IKEA Group. By the end of FY20, we expect that all the food we offer in our IKEA stores will be supplied by Inter IKEA Group and we'll no longer source food directly.

### Meat-free meals

With meat production accounting for 14% of global greenhouse gas emissions<sup>1</sup>, eating less meat is one important way we can all reduce our carbon footprint. We've offered options for our vegetarian customers for many years such as veggie balls and veggie hot dogs. Now we want to go further and encourage even more customers to enjoy plant-based dishes.

**At Ingka Group, we've developed 10 new** tempting plant-based recipes that look good and taste good with lower carbon footprints. Each dish, such as our Italian herb lasagne, chili sin carne and meat-free kebabs, uses plant proteins derived from ingredients like oats and peas but with a texture that's similar to meat. We've tested them in seven countries and they've proved popular with co-workers and customers. We'll now roll them out as local dishes across all of our IKEA Retail countries, with each country offering at least one of the dishes in its IKEA Restaurants.



**ALLEMANSRÄTTEN**  
Vegetable balls, 1000g  
**€3.99**

<sup>1</sup> Source: FAO, [www.fao.org](https://www.fao.org)

# Circular and climate positive

**T**he world is facing a climate crisis that will affect the lives of many millions of people. Human activities have warmed the planet's average temperature by more than 1°C, and we're using resources at a rate equivalent to 1.75 Earths per year<sup>1</sup>. With 1 million species at risk of extinction, we're on course for irrevocable damage to nature and ecosystems.

Climate change is already threatening lives with heatwaves, wildfires, hurricanes and flooding becoming more common. Risks to communities include extreme weather events, rising sea levels, food and resource scarcity and collapsing ecosystems. We all need to act now.

**At Ingka Group**, climate change is impacting our business today, and we've mapped climate-related risks and taken steps to better understand the potential future costs. These include physical impacts of extreme weather on our buildings and the rising cost of using fossil fuels.

Many of the solutions to the climate crisis already exist, but they urgently need to be deployed on a massive scale. This can offer new opportunities for job creation, innovation, economic growth and reduced energy costs.

We're taking action to reduce our direct climate impact and strive for zero waste across our own operations. We're looking for ways to reduce our indirect impact too

– for instance by enabling people to travel to our stores more sustainably and generate renewable energy at home.

*We believe that if we all act together, we can build a low carbon and circular economy that secures long-term prosperity.*

**In FY19, we:**

- » **Generated renewable energy** equivalent to 93% of the energy used in our operations, up from 81% in FY18.
- » **Committed to zero-emission home deliveries** in five cities by 2020 and reached this milestone already in Shanghai.
- » **Gave 47 million products a second life** by repacking and reselling products in stores – that's over 70% of all the products that could potentially go to waste.
- » **Phased out single-use plastic items** for serving food in our IKEA restaurants and IKEA bistros in Canada and the UK, with other countries to follow in 2020.

## Our ambition and focus areas

To contribute to the IKEA ambition to be circular and climate positive by 2030.

**We will do this by:**

- » **Striving for zero waste** and becoming circular.
- » **Being powered by 100% renewable energy**, while increasing energy efficiency.
- » **Ensuring zero emissions from home deliveries** and aiming to reduce emissions from co-worker and customer travel by 50% in relative terms.

## Our contribution to a circular and climate positive IKEA

The IKEA ambition is to be circular and climate positive by 2030<sup>1</sup>. At Ingka Group we're going all in to contribute.

### CLIMATE POSITIVE

**Becoming climate positive is about reducing** more greenhouse gas emissions than the IKEA value chain emits, while growing the IKEA business. At Ingka Group, we'll contribute to the IKEA climate positive ambition<sup>2</sup> by achieving our science-based emission reduction targets, see page 70.

**We'll do this by:**

**1 Being powered by 100% renewable energy, while increasing energy efficiency.** We'll ensure our business is run on 100% renewable electricity by 2025 and completely phase out fossil fuel-based heating and cooling by 2030. We want to drive decarbonisation of the electricity sector beyond our operations, making major investments in wind farms and solar power generation to grow the amount of renewable electricity in the grid. Read more about the contribution of Ingka Investments on page 38.

**2 Targeting zero emissions from home deliveries and halving emissions from customer and co-worker travel in relative terms.** Our ambitious plans to scale up electric vehicles and other low carbon options mean that all our home deliveries will be zero emission by 2025. We're setting up several pilots to encourage co-workers to commute in a more sustainable way, and we're developing our plans to help customers travel more sustainably too.

**3 Inspiring customers to reduce their climate footprint.** We're enabling customers to generate and use renewable electricity, helping them reduce their emissions at home. We're also working to reduce the climate footprint of products over their life cycles by prolonging their lives and offering customers returned and second-hand products. Find out more about our work with customers on page 62.

### A CIRCULAR BUSINESS

**The IKEA ambition to become a circular business by 2030<sup>3</sup>** means designing all products with circular principles in mind, using renewable or recycled materials and working with customers to keep products in use for longer.

**At Ingka Group, we're contributing to this ambition by:**

**1 Developing circular services for customers.** We're piloting new ways for customers to acquire, care for and pass on products in circular ways. By exploring furniture leasing, product take back, second-hand sales, product recovery and repair, we aim to keep resources in use for longer.

**2 Striving for zero waste.** Reducing operational waste is a priority, including packaging and product waste, and food waste from our IKEA Restaurants and Cafés and IKEA Bistros. We're increasing recycling rates too.

**3 Switching to sustainable materials.** We're switching to more sustainable materials for our non-home furnishing products like packaging and co-worker uniforms. We're investing in renewable, recyclable or recycled materials.

**4 Exploring circular resource flows.** Within our operations, we're looking at opportunities to reduce the use of virgin materials across our business. We're partnering with suppliers to reuse and recycle resources for non-home furnishing products like packaging and co-worker uniforms.

<sup>1</sup> [newsroom.inter.ikea.com/Publications/Ikea-sustainability-strategy---people---planet-positive/s/5b72986f-d8c5-42fe-b123-f5f9d00a17bb](https://newsroom.inter.ikea.com/Publications/Ikea-sustainability-strategy---people---planet-positive/s/5b72986f-d8c5-42fe-b123-f5f9d00a17bb)  
<sup>2</sup> [newsroom.inter.ikea.com/about-us/our-view-on-climate-positive/s/c34096a3-a06e-429b-8932-b28ff1007827](https://newsroom.inter.ikea.com/about-us/our-view-on-climate-positive/s/c34096a3-a06e-429b-8932-b28ff1007827)  
<sup>3</sup> [newsroom.inter.ikea.com/about-us/our-view-on-inspiring-a-circular-mindset/s/b813c66f-2e9e-4bf6-bcd9-9409ab471f87](https://newsroom.inter.ikea.com/about-us/our-view-on-inspiring-a-circular-mindset/s/b813c66f-2e9e-4bf6-bcd9-9409ab471f87)

<sup>1</sup> Source: Earth Overshoot Day: [www.overshootday.org](http://www.overshootday.org)

# Tackling climate change

Our targets and plans will enable us to reduce our greenhouse gas emissions in absolute terms as we're committed to do our part to limit global temperature increases.

**W**e support the aims of the Taskforce on Climate-related Financial Disclosures (TCFD). This year, we conducted a climate change scenario analysis and report in line with TCFD's recommendations for the first time, see page 72. We're embedding responsibility for reaching our climate goals into our business and regularly track climate footprint metrics. From FY20, Country Retail Managers, in their new roles as Chief Sustainability Officers, will oversee progress against these metrics. We also encourage all co-workers to find energy and emissions savings, see page 35.

We collaborate with others to accelerate progress on climate footprint reduction, including through the Climate Group's renewable electricity (RE100) and electric vehicle (EV100) initiatives, the World Business Council for Sustainable Development, the World Economic Forum Alliance of CEO Climate Leaders, We Mean Business coalition, Corporate Leaders Group and SolarPower Europe, among others.

## Our climate footprint in FY19

Our operational emissions (scopes 1 and 2) are responsible for around 2.5% of our total climate footprint. In FY19, our scope 1 and

2 greenhouse gas emissions increased by 3.0% in absolute terms, compared with FY18. Since our climate target base year of FY16<sup>1</sup>, our scope 1 and 2 emissions have gone up by 17.7%. We realise we need to reverse this trend in order to reach our targets. The increase in emissions is related to the growth of our business – the opening of new stores, Ingka Centres meeting places and Distribution Centres and increased visitation. We're growing in countries where there is limited access to renewable energy. While reducing emissions in absolute terms is challenging, we're continuing to focus on improving energy efficiency, generating and buying renewable electricity and retrofitting our buildings with renewable heating and cooling techniques.

The majority of our climate footprint lies in the IKEA value chain with scope 3 emissions making up 97.5% of our total footprint. In FY19, our scope 3 greenhouse gas emissions decreased by 2.9% in absolute terms, compared to FY18, and by 0.3% compared to FY16.

## Our science-based targets

Our emission reduction goals are approved by the Science Based Targets Initiative, and the targets covering our operations (scopes 1 and 2) are consistent with reductions required to keep warming to 1.5°C:

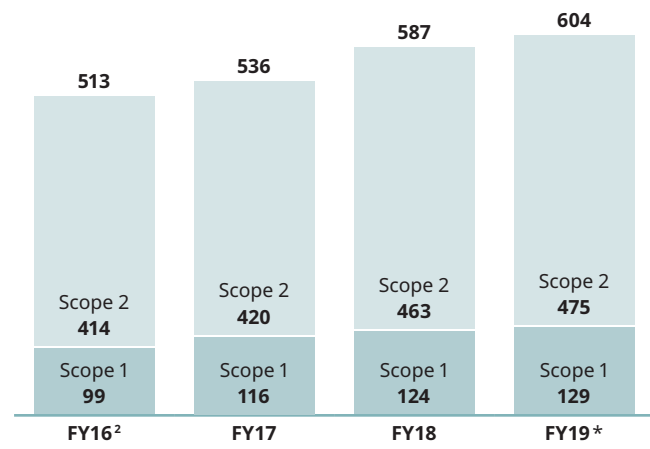
- » **By 2030, reduce greenhouse gas emissions** from across all Ingka Group operations by 80% in absolute terms, compared to 2016. This covers our direct and indirect energy-related emissions (scope 1 and 2).
- » **By 2030, reduce greenhouse gas emissions** from Ingka Group customer and co-worker travel and customer deliveries by 50% in relative terms<sup>2</sup>, compared to 2016 (scope 3).

**Reducing the footprint of the IKEA product range**  
Inter IKEA Group, which is responsible for developing the IKEA product range and supply chain, has committed to reduce greenhouse gas emissions from the IKEA value chain by at least 15% in absolute terms<sup>3</sup> by 2030, compared to 2016. Accounting for expected growth in this period, this translates to, on average, a 70% climate footprint reduction per IKEA product. To read more, go to [about.ikea.com](http://about.ikea.com).



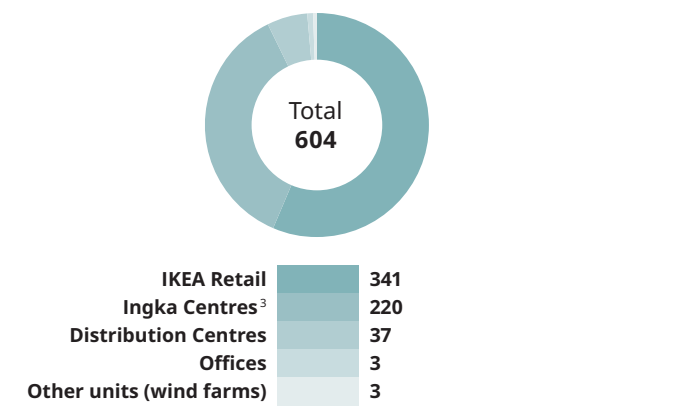
## Climate footprint – Scope 1 and 2<sup>1</sup>

(1,000 tonnes of CO<sub>2</sub>e)



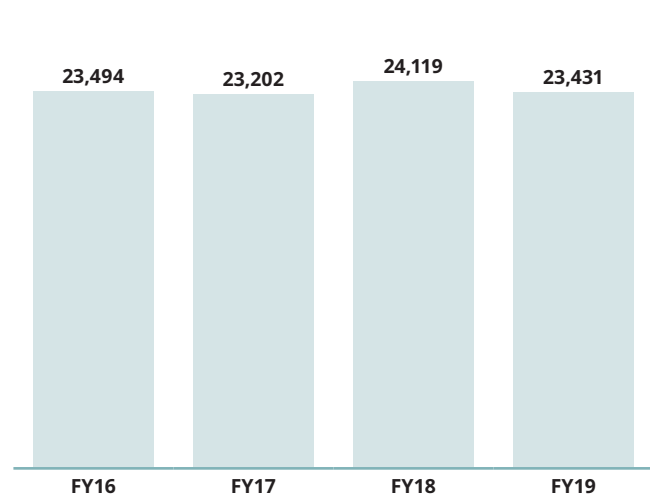
## Energy-related greenhouse gas emissions from our buildings – Scope 1 and 2\* (1,000 tonnes of CO<sub>2</sub>e)

(1,000 tonnes of CO<sub>2</sub>e)

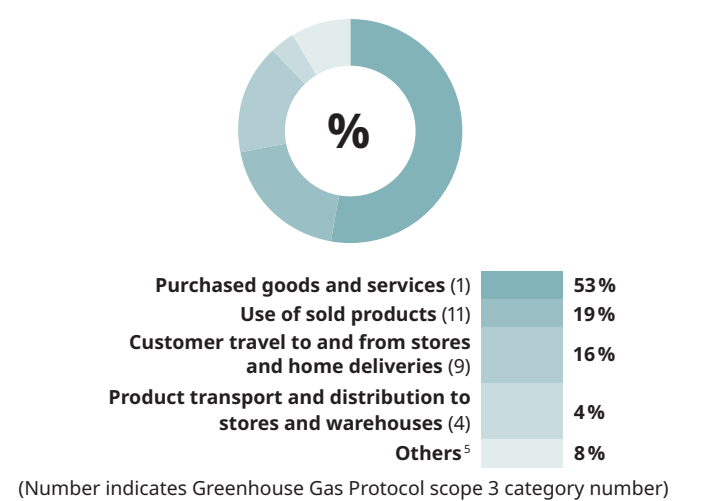


## Climate footprint – Scope 3<sup>4</sup>

(1,000 tonnes of CO<sub>2</sub>e)



## Share of value chain emissions in FY19 – Scope 3



## About our climate footprint reporting

- The external assurance scope for FY19 climate and energy data only covers our direct carbon footprint (scope 1 and 2). Data within the external assurance scope is indicated with an asterisk. Scope 3 emission data is unassured. Read more on page 93.
- Due to inconsistencies with data on gross building area in some countries, we're unable to report on carbon efficiency this year. We'll report on carbon efficiency data in FY20.
- In FY19, we performed reviews on data governance, ways of working and reporting policy. This affects the carbon footprint data we previously disclosed. For more information, see page 93. Historical climate footprint data including restatements can be found in Appendix, see page 114.

\* Data included in the external assurance scope  
<sup>1</sup> Emissions from company cars, on-site vehicles and refrigerants have been excluded for FY16-FY19, and a more consistent reporting approach will be introduced in FY20.  
<sup>2</sup> Base year for Ingka Group science-based targets  
<sup>3</sup> Scope 1 and 2 emissions relate to energy used in landlord common parts and shared services.  
<sup>4</sup> Scope 3 data outside our external assurance scope. Restated historical data is available in Appendix.  
<sup>5</sup> Includes the following Greenhouse Gas Protocol Categories: Capital goods (2), Fuel and energy-related activities (not included in scope 1 or 2) (3), Waste generated in operations (5), Business travel (6), Employee commuting (7), End of life treatment of sold products (12) and Downstream leased assets (13).

<sup>1</sup> In FY19, we made restatements of the FY16-18 data as a result of updated reporting methods, which lowered the FY16 baseline (see Appendix).  
<sup>2</sup> By 2030, we aim to halve emissions relative to the number of co-workers and number of visitors to our stores, compared to the FY16 baseline.  
<sup>3</sup> The scope includes the footprints of materials, food ingredients, product transport (excluding customer deliveries), the production at suppliers, and the use of products in people's homes.

# Understanding the impact of climate change on our business

This year, we report on our approach to managing climate change risks and decarbonisation opportunities in line with the recommendations from the Taskforce on Climate-related Financial Disclosures (TCFD).

In FY19, we conducted a detailed assessment for climate-related risks and decarbonisation opportunities to understand the strategic and financial implications for our business. We then carried out a more detailed scenario analysis of financially material risks in three areas of our business: transport<sup>1</sup>, energy and real estate.

**We considered two scenarios<sup>2</sup>:** global temperature increase kept below 2°C in 2030, and a global temperature increase of 4°C with impacts modelled up to 2050. The first scenario (temperature increase kept well below 2°C) enables us to better understand the risks we may face as the world transitions to a net-zero carbon economy, such as the potential financial impact of changes to policy, legislation, technology and markets expected across every sector. The second scenario (a temperature increase of 4°C) helps us

understand the physical risks of climate change to our business and operations. The results are summarised to the right.

*The risk assessment helps us mitigate climate-related risks and capture decarbonisation opportunities.*

**We focused on our own operations** and did not model the impact of climate change in our value chain. However, we believe there are also material risks to our business related to resource scarcity and damage to the ecosystems we rely on. This could affect the availability of raw materials for the IKEA products we sell, such as wood and cotton. There are also opportunities to develop our business by enabling customers to lower their climate footprint.

## Our approach to managing climate-related risks and opportunities

### ► Governance

The Management Board of Ingka Holding B.V. is responsible for the Ingka Group Sustainability Strategy and progress against its targets, including our climate change goals. The strategy is formally decided by Management Board, considering advice from Supervisory Board. Management Board is also responsible for risk management, including sustainability related risks, supported by various boards and committees. Climate-related risk assessment is reported to the Sustainability Committee and the Risk & Compliance Committee once per year. The Sustainability Committee, chaired by our CEO, meets twice a year to define and follow up on the overarching priorities, principles and frameworks for sustainability. The Sustainability Committee reports regularly to the Ingka Group Management Board.

### ► Strategy

The actual and potential impacts of climate-related risks and decarbonisation opportunities are discussed on page 73.

### ► Risk management

Climate-related risks are integrated into the Ingka Group risk management framework. The Ingka Group Sustainability Management Team identifies and assesses risks annually, including climate-related issues. Risks are reported to the Sustainability Committee and Risk & Compliance Committee once a year. From FY19, climate-related risks have also been identified in a bottom-up process led by Country Retail Managers who log

risks and feed into the annual group risk process through the sustainability risk register.

Risks are assessed based on likelihood and impact on a five-point scale from rare and insignificant up to almost certain and critical.

The Sustainability Management Team assigns risks to risk owners within the group sustainability team and across other business functions, who are responsible for developing mitigation plans. Sustainability leaders support the risk owners with knowledge and expertise to develop mitigation plans.

In FY19, we also conducted an additional risk assessment focused on climate-related risks and decarbonisation opportunities, and we modelled the potential impacts of two climate change scenarios. We're developing plans to mitigate the risks and capture the opportunities identified in the assessment and scenario analysis.

### ► Metrics and targets

We've set ambitious science-based targets to reduce our scope 1 and 2 emissions in absolute terms and to reduce relative emissions from our indirect (scope 3) travel and transport footprint (see page 70).

Inter IKEA Group has set science-based targets to reduce emissions in absolute terms for the IKEA product range. We regularly track climate change metrics (see page 71).

## How might climate change impact our business in a world that is below 2°C or 4°C warmer?

**The scenario analysis shows** that there are some major potential costs to our business from climate change. In a below 2°C scenario, our transport costs could increase by 2030 and we may need billions of euros to renovate and adapt our real estate portfolio. This highlights the need to continue our focus on energy efficiency and investments in renewable energy. In a world that's 4°C warmer, 62 buildings in China and the USA (among our top countries by sales) are potentially at risk due to storms, cyclones and floods and we could lose significant revenue as our business is disrupted.

We also identified significant benefits for our business to reduce its reliance on fossil fuels and its climate footprint. These include cost savings through energy efficiency, generating renewable energy and switching to electric vehicles.

*While the below 2°C scenario is likely to bring major costs to our business, there are also more opportunities to mitigate the risks with the right investments and through the actions we've planned in our sustainability strategy. Doing so will also create a range of opportunities for higher revenue, for example, from our renewable energy investments. However, the analysis shows that the cost of inaction is too high – in the 4°C scenario, our ability to mitigate the risks is very limited and the costs for the business are far higher and more damaging.*

### Results of our climate change scenario analysis<sup>1</sup>

SECTOR	BELOW 2°C IN 2030	4°C IN 2030-2050
Real estate	<p><b>RISKS:</b> Billions of euros of investment required up to 2030 to reduce energy intensity in our buildings to meet future regulations.</p> <p><b>OPPORTUNITIES:</b> Reduced real estate operational costs as a result of investments in energy efficiency, renewable heating and cooling and on-site generation of renewable electricity.</p>	<p><b>RISKS:</b> 1) 62 buildings in our top countries by sales potentially at risk from climate change in 2050. 2) Potentially billions of euros of revenue losses from business interruption due to factors including high temperatures, increased precipitation and extreme weather events like tropical cyclones.</p> <p><b>OPPORTUNITIES:</b> 1) Increase climate resilience measures for our buildings. 2) Consider the risk assessment results in our expansion strategy and where we locate new buildings.</p>
Energy	<p><b>RISKS:</b> Increased regulation leads to stronger energy efficiency requirements for buildings that reduce energy consumption, as well as a switch from fossil fuels to renewable energy. Up to 39% energy cost increase.</p> <p><b>OPPORTUNITIES:</b> 1) Increase in revenue from our off-site and on-site renewable electricity investments, see page 75. 2) Reduced heating and cooling costs from using efficient renewable technologies</p>	<p>No analysis was performed for energy in the 4°C scenario.</p>
Transport <sup>2</sup>	<p><b>RISKS:</b> 1) Under the assumption of constant business volumes, overall transportation costs would increase by 20% by 2030. 2) Transition to a low carbon economy leads to an increase in fuel prices through regulatory changes such as increasing vehicle efficiency standards.</p> <p><b>OPPORTUNITIES:</b> 1) Avoid disruption and rising costs by reducing dependency on conventional road transport. 2) Partner with forward-thinking suppliers to develop innovative solutions for zero-emission transport.</p>	<p><b>RISKS:</b> A 13% increase in transport costs in 2030, rising to a 33% increase in 2050, due to growing costs of maintaining transport infrastructure.</p> <p><b>OPPORTUNITIES:</b> Partner with others to increase resilience of transport infrastructure.</p>

<sup>1</sup> For transport in the scope of Ingka Group – transport from warehouses to stores and home deliveries to customers.

<sup>2</sup> Our scenarios were based on the following models: **Below 2°C scenario** – International Energy Agency, Energy Technology Perspectives 2017; **Below 2°C scenario** – International Energy Agency, World Energy Outlook 2018; **4°C scenario** – Intergovernmental Panel on Climate Change, Fifth Assessment Report (AR5) 2014. There is currently no available International Energy Agency model for 1.5°C.

<sup>1</sup> The analysis in these scenarios was primarily based on FY18 data, therefore % changes are based on an FY18 baseline. For the risks analysis we based this on our business as it was in FY18, without implementation of our sustainability strategy by 2030. For the opportunities and risk mitigation we've based this on the plans we've set out in our sustainability strategy, including goals to be achieved by 2030.

<sup>2</sup> For transport in the scope of Ingka Group – transport from warehouses to stores and home deliveries to customers.



# All in for renewable energy

We believe the future of energy is renewable, and we've invested heavily in wind and solar power over the past decade.

**B**eing powered by renewable electricity and using renewable heating and cooling, is critical to meet our science-based emission reduction targets. However, we want to go far beyond our own operations and help to accelerate a global transition to renewable energy.

### Investing in renewable energy

In FY19, we generated renewable energy equivalent to 93.4%<sup>1</sup> of the energy used in our operations, up from 81% last year. Our recent investments in wind and solar power put us on track to exceed our 2020 target to generate more renewable energy than the energy we consume.

Since 2009, we've invested close to EUR 2.5 billion in wind and solar power, helping to grow the amount of renewable electricity in the grid. We own and operate 31 wind farms in 14 countries, including a new investment in Romania in FY19. Read more about our investment portfolios on page 39. We also have 920,000 solar modules on our sites. Our total renewable energy generation from wind, solar and other renewable sources was 3,151 gigawatt-hours (GWh).

*We generated renewable energy equivalent to 93% of the energy used in our operations.*

### Using renewable electricity

Sixty-six percent of the electricity we used worldwide in FY19 was from renewable sources. This includes 8.4% from our own solar electricity generated at Ingka Group sites. For the rest, we use renewable electricity credits from the wind farms we own and operate. In countries where that's not possible, we buy credits from others to increase overall demand for renewables. By using

electricity with lower emission factors, such as renewable electricity, the climate footprint of our operations (scope 2) was 45.8% lower than if we had purchased the average electricity mix available in the countries where we operate, see page 115. Our position on renewable electricity governs our approach in each country, see box below.

As a next step, we're committed to consuming 100% renewable electricity across all the countries where we operate by 2025.

Through IKEA Energy Services, we're enabling our customers to generate and use renewable energy at home too (see page 32).

*We'll consume 100% renewable electricity in all of our buildings by 2025.*

### Renewable heating and cooling

We're switching from fossil fuels to renewable technologies, such as ground and air source heat pumps and biogas or biomass boilers. In FY19, almost half of our sites had renewable heating and cooling systems installed, sometimes in combination with other technologies.

We're aiming for 100% renewable heating and cooling across all our buildings by 2030, and in FY19, we developed road maps to reach this goal in every Ingka Group country. All new buildings approved after 2020 will use renewable heating and cooling systems.

We're working with others to develop solutions enabling us to retrofit hundreds of existing stores, shopping centres, offices and Distribution Centres. Last year, we worked with members of the European Heat Pump Association to evaluate the latest technologies, discuss challenges and find ways forward. We're sharing our findings to help other retailers accelerate their transition away from fossil fuel systems.

## Improving energy efficiency

Energy efficiency is an opportunity to reduce our climate footprint, cut costs today and protect us from rising energy costs in the future.

**T**his year, we asked every Ingka Group country to develop energy action plans for 2020. We've approved EUR 40 million worth of investments in energy-saving projects as a result.

*Tools include switching to LED lights and relying on more daylight, improving insulation and using energy recovery from heating and cooling.*

Our "energy staircase", a toolkit of energy efficiency measures, helps our store and facility managers to identify and measure savings. Some of the tools include switching to LED lights and

relying on more daylight, improving insulation and using energy recovery from heating and cooling.

Our newest stores showcase these technologies and achieve significant savings. IKEA Greenwich, for example, is 80% more energy efficient than building standards required at the time. In FY19, our LIVAT Wuxi meeting place was recognised as the "National Green Mall 2018" by the Chinese Ministry of Commerce for its use of sustainable technologies and facility management practices.

Due to inconsistencies with data on gross building area in some countries, we're unable to report on energy efficiency this year. We will report on energy efficiency data in FY20.

Every co-worker can find opportunities to save energy. Read more on page 35.

## Our renewable electricity approach

We have a three-part approach to achieving our goal of 100% renewable electricity consumption, in the order presented below. This hierarchy enables us to prioritise approaches that have the most direct impact on the development of the renewable electricity market.

► **Onsite:** We prioritise onsite renewable electricity generation and consumption, e.g. solar.

► **Offsite:** If we can't generate sufficient renewable electricity onsite, we aim to generate the equivalent amount of renewable electricity offsite. We invest directly in renewable electricity generation offsite, and use all or some of our renewable electricity certificates to cover our consumption.

► **Purchase from a third party:** When the onsite and offsite approaches aren't possible or don't enable us to cover all electricity consumption, the third option is to purchase renewable electricity from a supplier, including renewable electricity attributes certificates. While this doesn't directly add or finance new renewable energy capacity, it indirectly incentivises renewable energy suppliers to increase their capacity by adding more market demand.

<sup>1</sup> If sub-metered tenant consumption was not included, generated renewable energy would be equivalent to 112% of consumption.

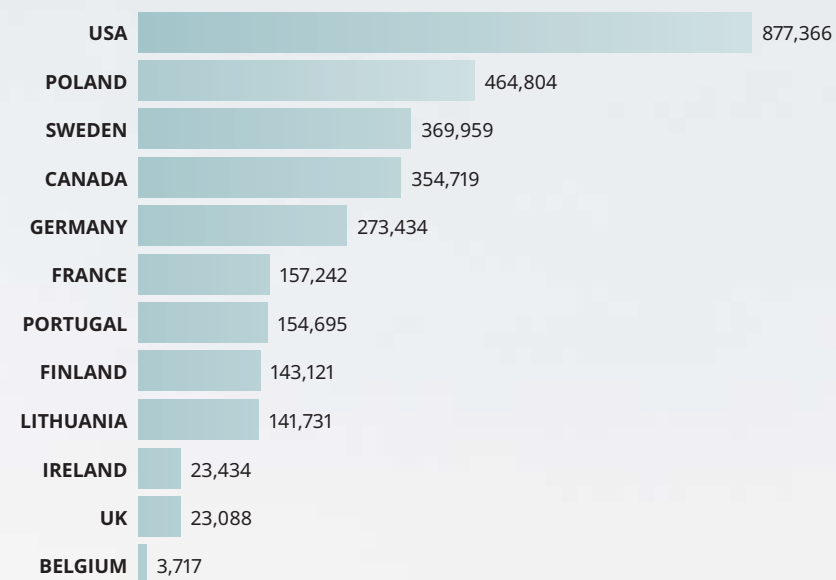
### Total energy (electricity, heating and cooling) use and share of renewable energy FY19

	Total energy use (MWh)	Renewable energy use <sup>1</sup> (MWh)	Non-renewable energy use (MWh)	Share of renewable energy as % of total use
IKEA Retail	1,853,736	1,196,417	657,319	64.5
Distribution Centres	259,737	144,845	114,891	55.8
Ingka Centres <sup>2</sup>	664,821	38,733	626,087	5.8
Offices	30,465	19,914	10,552	65.4
Other units (wind farms)	8,134	4,122	4,012	50.7
<b>Total</b>	<b>2,816,893</b>	<b>1,404,031</b>	<b>1,412,862</b>	<b>49.8</b>

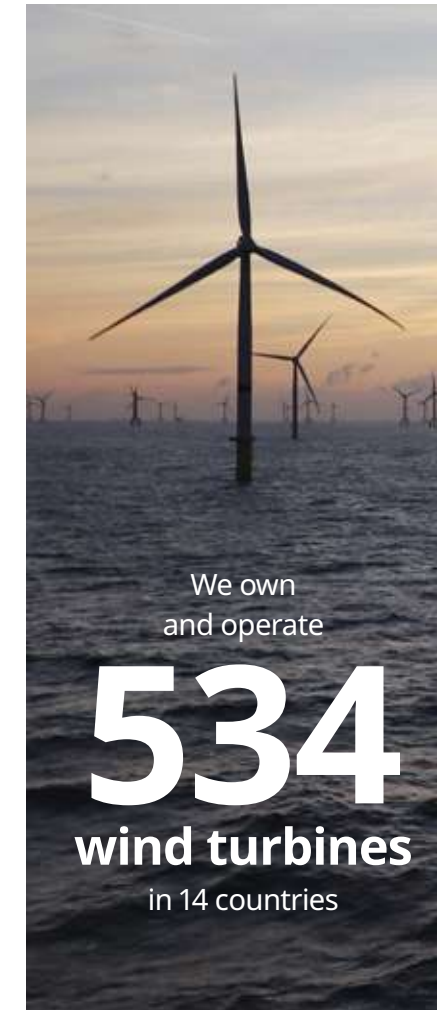
### Renewable energy generation by type (GWh)

	FY17	FY18	FY19
Electricity from wind	2,264	2,559	2,984
Electricity from solar photovoltaic modules	124	155	167
Heat from renewable sources (biomass heat, solar water heating, geothermal)	44	44	n/a
<b>Total (GWh)</b>	<b>2,432</b>	<b>2,758</b>	<b>3,151</b>

### Electricity generated from Ingka Group wind power investments by country<sup>3</sup> (MWh)



<sup>1</sup> Purchased certified renewable electricity and district heating, and renewable energy generated and used on-site.  
<sup>2</sup> Excluding submetered tenant consumption. Data not comparable with FY18 data due to changes in our reporting approach for Ingka Centres.  
<sup>3</sup> Not including Denmark (1,137 MWh) and Romania.



**66%** of electricity we use is from renewable sources

We have **920,000** solar modules on our sites





# Tackling emissions from travel and deliveries

Around 15% of our emissions come from customers travelling to and from our stores, co-worker travel and last-mile delivery of products to customers' homes.

**O**ur work on sustainable mobility helps us manage risks to our business from low-emission zones, road tolls for fossil fuel vehicles and diesel bans.

**Low carbon travel for customers and co-workers**  
Reducing emissions from people travelling to our stores and centres is a significant challenge. We're developing our plans and learning our customers' travel needs so that we can develop affordable, convenient and low carbon solutions.

In FY19, we carried out research in the USA with both customers and co-workers to better understand how they travel to stores and what they need in order to use more sustainable travel options. We also held workshops with younger consumers in inner cities to understand their needs. We're using the results of our research to develop plans to halve relative emissions from customer travel by 2030.

**New city formats**, including in London, Paris and Shanghai, enable customers and co-workers to reach us by public transport, bike or on foot. We're making it easier to charge electric vehicles, with charging points at 82% of our stores and 62% of Ingka Centres in FY19. We'll provide access to electric vehicle charging stations at all our locations by 2020.

*We're making it easy for customers to charge their electric vehicles with electric vehicle charging stations at 82% of our stores in FY19.*

**Our co-workers took 27% fewer business flights** in FY19, compared with FY18, and virtual meetings increased by 11%. We're also committed to ensure that all owned, leased and shared vehicles in our fleet are electric or zero-emission by 2025.

**Towards zero-emission home deliveries**  
As customers shop more online, emissions from home deliveries will grow to be a bigger part of our climate footprint. Deliveries also contribute to increased air pollution and congestion in cities. To tackle this, we aim to have only electric or other zero-emission home deliveries by 2025 in all our countries, and also find new ways of working to reduce congestion.

*We're targeting 100% electric or emission-free home deliveries in all Ingka Group countries by 2025.*

**We don't have our own** delivery fleet but partner with transport providers to switch to electric vehicles and find zero-emission alternatives.

In total, around 4.8% of our deliveries were made using electric or zero-emission vehicles in FY19 – double the amount in the previous year. This was despite the total volume of deliveries increasing by 14%. But we're still a long way from our goals, and we face challenges such as high initial investment, lack of charging infrastructure and the availability and performance of vehicles.

Despite these challenges, we've achieved 100% delivery by electric deliveries in Shanghai one year ahead of our goal (read more on page 22), and we're working hard to apply what we've learnt in other locations. We've deployed electric vehicles in 14 Ingka Group countries now, with more markets ready to follow. We know the solutions are available, and we need to work together with others to achieve these ambitious goals.

We're investing in charging infrastructure for customers and co-workers to use in every Ingka Group country and supporting several transport providers to develop new electric van and truck technologies. We're also partnering with others as a founding member of EV100, a global coalition to promote electric vehicles.

# Striving for zero waste and using resources in a circular way

We're always looking for ways to reduce waste, increase recycling, use fewer resources and apply circular principles across our business.

**M**ost of the waste we produce comes from our IKEA Retail operations, and around half of it is packaging material. The rest is product waste, food waste and other operational waste like light bulbs. We prioritise actions to prevent, reduce, reuse and recycle waste – landfill is always the last resort. Some waste is incinerated for energy recovery.

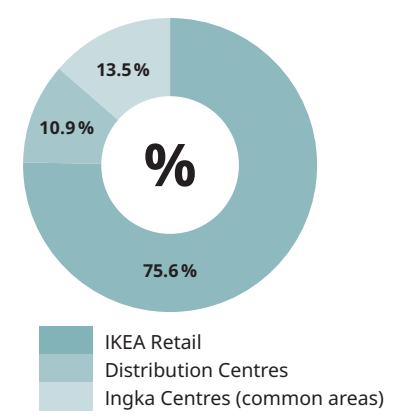
We're exploring new ways to reduce product waste as every item that isn't wasted is one less to be produced and transported to our stores. We're working with partners to develop circular resource flows and to start measuring and reducing use of virgin materials across our operations.

In FY19, we continued to work with others to build a circular economy, for example at the World Circular Economy Forum 2019 in Finland. We explored circular economy principles with other retailers at a workshop convened by the European Commission in Brussels.

**Recycling and reusing waste**  
We produced 5% less waste across our operations in FY19, reversing the trend from previous years. The amount of waste we recycled increased to 71% in FY19, up from 67% in FY18.

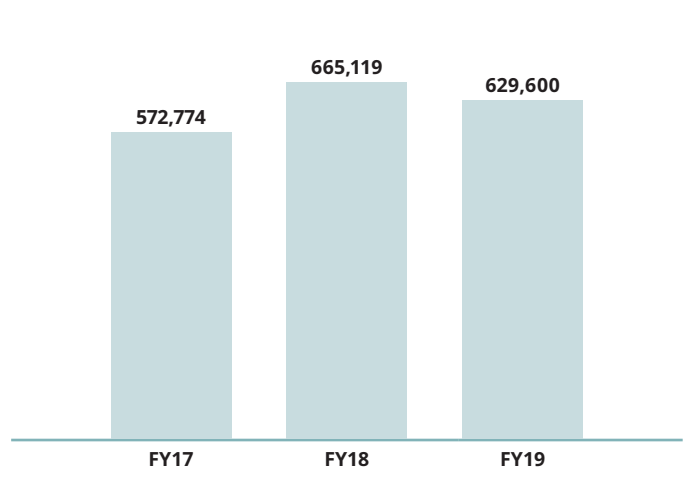
Investments to improve waste reporting systems have resulted in better quality waste data collected across our sites this year. We began tracking waste data every month and sharing results with sustainability managers in each country. More regular data reports and benchmarking between sites help store managers to spot issues and find solutions quickly. ▶▶▶

Waste produced by business unit FY19 (% of total)<sup>1</sup>

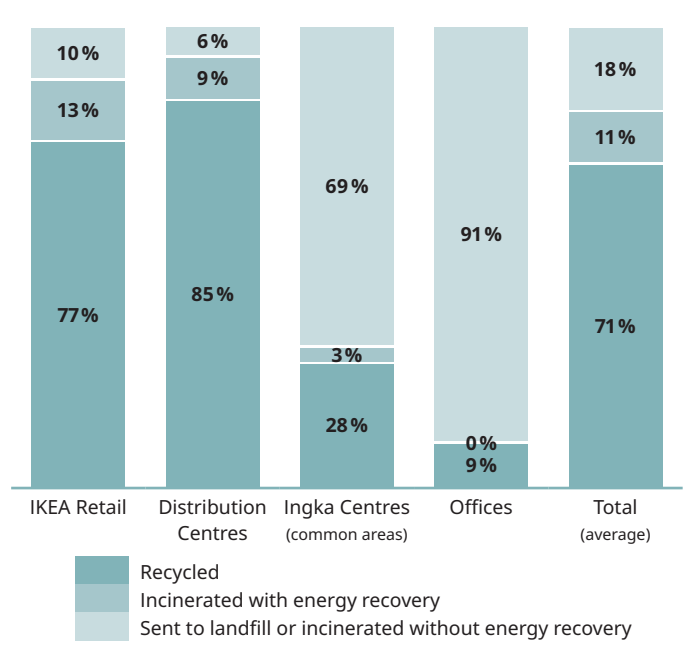


<sup>1</sup> Due to a recalculation of waste generated in our Ingka Centres meeting places for FY17-18, we have restated waste data for these years. Restated data and a detailed breakdown of waste produced per business unit is available in Appendix.  
<sup>2</sup> Not including offices (<0.1%).

Total waste produced (tonnes)<sup>2</sup>



Waste disposal by business unit (%)



Legend:  
■ Recycled  
■ Incinerated with energy recovery  
■ Sent to landfill or incinerated without energy recovery





**In FY19, IKEA stores in Russia competed** to increase recycling rates and achieved a collective recycling rate of 68%, up from 63% in FY18. Better waste sorting, co-worker engagement and food waste recycling paid off, with winning teams rewarded with a trip to IKEA Warsaw in Poland to learn about leading sustainable practices.

Increasing recycling rates at Ingka Centres is challenging because much of the waste is mixed consumer waste that tends to be contaminated and harder to sort and recycle. In some countries, the lack of recycling infrastructure makes it difficult for both businesses and consumers to recycle more.

At 14 of our Ingka Centres meeting places in Russia we've installed waste sorting facilities and launched incentives with prizes like concert tickets to encourage visitors to sort waste for recycling.

*We successfully gave 47 million recovered products a second life.*

**Preventing product waste**

Some of our products are taken off display in store, returned by customers or damaged in transit before they reach the IKEA store or on the way to customers' homes.

Recovering products that go back into our stock or are sold at a discount, instead of being wasted, is an important part of our efforts to move to more circular resource flows and save raw materials.

In total, 65 million products were returned or damaged in FY19, and we saved three quarters of them – 47 million – from going to waste. We weren't able to recover 18 million products that were damaged, lost, expired or returned by customers. This means our recovery rate improved by 2% compared to last year.

**We know there's always more we can do** to prevent product waste and we're tackling it across our business by:

- » **Repairing and repacking products** to go back on the shelf. Our dedicated product recovery teams in stores repacked 9 million products in FY19 – 300,000 more than last year.
- » **Giving store display, end of range and returned products a new home** through the As-Is area in stores. Customers love the discounted items, and 38 million products were resold in FY19 – that's 3 million more than in FY18.
- » **Providing a range of options for customers and co-workers to get spare parts** so products can more easily be repaired, with around 70% of stores now benefitting from a better spare parts system.

**Fighting food waste**

Every year, we serve meals to many millions of people across our stores. We're fighting food waste, and we're aiming to halve our food waste from IKEA Restaurants and Cafés, IKEA Bistros and Swedish

Food Markets by the end of August 2020. In FY19, many stores continued to weigh every bit of food thrown away in the kitchens to find ways to cut waste. Stores in Russia and Poland began weighing food waste this year, and now we have 68% of our stores worldwide doing so. It has saved 1.5 million kg of food from being wasted in FY19 – equivalent to 6.5 million kg of greenhouse gas emissions.

**Phasing out single-use plastic**

We're making progress towards our goal to phase out all single-use plastic items, like straws and cutlery used for food. In FY19, our IKEA Restaurants and IKEA Bistros in the UK and Canada stopped their single-use plastic habit. We're using alternatives like wooden cutlery and paper straws from sustainably managed forests. From January 2020, we'll replace all single-use plastic items such as straws, cups, cutlery and plates with alternatives made from renewable materials<sup>1</sup>.

One remaining challenge is the inner coating of single-use cups – the only commercially available cups contain a thin plastic coating, made from materials from renewable sources, for food safety reasons and we're continuing to explore better solutions. Inter IKEA Group, which develops and supplies the IKEA range we sell, is also phasing out all single-use plastic from the product range.



## Managing water resources

**We aim to use water efficiently** in our business and in FY19 we continued to use harvested, reused or recycled water wherever possible. We use water-saving technologies at our current sites and when we design new sites. For example, rainwater harvesting tanks and water-efficient fittings at the new IKEA Greenwich store halved the store's water use. Total water use decreased by 1.2% in FY19. Water use in our stores decreased by 1.9%, in spite of an increase in the number of stores during the year, while Ingka Centres' water use increased by 1.2%.

**Water use by business unit (m<sup>3</sup>)<sup>1</sup>**

	FY17	FY18	FY19
<b>IKEA Retail</b>	5,346,839	6,009,125	5,862,693
<b>Distribution Centres</b>	264,567	270,602	270,729
<b>Ingka Centres (common areas)</b>	2,463,212	2,480,484	2,539,254
<b>Offices</b>	42,109	69,029	48,628
<b>Total</b>	<b>8,116,728</b>	<b>8,829,240</b>	<b>8,721,304</b>

## Being a responsible buyer

Beyond the home furnishing products designed and supplied by Inter IKEA Group, we also buy goods and services from thousands of other suppliers, including for construction, delivery, IT and food.

**The size of our business means** we can use our scale to secure more sustainable sources. The IKEA supplier code of conduct, IWAY, sets out our social, ethical and environmental requirements, see page 84.

**Going circular in our supply chain**

In FY19, we continued to work with our suppliers for non-home furnishing materials like packaging, IT equipment and construction materials to find more resource conscious and circular solutions, such as:

- » **Closing the loop** so that thousands of tonnes of waste cardboard at 24 IKEA stores in China is sent back for recycling by the paper factory that supplies IKEA packaging.
- » **Reusing over 10,000 IT products** that were refurbished and resold or partly recovered, instead of wasted, together with our IT supplier.

- » **Exploring a circular economy approach** for co-worker uniforms.
- » **Buying more renewable materials** as we replace single-use plastic items in our IKEA Restaurants and Cafés and IKEA Bistros.

*By 2030 all materials purchased for our non-home furnishing products will be renewable, recyclable or recycled.*

► **To read more** about how IKEA products are designed and sourced with sustainability in mind, visit [about.ikea.com](https://www.ikea.com/about)

<sup>1</sup> Due to supply delays, some countries will not receive the new disposable items for our IKEA Restaurants and Cafés, as well as IKEA Bistros, in time and will need to continue with alternative solutions until the new items arrive.

<sup>1</sup> Water use FY17-FY18 restated, following improved reporting process for Ingka Centres and correction of historical reporting error for Customer Fulfillment in FY18. Restated data is available in Appendix.

## Fair and inclusive

**W**e're present in many communities, with millions of people connected to our business, including customers, co-workers and people in our supply chain.<sup>1</sup>

We want to contribute to thriving communities wherever we operate by being an inclusive business and by providing opportunities for the many people in our daily work. We also strive to have a broader positive impact in society. In this way, we'll support the IKEA ambition to help create a fairer and more equal society.

**We can make a difference by:** providing and supporting decent and meaningful employment for our co-workers and people in our supply chain; helping those currently outside the labour market to improve their employment skills; and creating income opportunities for vulnerable people by integrating social entrepreneurs in our supply chain. We're also co-creating

sustainable, child-friendly and connected neighbourhoods and cities by working with partners to tackle societal challenges.

In FY19, we:

- » **Inspired 244,000 children to play more** by designing their dream soft toy through the Let's Play for Change campaign, in IKEA stores since FY16.
- » **Completed 417 reviews against IWAY**, the IKEA supplier code of conduct, to check social and environmental standards at suppliers.
- » **Supported refugee inclusion in nine countries** with programmes to develop skills for employment.
- » **Continued partnerships with 32 social entrepreneurs** and social businesses across 16 countries.

### Our ambition and focus areas:

Our ambition for 2030 is to improve the well-being of millions of people by becoming a truly inclusive and people-centred company and employer.

We will do this by:

- » **Providing and supporting decent and meaningful work** and standing up for equality.
- » **Co-creating sustainable, child-friendly and connected neighbourhoods** and cities, together with relevant partners.
- » **Contributing to safe, affordable and sustainable places** to call home in the communities where we are present.

## Respecting human rights

The size and scale of our business means we impact the lives of millions of people around the world – our co-workers, customers, workers in our supply chain and the communities around us. Wherever we operate, we have a responsibility to respect human rights.

**W**e're committed to implementing the UN Guiding Principles on Business and Human Rights. We address human rights in many of our strategies, policies and processes, including the Ingka Group Policy on Human Rights and Equality, and update these regularly in line with emerging risks and expectations.

In FY19, we conducted a detailed analysis of our existing policies and procedures against the UN Guiding Principles and identified opportunities to strengthen our policies and processes, due diligence and grievance mechanism. This work will continue in FY20.

Human rights risks are integrated into the risk management process of Ingka Group. Potential risks in the retail industry include: modern slavery and forced labour, low wages, excessive hours, unsafe working conditions, harassment and prevention of collective bargaining. As a service business, the risk of child labour in our operations is relatively low. We'll never tolerate any form of child or forced labour, modern slavery or mistreatment of workers.

We mitigate potential human rights risks in our business and in our supply chain by monitoring compliance with our human rights policies and with the standards set out in IWAY – the IKEA supplier code of conduct. We only work with suppliers who meet our standards, and we conduct reviews to check compliance (see page 84).

*Everyone at Ingka Group should be treated fairly, and we expect our co-workers to always uphold our values.*

**We're committed to providing decent,** meaningful and engaging employment for every co-worker. Everyone at Ingka Group should be treated fairly, and we expect our co-workers to always uphold our values. Read more about our co-workers on page 36, and our approach to business ethics on page 106.

### Respecting and supporting children's rights

We believe children are the most important people in the world. That's why we always try to act in the best interest of the child and want to create a better life for children and families that come into contact with our business.

We continuously work to implement the Children's Rights and Business Principles into our daily work, which were developed jointly by Save the Children, the UN Global Compact and UNICEF. We want to put this into practice in our daily work by implementing a leading example of a child-friendly retailer concept in 100 locations by 2025.

In FY19, we developed further detailed principles for child participation and safeguarding. This means co-workers organising or participating in activities that involve children and their families have the right tools to engage them in an ethical and responsible way.

### Our commitment to children's rights means:

- » **Supporting decent work** for our co-workers and people in our supply chain, including young workers, parents and caregivers, while eliminating child labour.
- » **Ensuring our IKEA stores** and Ingka Centres are playful and safe spaces for children – for example, by providing Småland crèches at our stores and kid's centres, playgrounds and activity areas at our Ingka Centres meeting places.
- » **Offering products for children** that are safe and marketing these appropriately and responsibly.
- » **Contributing to a healthy environment** for children to live in, both now and in the future, through our climate positive initiatives.
- » **Reinforcing community and government efforts** to respect children's rights.

### Fairer lives for young and migrant workers

We never accept child labour. We investigate and follow up on any suspected case, prioritising the best interests and safety of the child. Our belief is that young people who are legally able to work should have access to decent employment opportunities. They should not do hazardous work, night work or overtime. The IKEA Way on Preventing Child Labour and Supporting Young Workers makes our position clear to all suppliers.

We take the risks of modern slavery very seriously. We have safeguards to reduce these risks in our supply chain, including people being forced or bonded into labour, having their passports taken away or becoming trapped by large recruitment fees. This is a particular risk for migrant workers who are seeking work away from home. In FY19, we continued to roll out our Guidelines on Responsible Recruitment, designed to help our suppliers and service providers to reduce modern slavery risks.

**In FY19, we did not identify any cases of child labour** or modern slavery in the Ingka Group supply chain. During onsite reviews, we identified some issues with suppliers having the correct documentation in place, and we agreed to corrective action plans to resolve this.

<sup>1</sup> In this report, we discuss the supply chain of Ingka Group that provides non-home furnishing products and services. For more information about the supply chain for the home furnishing products we sell in our stores, see Inter IKEA Group Sustainability Report.

# Supporting decent work in our supply chain

We have tens of thousands of suppliers providing products and services from construction, security and cleaning to home delivery, product assembly and food for our customer and co-worker restaurants.

**W**e want to use our scale as a buyer to influence standards in our supply chain, selecting suppliers who share our values and work together to have a positive impact on societies and communities. We expect our suppliers to treat their co-workers fairly and to adopt the IKEA supplier code of conduct.

The IKEA Way on Purchasing Products, Materials and Services – IWAY – is the IKEA supplier code of conduct. It sets out minimum requirements on environmental, social and working conditions. It's based on the Universal Declaration of Human Rights, the United Nations Convention on the Rights of the Child, the eight core conventions defined in the ILO Fundamental Principles of Rights at Work and the Ten Principles of the UN Global Compact.

IWAY also applies to the suppliers in the IKEA supply chain<sup>1</sup> for the home furnishing products sold in our stores.

IWAY is updated regularly, and the Ingka Sustainability Compliance Working Group – with members from procurement, risk and compliance as well as and business experts – oversees the development of our suppliers. They review the most severe compliance issues to share learnings across the business.

At Ingka Group, the size and complexity of our supply chain means we take a risk-based approach to embedding IWAY. We use internal and external data to assess risks based on the suppliers' location and the individual characteristics of the business they run. All new suppliers are evaluated on the risk of them not complying with the IWAY Standard and given a risk rating of critical, high, medium or low, which is regularly reviewed.

**We have a 10-step process to manage risks** in our supply chain (see below). Suppliers are reviewed and reassessed in a continuous IWAY cycle. Sustainability developers in our procurement team build relationships with suppliers and offer training to help them understand and apply IWAY.

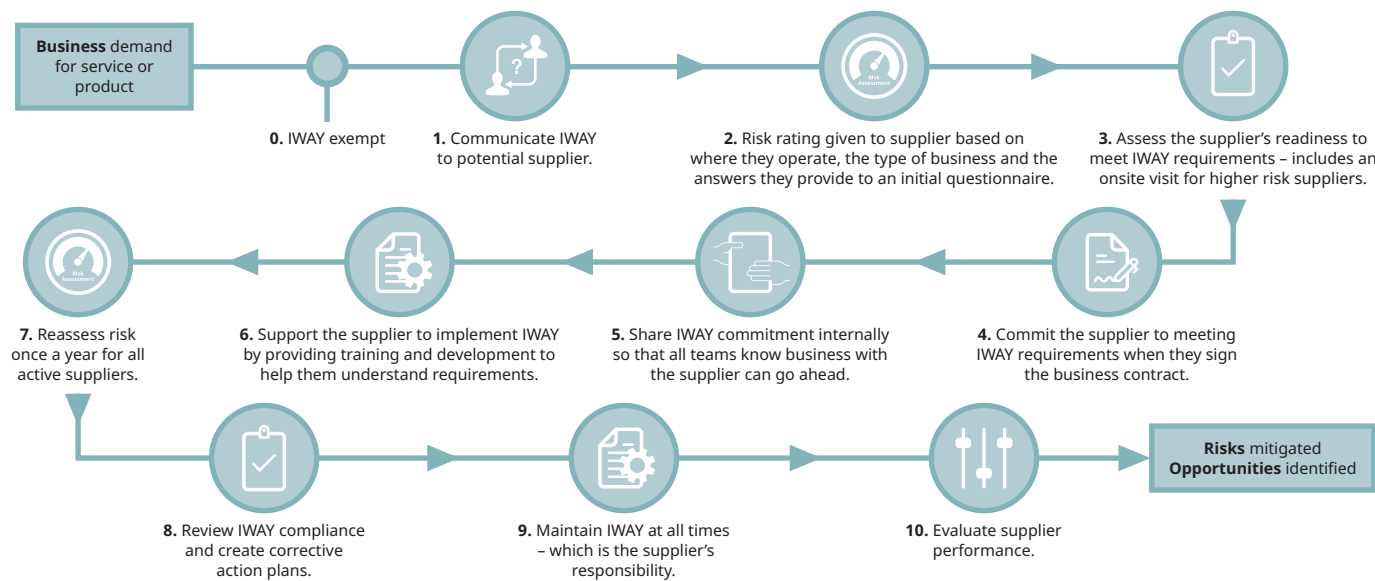
For the highest risk suppliers, we conduct IWAY reviews to check compliance with our standards. This is done by a team of 40 trained Sustainability Risk & Verification Reviewers who are independent from our procurement team. We also use third-party auditors to check IWAY compliance at some suppliers.

**Our suppliers are responsible** for communicating IWAY requirements to their sub-suppliers and ensuring high-risk sub-suppliers comply with the critical parts of IWAY ("IWAY Musts"). We support suppliers throughout this process.

## What does it mean for a supplier to be compliant with the IWAY approach?

Suppliers must have:

- » **Signed an IWAY commitment** as part of their contract.
- » **An assigned risk rating.**
- » **A risk management and mitigation plan** in place – for higher risk suppliers, this includes site reviews.



## Our performance in FY19

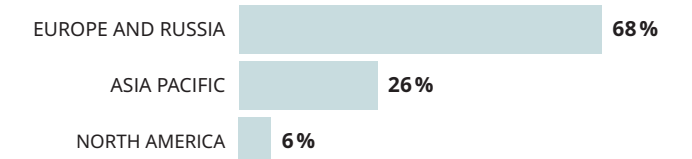
In FY19, we completed 417 Ingka Group supplier reviews, up from 314 reviews in FY18. These were completed by our internal IWAY Sustainability Risk & Verification team, and in some cases, we completed joint reviews together with third-party auditors.

We found 137 major non-compliances (issues related to critical "IWAY Musts") at 85 suppliers, up from 38 major non-compliances in FY18. We completed more supplier reviews in FY19 and continued to apply our risk-based approach, targeting reviews with the highest risk suppliers. Non-compliances were mostly related to working hours, accident insurance and fair wages at suppliers in Russia, Australia, Germany and China.

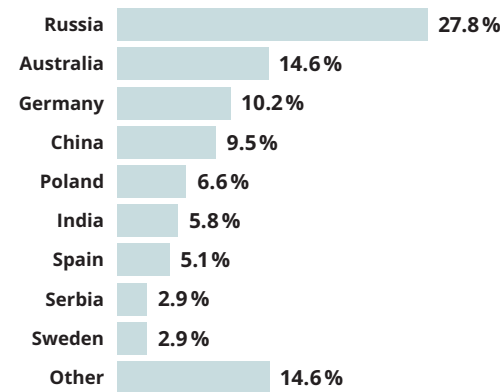
If we find that suppliers aren't meeting our standards, we agree on an action plan with the supplier to correct this. Major non-compliances have to be fixed within 14 days and all remaining issues within 90 days.

Major non-compliances are reported to the relevant Ingka Group decision making body. We will phase out suppliers who don't implement their corrective action plans.

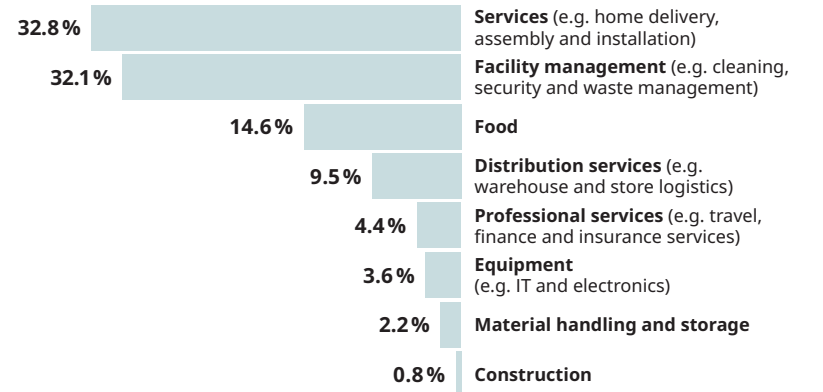
## Location of IWAY reviews in FY19



## Location of major IWAY non-compliances in FY19



## Major IWAY non-compliances by supplier type in FY19



## Partnering for positive impact

"Right at the heart of our company sits IWAY – the IKEA supplier code of conduct – a huge and important system that affects anyone who deals with the thousands of suppliers we have worldwide," says Justo Candel, IWAY Sustainability Developer based in Madrid, Spain.

► **Justo first joined IKEA** over a decade ago. Today, his job as a sustainability developer in the procurement department of Ingka Group involves implementing IWAY with suppliers in Spain and Portugal. He says partnership is the key to having a positive social and environmental impact.

Sustainability developers like Justo assess risks and support suppliers in every country where Ingka Group operates. They work hard to continuously train, develop and raise standards among suppliers. "There's a real sense that we'll face challenges together and work with our suppliers to find solutions," he says.

"As IWAY experts, we share our knowledge with our suppliers to help them maintain compliance. We have strict requirements, but that doesn't mean we're forcing them to spend a lot of time or money on unnecessary processes," Justo continues.

Training and development includes explaining IWAY requirements or technical terms, educating suppliers about the benefits of compliance or highlighting good social or environmental practices.

Sustainability developers also spot opportunities to do things differently. Last year, Justo and his colleagues noticed a pattern of IWAY non-compliances with service providers in stores. Issues with working hours and a lack of days off were picked up regularly during suppliers' annual reviews. They ran workshops with the onsite suppliers and piloted a different approach by training the store team to carry out monthly spot checks. The result was positive – with many more checks on working hours but far fewer non-compliance issues. The approach will be rolled out across all stores in Spain and Portugal next year.

<sup>1</sup> For more information about the IKEA home furnishing supply chain visit [about.ikea.com](https://about.ikea.com).

## The power of play

Play is a critical part of every child's development. It contributes directly to health and well-being, cognitive development, self-esteem and skills building.

**P**lay is so important that the UN Convention on the Rights of the Child states that every child has a right to play and to develop in a safe, secure environment. But around the world, children are spending less and less time playing.

That's why we've joined forces with UNICEF, Unilever, The LEGO Foundation and National Geographic to form the Real Play Coalition. The ambition is to create a movement that prioritises the importance of play as something that not only lets children be children but also sparks the fire for a child's development and learning. We believe that play is the "rocket fuel" of child development.

*Play lets children be children and is the "rocket fuel" for a child's development and learning.*

**The Value of Play Report<sup>1</sup>**, launched by the coalition, calls for an urgent rethink of how children are given the time and space to play. Aimed at policymakers, educators and those shaping the global development agenda, the report explores the impact of declining play, and highlights how low-play and play-poverty are fuelling inequality and a looming skills crisis.

Years of research have made us a vocal advocate for play as every child's right and every human's need. At the end of 2018, we shared our knowledge and love of play by filling our stores with lots of opportunities to spark fun during our annual Let's Play for Change campaign. Through the campaign, we want to highlight the importance of play – not just for children but for all people – by inviting all customers to come play with us.

This included launching SAGOSKATT soft toy collection, the result of the annual IKEA soft toy drawing competition. Creative children draw the toy of their dreams, and five ideas are turned into real toys, with sales donated to local organisations supporting children.

Since the start of the Let's Play for Change campaign three years ago, 244,000 children have designed their dream soft toy – and half a million have taken part in IKEA Foundation programmes supporting their right to play. Learn more about the IKEA Foundation on page 108.

<sup>1</sup> To read more about the Value of Play Report, see [www.realplaycoalition.com/value-of-play-report](http://www.realplaycoalition.com/value-of-play-report)



In Portugal, more than 350 primary school children benefitted from better opportunities to play in FY19 – with SAGOSKATT sales funding new play and creative activities through the Let's Play for Change school competition.



With a donation from IKEA Family, IKEA Australia has transformed the Kidsafe House at The Children's Hospital in Westmead, Sydney. The Kidsafe House is a play space that demonstrates the very best in-home safety, so visiting parents, carers, students and health industry professionals can take away the knowledge and solutions to help them create a safer life at home.

## Contributing to thriving communities

We want to play our part in contributing to thriving and inclusive local economies. We aim to have a positive impact on communities and people in our value chain and to use our voice to highlight important issues.

**O**ur approach includes: partnering with community organisations to find solutions to social and environmental challenges; creating income opportunities for vulnerable people by working with social enterprises; investing in skills and work experience for refugees, migrants, people with disabilities, young people and women outside the labour market; and engaging our co-workers and customers to contribute to their local communities.

### Building skills for employment

Our commitment to diversity means we see the potential talent in everyone – including those who are struggling to access the labour market. We want to support people who lack skills, experience or face other barriers, to find work with us or another employer. By reflecting the diversity of our local communities, we broaden our customer base, tap into new countries and better understand our customers' needs.

**We're supporting young people**, people with disabilities, people over 50 years old, migrants, refugees and women who have been out of the workplace. In FY19, we ran projects in 16 countries, often in partnership with local NGOs and public bodies, providing skills development and work experience placements.

We ramped up our commitment to increasing refugee inclusion this year. In FY19, stores in nine countries ran initiatives to support refugees' skills development and help them to find work with Ingka Group or other companies (see page 37). In five countries, we sold TILLTALANDE, a textile collection from the Jordan River Foundation, that has created 250 jobs for local artisans and women refugees in Jordan, in partnership with Inter IKEA Group.

*IKEA stores in nine countries ran initiatives to support refugees' skills development.*

**We've launched several initiatives** to support refugees and scale up our impact. By 2022, we aim to have 300 units supporting refugees with skills for employment initiatives. We'll also contribute to creating more jobs for local artisans and female refugees in Jordan by selling their products in all countries.

By advocating for a positive change for refugees in society, we want to show other companies, organisations and key decision-makers the value of refugee integration into host communities and businesses. ▶▶▶



At IKEA Örebro in Sweden, a sewing service is provided by Vivillalla, a women's co-operative which encourages entrepreneurship and creates income opportunities for migrant women who struggle to enter the labour market.



## Children and young people

... are the focus of a long-term partnership between IKEA Retail UK & Ireland and the children's charity Barnardo's. Our co-workers are fundraising, sharing their skills and revamping spaces to create bright, comfortable safe spaces.

Together we'll improve frontline services for vulnerable children and young people, working together to support children's development and play.



## Stable employment for people with disabilities

... is being provided by IKEA Bratislava in Slovakia, in partnership with a local workshop. The skilful hands of people with disabilities are making products in ÅTERSTÅLLA collection. Leftover textiles are upcycled and transformed into useful items like aprons and cushion covers, which will be sold at IKEA Bratislava.

*"It can be difficult for people with disabilities to find work. This project has helped 15 people working in our organisation to develop new skills, feel valued in society and contribute to the collection."*

Marta Prochyrová, Manager, Dom Svitania workshop, Slovakia

# 32

social entrepreneurs in 16 countries

... are tackling societal challenges while growing their business – and ours – to create a more positive and inclusive future for people.

## Unemployed young people

... are building a better future through The Power of Childhood programme across four IKEA units in Catalonia, Spain. Young people receive training and skills development, mentoring from IKEA co-workers and the chance to access paid internships and summer contracts. Fifty-nine percent of 46 participants have accessed a job inside or outside IKEA since the project began in 2017.



### Partnership with social entrepreneurs

Social entrepreneurs are experts at building businesses that tackle societal challenges. We're partnering with social enterprises to help them grow, while they help us to meet the needs of our business and customers. We also involve local communities in our IKEA Retail offer in new and exciting ways.

This is not charity as it's also good for our business – entrepreneurs offer products and services we need in our retail operations, enhancing our offer to our customers. It also creates opportunities for customers to contribute to their local communities, with beautiful handicrafts, tasty food products and services with a social mission, available at affordable prices.

*We're partnering with social enterprises to help them grow, while they help us to meet the needs of our business and customers.*

**Our commitment is to accelerate and empower** vulnerable people to move from dependency to independency. We'll do this by integrating social entrepreneurs and social businesses into our retail value chain.

Goal highlight: By 2025 we want all Ingka Group countries to develop products or services made by local social businesses. So far, we've built partnerships with 32 social entrepreneurs and social businesses in 16 countries that support women and others who might be facing inequality or poverty, such as young people, migrants or those with disabilities.

From FY20 we will prioritise working with social entrepreneurs in three areas:

- » **Last mile fulfilment operations** such as collection, delivery and product assembly.
- » **Circular offers to customise**, repair, upcycle, rent, resell or take back products and materials, such as textiles, to save resources.
- » **New business solutions** that find innovative ways to solve business and societal problems.

### Supporting communities

We want to co-create sustainable, child-friendly and connected neighbourhoods and cities, using our skills, experience and expertise in home furnishing, retail and sustainability. We want to respond to local communities needs and create a positive impact by becoming hubs for people to share, meet and learn, as well as to shop. Our goal is to empower 50% of IKEA Retail co-workers and 30% of IKEA Family members to be positive "change-makers" in their local communities, using IKEA as a platform to create more sustainable, fairer and inclusive neighbourhoods and cities by 2025.

It takes people to make a positive change. Our talented and passionate co-workers take an active role as change-makers in their communities by partnering with local partners, NGOs, social entrepreneurs and community groups. For example, in Russia the "Learning Together" project opens up schools and kindergartens, providing specialist equipment for children with disabilities and special learning needs, to enable them to study with other children and feel more included. In FY19, the third year of the project, around 4,800 children participated with the support of 9,700 teachers.

# 300

Ingka Group units will support refugees

... with skills for employment initiatives by 2022.

# Sustainability governance and management

**T**he Ingka Group Sustainability Strategy sets out the direction for the three businesses we operate: IKEA Retail, Ingka Centres and Ingka Investments. The strategy is formally decided by Management Board, considering advice from Supervisory Board. The Sustainability Committee of the Management Board, chaired by the CEO of Ingka Group, defines and follows up on the overarching priorities, principles and frameworks for sustainability within Ingka Group.

**Our Chief Sustainability Officer (CSO),** Pia Heidenmark Cook, oversees our performance against the commitments of our sustainability strategy. The CSO organises and is the deputy chairperson of the Sustainability Committee, supported by the Sustainability Management Team. The Sustainability Management Team includes managers from Group Sustainability, Group Procurement and Group Communication,

along with the Sustainability Managers of IKEA Retail and Ingka Centres.

At the end of this year, we appointed all Country Retail Managers as Chief Sustainability Officer for their country. This is a significant step forward in our effort to embed sustainability into our core business at Ingka Group and broaden ownership of our People & Planet Positive strategy. Country CSOs are accountable for delivering our goals at the country level, and sustainability is integrated into their development programme and performance review process.

**Ingka Group participates** in the IKEA Strategic Sustainability Council. This is an Inter IKEA Group governance body that focuses on the IKEA Brand's role in society, sustainability strategies and ambitions across the franchise system and compliance with requirements for sustainability goals through IWAY.



## Deciding what matters

Our People & Planet Positive strategy is informed by our own research, in-depth knowledge of our customers and consultation with our key stakeholders.

► **In 2017, we conducted** a materiality assessment to listen to our stakeholders as we formulated our strategy. We ranked issues based on our experience and on feedback from key internal and external stakeholders.

The issues most critical to our business, and to our stakeholders, are listed below in alphabetical order. The IKEA Sustainability Strategy, issued by Inter IKEA Group, also addresses topics that are the responsibility of Inter IKEA Group, such as sourcing raw materials for home furnishing products and food, and sustainable product design.

**Read more on page:**

Circular economy .....	33, 66, 79
Community involvement .....	87
Co-worker well-being .....	55
Customer travel & deliveries .....	22, 78
Diversity & inclusion .....	52
Greenhouse gas emissions and air pollution .....	70, 78
Human rights .....	83
Public policy & advocacy .....	52, 70, 79, 86, 91
Supplier and their co-worker well-being .....	84
Sustainable & responsible sourcing of indirect materials and customer services .....	81
Water stewardship .....	81

## Engaging with our stakeholders

Our key stakeholders include our co-workers, customers, NGOs, academics, governments, partners and peers, who all challenge us to be our best.

**R**elationships with many external partners help us achieve our ambitions, goals and targets as we contribute to broader efforts to tackle major societal, environmental and regulatory challenges. In our daily work, we raise our voice and advocate where we want to see change.

*Together with partners we've called for high-level policy changes and advocated with governments for a climate positive future.*

**We're a member of the UN Global Compact** (see page 111 for our UNGC index); we work with the World Economic Forum; and we're a member of the World Business Council for Sustainable Development (WBCSD). Together with partners, we've called for high-level policy changes and

advocated with governments for a climate-positive future and a fairer and more equal society.

We also collaborated with stakeholders on a range of issues relevant to our sustainability strategy focus areas in FY19. These include:

- » **Human rights, diversity and inclusion:** UN Women, Real Play Coalition, Business for Inclusive Growth Platform, Equal Pay International Coalition (EPIC), Catalyst, Workplace Pride, Stonewall and The Conference Board.
- » **Climate change and energy:** We Mean Business coalition, The Climate Group, SolarPower Europe and Corporate Leaders Group.
- » **Circular economy:** Ellen MacArthur Foundation (CE100), the Circular Economy 8 (CE8) – a group of companies committed to a circular economy.

# Managing sustainability risks

Like any large business, we face sustainability risks. To remain successful and to grow, we work to understand and address both the risks and opportunities that we face.

**S**ocial, environmental and ethical risks are integrated into the Ingka Group Risk Management Framework. Risks are identified, assessed and managed across the business, and relevant functions are responsible for monitoring progress and putting mitigation plans in place.

We assess risks on an ongoing basis, as well as conducting an annual sustainability risk review, led by the Sustainability Management Team. Risks are assessed using internal data and third-party reports from organisations such as the World Economic Forum and the World Resources Institute. Identified risks are assessed based on likelihood and impact.

**These risks are reported** to the Ingka Group Sustainability Committee and the Ingka Group Risk & Compliance Committee. The Ingka Group Risk Register is updated to reflect the latest assessment. All risks have an owner in the relevant business area who is responsible for leading efforts to mitigate the risk and to provide regular feedback on developments during the year. Sustainability Leaders in Group Sustainability are assigned to support risk owners to develop mitigation plans.

In FY19, we strengthened our risk process by adding a bottom-up approach for each Ingka Group country to identify and report local sustainability risks. Sustainability Managers in each country, supported by Risk & Compliance Managers and other relevant co-workers, identify and record risks. Risks are consolidated into the Ingka Group Sustainability Risk Register which is a key input for the annual Ingka Group risk process. The bottom-up approach improves our understanding of sustainability risks in each country and whether there are any emerging risks that could affect our strategic sustainability goals.

## Key sustainability risks in FY19

The key sustainability risks identified in FY19 include: climate change disrupting our supply chain and business operations and impacting

co-workers and customers; and social and environmental risks in our supply chain. More detailed information about climate change risks can be found on page 72. We discuss our approach to managing social, environmental and ethical risks in more detail throughout this report.

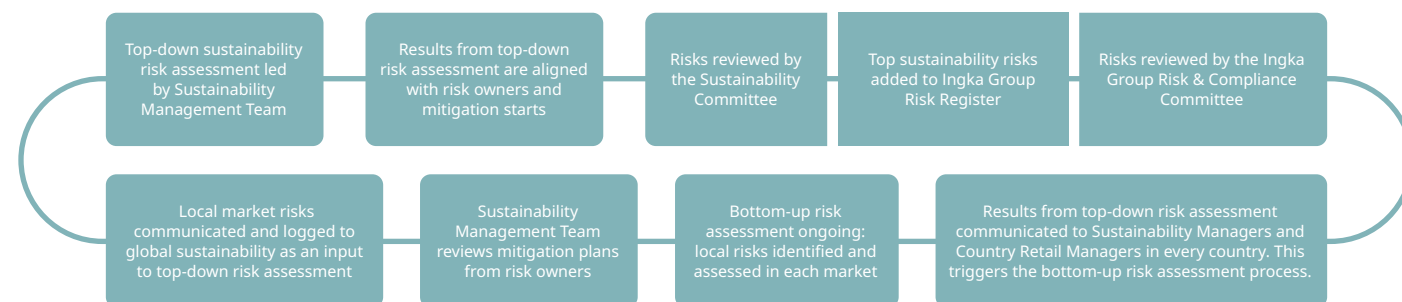
## Reporting non-financial information

In line with the requirements of the EU Non-Financial Reporting Directive, more information on the following risks is disclosed:

- » **Environmental risks** – see Circular and climate positive: Tackling climate change, Striving for zero waste and using resources in a circular way, pages 68-81.
- » **Social and employee risks** – see Our people: Equality, diversity and inclusion, Improving health, well-being and occupational safety, pages 48-55; and Fair and inclusive: Respecting human rights, Supporting decent work in our supply chain, pages 83-85.
- » **Human rights and children's rights risks** – see Fair and Inclusive: Respecting human rights & children's rights, Supporting decent work in our supply chain pages 83-85; and Our people, pages 48-55.
- » **Anti-corruption, anti-bribery and business ethics risks** – see Business ethics, page 106; and Fair and inclusive, page 84.

## Our sustainability risk management process

Risks are identified, reviewed and mitigated in a top-down and bottom-up annual risk assessment cycle.



# About our sustainability reporting

## Scope

The Ingka Group Annual Summary & Sustainability Report is a combined report of our performance and achievements across our business, including sustainability. It covers the financial year 2019 (FY19) from 1 September 2018 to 31 August 2019, unless otherwise stated, and the entities controlled by Ingka Holding B.V. during this time.

**Our sustainability report** describes our progress against the Ingka Group sustainability strategy, which sets our sustainability ambition, focus areas and goals up to 2030. Our strategy guides the contribution of Ingka Group to the IKEA ambition to become people and planet positive. Ingka Group is the largest IKEA retailer within the IKEA franchise system. Ingka Group operations include three business areas which are within our reporting scope: IKEA Retail (including Customer Fulfilment), Ingka Centres and Ingka Investments.

Inter IKEA Group sets the overall strategic direction for the IKEA business and includes the companies that develop and supply the IKEA product and food ranges, certain manufacturing and Inter IKEA Systems B.V. – the worldwide IKEA franchisor. Each year, Inter IKEA Group reports progress against the IKEA sustainability strategy from across the IKEA value chain and franchise system.

## Environmental data

Our reporting and data collection processes involve many internal and external stakeholders. The majority of data is collected from primary sources and entered into reporting systems. Energy-related information is usually obtained from real-time meters at each site, from invoices or from service providers. The primary unit used in energy reporting is megawatt-hours (MWh).

We calculate our energy and carbon footprint in accordance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard using the operational control consolidation approach and our internal reporting criteria. The scope of external assurance in FY19 covers our direct carbon footprint (scope 1 and 2), see page 118. We are currently in the process of updating scope 3 models which is why they have not been included in the assurance scope this year.

**In FY19, we performed multiple internal reviews** on data governance, ways of working and reporting policy. These changes are part of our efforts to improve the quality of our data so that we can make better-informed business decisions. This affects

the carbon footprint data we previously disclosed, and data restatements are clearly indicated where relevant.

► For Ingka Centres, we developed our reporting approach regarding the allocation of energy consumption between common and leased areas in our meeting places to make it more consistent across regions. As a result, we have restated data for scope 1, 2 and 3 from FY16 and onwards.

► For scope 1 and 2, emissions from company cars and on-site vehicles and refrigerants have been excluded for FY16-FY19 and a more consistent reporting approach will be introduced in FY20.

► Some scope 3 models were developed and/or corrected for historical data errors.

► This year, we did not report on carbon or energy efficiency performance, but we aim to report these indicators again in FY20.

Historical climate footprint data including restatements can be found in Appendix, see page 114.

**Data may also be affected by uncertainties** in scientific knowledge or in the contextual data used in calculations, especially for scope 3 emissions. We use emission factors from publicly available sources like DEFRA, Department for Environment, Food & Rural Affairs (2018) and IEA, International Energy Agency (2018) and from local electricity and heat suppliers. Factors from publicly available databases are integrated into our reporting system. Regular updates of these databases are included in the services provided by our software vendor. Scope 2 emissions are calculated in accordance with the Greenhouse Gas Protocol Scope 2 Guidance, applying both the market and location-based approaches. Our baseline for greenhouse gas footprint disclosure is FY16. The global warming potentials (GWPs) used in the calculation of CO<sub>2</sub>e are based on the IPCC Fourth Assessment Report (AR4) over a 100-year period.

**We aim to ensure all information and data** is relevant, transparent, consistent, accurate and complete, and that it provides an objective picture of the operations of Ingka Group. Data for IKEA stores or other units not owned by Ingka Group, but by other franchisees, is not covered within the scope of this report. Any other exclusions are stated in the report.



# Group financial performance and governance

<a href="#">A message from Juvencio Maeztu</a>	96	<a href="#">Consolidated balance sheets</a>	102
<a href="#">Our financial year FY19</a>	98	<a href="#">Ownership structure and governance</a>	104
<a href="#">Taxes</a>	100	<a href="#">Business ethics</a>	106
<a href="#">Consolidated income statement</a>	101	<a href="#">IKEA Foundation</a>	108



A MESSAGE FROM JUVENCIO MAEZTU

# Transforming and performing in the new world of retail

One year into our transformation to create a new IKEA in three years, we're performing better than ever across IKEA Retail, Ingka Centres and Ingka Investments.

**W**ith a strong focus on cost performance and major investments, we've made great progress with new city stores, meeting places, digital innovations and fulfilment services. We've also accelerated our investments in innovative, new companies and renewable energy – all to reach more customers in more ways to become even more affordable, accessible and sustainable.

As we're going through the biggest transformation in IKEA history, we've seen strong performance across our group. In challenging times for many retailers, we continue to grow both IKEA Retail sales and total Ingka Group revenue. Customer visits to our IKEA stores remain strong, and I'm very proud of our growth in comparable stores. Online sales growth was close to 50%, with the online share of total IKEA Retail sales now surpassing 10%. To us, these are signs that our transformation is working.



## Focus on costs and affordability

As we grow and reach more people, affordability remains a key priority, and we're determined to not pass the cost of our transformation on to our customers as higher prices. Instead, we're challenging ourselves to find new ways to both transform and perform. Through better underlying business performance, and by working hard to lower our operational costs, we were able to offset the cost of our business transformation and the lower gross profit, to a great extent. Our FY19 performance is in line with our plans, and we're proud of all the great efforts to manage operational costs and achieve higher sales at the same time.

## Strength to invest for generations to come

Our founder Ingvar Kamprad used to say that you should earn the money before you spend it and not rely on external funding. With 75 years of strong growth and investments, we've built up a unique ownership structure and financial position that allows us to take a long-term approach, thinking in "generations" rather than "quarters." The owner of Ingka Group, Stichting Ingka Foundation, can only use its resources in two ways: either by re-investing in the business of Ingka Group or for charitable purposes by donations via Stichting IKEA Foundation.

*"As we grow and reach more people, affordability remains a key priority, and we're determined to not pass the cost of our transformation on to our customers as higher prices."*

**In FY19, we accelerated our venture investments** in innovative companies that can help us move quicker and speed up our business transformation in strategic areas like retail services, logistics, digital and circularity. For example, we made exciting investments in kitchen installation services, mattress recycling, reverse logistics and robotics furniture, to name a few. To support



a fast execution of our big city expansion, we also started to review opportunities for real estate investments in prioritised cities.

## It's good business to be a good business

IKEA has always been about resourcefulness. We want to be a part of creating solutions for the challenges our planet is facing, and we're taking bold steps to secure the IKEA ambition to become climate positive by 2030. Helping to meet the challenges our planet is facing also means huge business opportunities for us. We believe there is a solid business case for sustainability and that financial performance and sustainability go hand in hand. It's the way we grow, stay relevant and remain profitable.

**In the short term**, we're meeting the increasing consumer demand for sustainable products and services. And our investments in wind and solar power reduce our structural operational costs. In the long term, sustainability is about securing our supply chain, keeping costs down and protecting the health and well-being of our customers and co-workers. With our size and reach, we have a unique opportunity to do good – and to make it affordable for many people to do good. If we, for example, can make solar panels accessible and affordable to more people than ever before, it's good for the climate – but it's also good for business. We're also exploring circular business models, like furniture leasing, that can extend the life of our products while becoming even more accessible and affordable for our customers at the same time.

*"In FY19, we accelerated our venture investments in innovative companies that can help us move quicker and speed up our business transformation in strategic areas like retail services, logistics, digital and circularity."*

## True commitment, great results

It's amazing to see the results that the organisation has delivered this year. I'm impressed and proud of the level of entrepreneurship and commitment of our many colleagues around the world – how we keep trying harder and continue to try new things. At times we'll fail, and that's ok. That's part of how we constantly develop and improve our business to better meet the needs of our customers, for many years to come.

Now, we'll continue to invest and accelerate growth through online, stores and centres, supported by a growing fulfilment network and with a specific focus on increasing our presence in big cities. Our transformation keeps creating new opportunities to grow and reach our sustainability goals. We've never been more inspired to help create a better everyday life for the many people. I'm happy for what we've achieved and excited to keep going.

**Juvencio Maetz,**  
Chief Financial Officer and Deputy CEO, Ingka Group

# Our financial year FY19

In FY19<sup>1</sup>, Ingka Group revenue increased by 5.3% (to EUR 39.1 billion total), and our total IKEA Retail sales increased by 5.0% at constant currency rate.

In 2019, we completed the first year of a three-year transformation program to build the future IKEA and to become more affordable, accessible and sustainable. We're adapting the business model, the organisation, governance and processes to the challenges of fast-changing consumer behaviour, of digitalisation and automation trends and of a new competitive business environment.

During the year, we have invested in existing and new markets, moved into cities and tested new store formats resulting in capital expenditures of EUR 2.6 billion in 2019. We have invested in our digital development and provided better solutions for our co-workers to improve customer meetings. We have developed flexible and affordable services to shorten delivery times and improved on-time delivery for our customers.

Summarising 2019, we have performed and transformed at the same time, showing continued growth of total IKEA Retail sales, based on growth of store sales complemented with strong online sales growth.

## Ingka Group financial performance

Total Ingka Group revenue for 2019 amounts to EUR 39.1 billion and increased by 5.3% compared to 2018. The revenue development was impacted by a positive 0.5% points currency effect.

Our better underlying business performance in all three businesses, coupled with a strong focus on lowering our operational cost, means we have been able to offset the cost of business transformation and lower gross profit to a great extent. The decrease in operating income from EUR 2,251 million to EUR 2,027 million came mainly from lower gross profit due to increased cost of purchased goods and services. Our FY19 performance is in line with our plans, and we feel very satisfied by the great efforts to manage costs and achieve higher sales at the same time. This performance in FY19, together with a very positive financial net, contributed to a net profit for Ingka Group of EUR 1.8 billion (FY18: EUR 1.5 billion).

**A significantly higher result** on financial market investments resulted in a financial net result of EUR 0.5 billion, compared to negative EUR 0.1 billion in 2018. Income before income tax amounts to EUR 2.5 billion (EUR 2.1 billion in 2018). The effective tax rate of 27.2% (2018: 30.0%) corresponds to an amount of EUR 0.7 billion incurred corporate income taxes. We have a strong balance sheet, and we further increased our solvency and liquidity during the year. Total assets amount to EUR 54.9 billion (EUR 52.4 billion in 2018),

and we further strengthened our equity to EUR 42.8 billion (EUR 40.8 billion in 2018). Our operating cash flow increased from EUR 2.6 billion (FY18) to EUR 3.9 billion.

## IKEA Retail

IKEA Retail grew sales by 5.0% at constant currency and by 5.6% when including currency effects. The main contributors to our total IKEA Retail sales growth are Germany, Russia, France, the UK and Poland. The fastest-growing countries are Hungary, Russia and Romania.

During the year, the positive sales growth from existing and new stores was complemented with strong online sales growth of more than 46%. The share of online in total IKEA Retail sales reached 11% in 2019. Kitchen and Bedroom furniture showed the strongest growth.

*The positive sales growth from existing and new stores was complemented with strong online sales growth of more than 46%.*

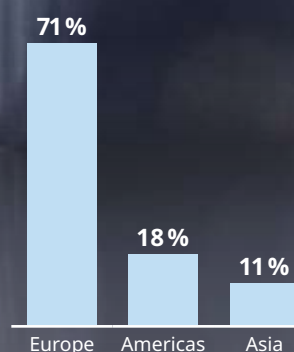
**Customer visits to IKEA stores** remained at a strong level of 839 million. In addition, visits to IKEA.com increased by 10% to nearly 2.6 billion. Over the year we've opened 7 traditional stores, 11 smaller IKEA stores and IKEA planning studios in major cities like London, Moscow, New York and Paris. We also launched a new IKEA app, making it easier for customers to search, find and buy IKEA products, whenever and wherever they choose.

## Ingka Centres

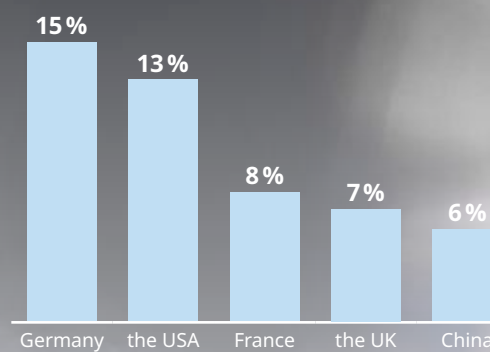
Ingka Centres develops and operates 45 experience-oriented shopping centres, called meeting places, in 15 countries in Europe, China and Russia. Ingka Centres is on a journey to create the meeting places of tomorrow that will have a positive impact on local communities. Visitation to our meeting places was stable, compared to prior year. Ingka Centres rental income was supported by strong uplift in rents in the Chinese meeting places, higher turnover rents and decreasing vacancy.

Ingka Centres is developing three new meeting places in China: Shanghai (planned opening 2023), Changsha (planned opening 2021) and Xi'an (planned opening 2024). Major investments are done in new Ingka Centres developments in China, focusing on mixed-use development that combines an IKEA store, retailing and other components like offices, apartments, hotels, etc.

## FY19 – IKEA Retail sales per region



## FY19 – Top IKEA Retail selling countries



## Ingka Investments

Ingka Investments invests, develops and manages financial and other assets to support the business growth of IKEA Retail and to safeguard the long-term financial strength of Ingka Group. It consists of six portfolios: Business Development Investments, Prioritised City Real Estate, Venture & Growth Capital, Renewable Energy, Forestland, and Financial Market Investments.

In FY19, we acquired 49% of the shares in the kitchen installation company Traemand, and we also launched the Prioritised City Real Estate portfolio during the year and started to review opportunities for the IKEA Retail expansion in cities. The Venture & Growth Capital portfolio transactions in 2019 consist of minority shareholding investments in six new companies in the areas of retail, circularity, digital development and innovation.

*We're on track to exceed our goal to produce as much energy from renewable sources as we consume by 2020.*

**Within the Renewable Energy portfolio**, our ownership and commitments include 534 wind turbines in 14 countries and 2 solar energy farms with 715,000 solar panels under construction in the USA. In addition, there are 920,000 solar modules on our store,

warehouse and shopping centre rooftops. With these investments, we're on track to achieve and exceed our goal to produce as much energy from renewable sources as we consume by 2020. As part of the Forestland portfolio, we own 210,000 hectares of forestland located in five countries. During 2019, we invested in over 26,000 hectares, mostly in the USA and Lithuania.

## Looking forward to 2020

In 2020, we project continued growth in all sales channels and through expansion. As we are accelerating our business transformation, we plan for significant capital expenditures while also selling certain assets. In total, we are planning for investments significantly above last year's level. Based on available liquidity, significant increase of external financing is not expected in the coming years.

The principles of Ingka Group to secure long-term sustainable growth – earning money before we spend it as well as being innovative, cost-conscious and customer focused – remain unchanged. Our business transformation continues to be guided by principles of having the right speed and conscious risk taking while safeguarding our business and having a culture of performance and accountability. Above all and always, we are guided and inspired by our culture and values.

<sup>1</sup> 1 September 2018 to 31 August 2019.

# Taxes

We're strongly committed to managing our operations in a responsible way and to making a positive contribution to the societies in which we operate.

**W**e want to create long-term value through growth, a great customer experience and a positive impact on people and the planet. The taxes we pay are an important part of our wider economic and social impact. Ingka Group pays taxes in accordance with laws and regulations, wherever we are present, as a retailer or in any other role.

In FY19, corporate income tax amounted to EUR 682 million globally (EUR 634 million in FY18), which equals an effective corporate tax rate of 27.2% (30.0% in FY18). In FY19, our total tax bill, including other taxes and duties such as property taxes, environmental taxes and customs duties, amounted to approximately EUR 1,140 million.

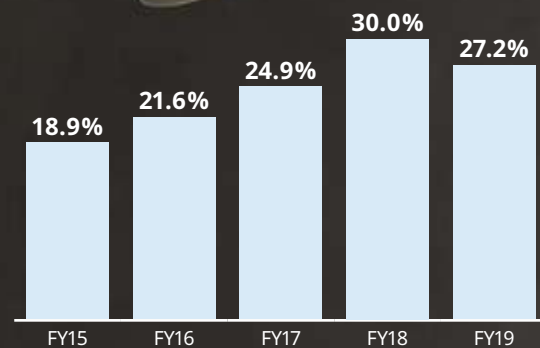
The taxes we pay are an important part of our wider economic and social impact.

**Over the past five years (FY15–FY19)**, corporate income tax and other taxes and duties amounted to approximately EUR 6,888 million. In addition, we collected substantial tax amounts on behalf of governments, such as value added tax and employee taxes.

Over these 5 years, we've also created tens of thousands of jobs, directly in our stores and warehouses, and indirectly with our external suppliers, which in turn generate taxable income.

**EUR 6.9 billion**  
in corporate income tax and other  
taxes over the last 5 years

**Effective corporate tax rate (ETR)  
FY15–FY19**



## Consolidated income statement 1 September–31 August (in millions of euros)

	2019	2018
Revenue	39,065	37,093 *
Cost of sales and services	26,634	24,947 *
<b>Gross profit</b>	<b>12,431</b>	<b>12,146</b>
Operating expenses	10,787	10,212 *
Other income	383	317
<b>Operating income</b>	<b>2,027</b>	<b>2,251</b>
Total financial income and expense	483	-138
<b>Income before minority interests and taxes</b>	<b>2,510</b>	<b>2,113</b>
Tax	682	634
<b>Income before minority interests</b>	<b>1,828</b>	<b>1,479</b>
Minority interests	11	11
<b>Net income</b>	<b>1,817</b>	<b>1,468</b>

\* These comparative numbers are reclassified for comparability purposes.

The included abbreviated financial information is derived from the consolidated financial statements of Ingka Holding B.V. This information is prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. An unqualified auditor's report dated 18 November 2019 was issued on these financial statements. Ingka Holding's Annual Report for financial year 2019 is available through the Dutch Chamber of Commerce. Ingka Group total revenue includes sales of goods, service income and rental income.



FÄRLÖV  
3-seat sofa  
€699

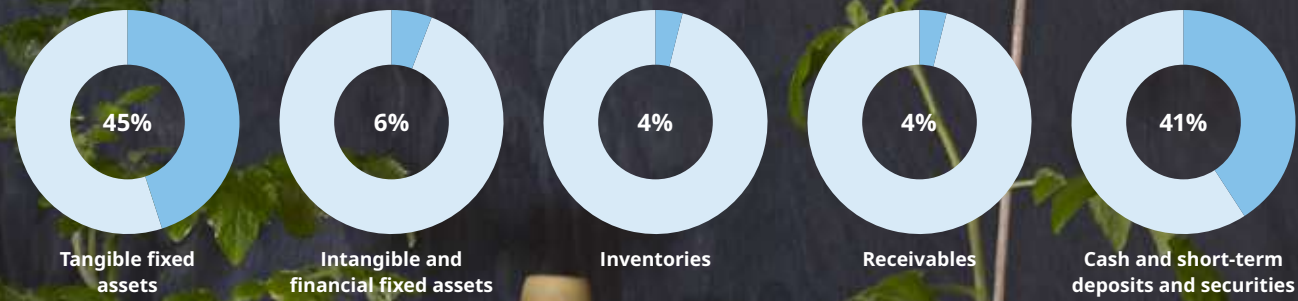
**Consolidated balance sheet August 31** Assets (in millions of euros)

	2019	2018
Intangible fixed assets	2,240	2,124
Tangible fixed assets	24,451	23,565
Financial fixed assets	1,166	846
<b>Total fixed assets</b>	<b>27,857</b>	<b>26,535</b>
Inventories	2,273	2,027
Receivables	2,165	2,544
Securities	21,228	19,697
Cash and short-term deposits	1,366	1,547
<b>Total current assets</b>	<b>27,032</b>	<b>25,815</b>
<b>Total assets</b>	<b>54,889</b>	<b>52,350</b>

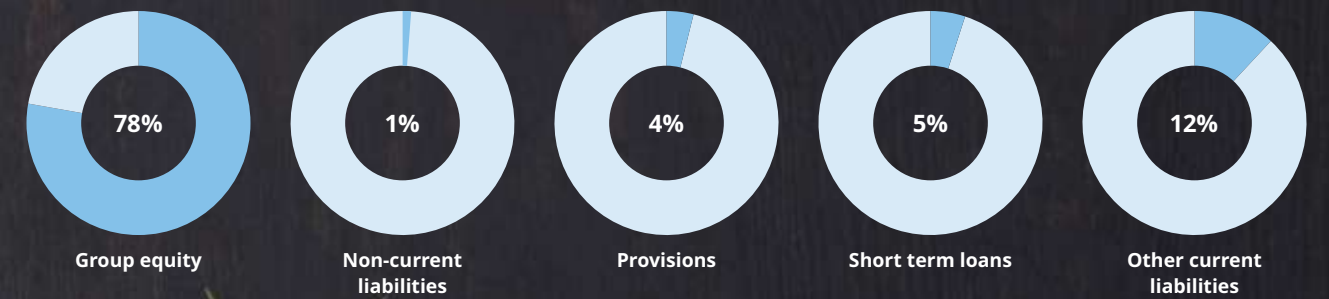
**Consolidated balance sheet August 31** Equity & liabilities (in millions of euros)

	2019	2018
<b>Group equity</b>	<b>42,828</b>	<b>40,822</b>
Provisions	2,275	1,810
Non-current liabilities	529	774
<b>Total non-current liabilities</b>	<b>2,804</b>	<b>2,584</b>
Short term loans	2,711	2,727
Other current liabilities	6,546	6,217
<b>Total current liabilities</b>	<b>9,257</b>	<b>8,944</b>
<b>Total equity and liabilities</b>	<b>54,889</b>	<b>52,350</b>

**FY19 Total assets – EUR 54,889 million**



**FY19 Total equity and liabilities – EUR 54,889 million**



INGEFÄRA  
Plant pot with saucer 12 cm  
€2.99

## We operate IKEA stores and other sales channels under franchise agreements

► **Ingka Holding B.V. is one of 12 franchisees**, operating IKEA stores under franchise agreements with Inter IKEA Systems B.V., the owner of the IKEA Concept and worldwide IKEA franchisor. Inter IKEA Systems B.V. is based in the Netherlands and part of Inter IKEA Group. Inter IKEA Group and Ingka Group have the same founder, as well as a common history and heritage, but are two separate groups of companies with different management and different owners.

All IKEA franchisees pay a 3% franchise fee to Inter IKEA Systems B.V. The franchise fee gives us, as an IKEA retailer, the right to operate stores and other sales channels under the IKEA Concept and IKEA Brand. It grants access to systems, methods and proven solutions as well as staff trainings, manuals and updates of the IKEA Concept such as store layouts, fittings and display concepts.

## Ownership structure

► **Ingka Group (Ingka Holding B.V. and its controlled entities)** has an ownership structure that ensures independence and a long-term approach. Ingka Group is owned by a Dutch foundation, Stichting Ingka Foundation, with a charitable purpose that is achieved by making funds available to Stichting IKEA Foundation. As its owner, Stichting Ingka Foundation can reinvest funds into Ingka Group.



## Ingka Holding

► **Ingka Holding B.V. is the parent company of Ingka Group**, located in Leiden, the Netherlands. Ingka Group operates three businesses; IKEA Retail, Ingka Centres and Ingka Investments. IKEA Retail is the core business, where we operate IKEA stores and other sales channels in 30 countries. Ingka Centres operates shopping

centres under different trademarks, always anchored by an IKEA store. Ingka Investments makes purposeful investments to support the long-term growth of Ingka Group, to secure its financial strength and to support its sustainability goals.

## Ingka Group Governance

<b>Supervisory Board</b>	<b>Committees</b>	
<b>Management Board</b>	<b>Committees</b>	<b>Group functions</b>
<b>Group Management</b>	<b>Councils</b>	
<b>INGKA CENTRES</b> Centres Board Centres Management	<b>IKEA RETAIL</b> Retail Board Retail Management	<b>INGKA INVESTMENTS</b> Investments Board Investments Management
<b>Local Boards &amp; Management</b>	<b>Retail Country Boards &amp; Councils</b> Retail Country Management	<b>Local Boards &amp; Management</b>



## Ingka Group Board of Supervisory Directors

► **The Supervisory Board of Ingka Holding B.V.** is responsible for supervising, monitoring and advising the work of the Management Board. Based on recommendations from the Management Board, the Supervisory Board approves, among other things, the strategic plan, the main directions and the budget of Ingka Group. The Supervisory Board is always guided by the interests of Ingka Group and to ensure the continuity of our business.

**As per 31 August 2019**, the Supervisory Board of Ingka Holding B.V. consists of eight members. From top left to bottom right: **Lars-Johan Jarnheimer** (Chairman of Ingka Group Supervisory Board, also chairs the Remuneration Committee), **Tore Bertilsson** (also chairs the Audit Committee), **Lone Fønss Schröder** (also member of the Audit Committee), **Luisa Delgado** (also member of the Remuneration Committee), **Ian Worling** (also member of the TaskRabbit board), **Stina Bergfors**, **Mark Newton-Jones** and **Jonas Kamprad**.

## Ingka Group Board of Managing Directors and Ingka Group Management

► **The Management Board** is the ultimate decision-making body and is responsible for the formal conduct and the strategic, structural and financial approvals as well as critical risks for Ingka Group.

**The Ingka Group Management Board** has two members: **Jesper Brodin**, President and Chief Executive Officer, and **Juencio Maeztu**, Chief Financial Officer and Deputy Chief Executive Officer. **Kurt-Jörgen Olsson**, General Counsel, is Permanent Invitee and Corporate Secretary to the Management Board.

**Group Management** focuses on the strategic direction and performance of Ingka Group and is the strategic leadership team for Ingka Group. Group Management takes part in the decision-making in relation to strategies, business transformation, leadership and performance.



**Ingka Group Management**, from left to right: **Jesper Brodin**, President and CEO, (Chairperson), **Laia Andreu Lopez**, CEO Assistant (Permanent Invitee & Organiser), **Juencio Maeztu**, Chief Financial Officer and Deputy CEO (Deputy Chairperson), **Barbara Martin Coppola**, Group Digital Manager, **Gerard Groener**, Ingka Centres Manager, **Ulrika Biesert**, Group People & Culture Manager, **Krister Mattsson**, Ingka Investments Manager, **Olivia Ross Wilson**, Group Communication Manager, **Kurt-Jörgen Olsson**, General Counsel, **Davide Urani**, Strategy, Development & Innovation Manager and **Tolga Öncü**, Retail Operations Manager

# Business ethics

## Our Code of Conduct

The way we run our business and interact with each other, our customers, visitors, suppliers and the world around us, will always determine who we are and how the world perceives Ingka Group and the IKEA Brand.

In Ingka Group, we act based on our values, supported by a strong IKEA culture and our vision to create a better everyday life for the many people. Our expectations on co-workers and partners are set-out in our Code of Conduct, Ingka Group Policies and Rules, including policies on Anti-Bribery and Corruption, and Human Rights and Equality. Business ethics is also incorporated into our IWAY supplier Code of Conduct.

**We updated our Code of Conduct** during FY19, to create a more user-friendly document with more examples of how to apply our values and resolve common dilemmas that co-workers may come across at work. All co-workers receive training on our Code of Conduct, and a new online refresher training will be available from early FY20.

## Anti-bribery and corruption

Ingka Group is committed to doing business in an honest way, and we have zero tolerance for bribery or corruption in any form. Corruption is bad for business, could harm our customers and co-workers and would damage our reputation and brand. Anyone acting on behalf of Ingka Group must not engage in corrupt practices, which includes accepting or offering bribes, kickbacks or loans. We support efforts by regulators and enforcement agencies to tackle bribery and corruption.

To strengthen our approach and promote our zero tolerance message, we've developed our Anti-Bribery and Corruption Framework. This includes internal controls, periodic risk assessments and due diligence processes, as well as updated policies and processes covering conflicts of interest, gifts and entertainment, sanction screening and anti-money laundering. It governs our interactions with co-workers, business partners, customers and public officials.

**The Risk & Compliance Committee** provides oversight of our approach and is chaired by our Chief Financial Officer and Deputy CEO who is a member of our Management Board.

We have developed an intensive, face-to-face training programme for co-workers in sensitive roles (such as procurement or real estate)

or locations, with sessions held in China, India, Russia and Southeast Europe so far. This programme will be rolled out to further countries and functions during FY20. Our Code of Conduct training for all co-workers also includes elements on anti-bribery and corruption.

*We stand together against bribery and corruption.*

## Investigating misconduct and raising concerns

We offer clear guidance on how to manage situations of misconduct and undertake regular risk assessments, both nationally and within our functions and three business areas (IKEA Retail, Ingka Centres and Ingka Investments). We take every case of potential unethical behaviour very seriously. If a policy breach does occur, we investigate and respond quickly and carefully, using our Rule of Investigation to ensure confidentiality, consistency and accountability. We take the same approach when investigating a potential breach of our human resources policies.

**We promote an open culture of trust**, fairness and honest communication. If our co-workers have a concern at work, we encourage them to raise this with the person involved in the first instance, where this is appropriate. When this isn't possible, concerns should be raised with their line manager, local risk manager or human resources representative. If these options are not possible or appropriate, they can report concerns through our Trust line. This is free of charge and accessible 24 hours a day, enabling co-workers to raise concerns online or by phone, in their local language. To ensure confidentiality and anonymity, Trust line is operated by People Intouch, a third party. Trust line is available in all countries where we are present, except for Austria and the USA. In Austria, we are in discussion with our social partners on the best way to implement Trust line. In the USA, we provide a similar service called iSpeak.

When an issue is raised, it is evaluated by Trust line managers to make sure it's handled appropriately. Where an investigation is required, this is carried out by a designated manager within the People & Culture or Business Risk & Compliance functions. In FY19, Trust line received 212 reported concerns. The majority of concerns related to potential breaches of our human resources policies and were raised by retail co-workers.

## Towards data ethics principles

Societies are transforming as they become more data- and technology-driven. And this fact creates opportunities for us to do better business – opportunities such as being more relevant and offering a more meaningful experience for every individual customer, through data.

► **Similarly, data is a key enabler** of our business and operations, as well as for our employees, who also benefit from the innovations and developments it enables.

But being the trustworthy partner that our customers, co-workers and partners expect, demands ethical standards and a strong commitment – not just to compliance, but to excellence and transparency in the fields of data use, artificial intelligence, and how new technologies are employed.

In today's digital world, we need to do our part to make our customers feel the way they do in their home: valued, secure and in control. So, we're committed to full transparency around how we use their data, and to explaining how sharing it benefits them. This means they'll always be able to control their data easily – and that choosing and changing their preferences regarding it, is as straightforward as choosing the colour of their sofa.

**This is a first step** towards putting people first in all our data-driven processes – towards respecting human rights, inclusion and diversity, and towards using personal data in a human-centric way that pays particular attention to potentially vulnerable groups, such as minorities, women, people with disabilities, LGBT+, children, and others at risk of exclusion.

We will ensure that our data-driven decisions always follow our company values, and that we take responsible and ethically-sound decisions around data. To do this as we move forward on our digital journey and expand the role that data and artificial intelligence play in our business, we'll be guided by our Data Ethics Principles, which we're developing across functions and with our partners in civil society.



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## THE IKEA FOUNDATION

# One vision, 10 years, a billion euros

Ten years ago, the IKEA Foundation set out on its mission to create a better everyday life for the many people. Since then, it has given more than 1 billion euros in grants to organisations across the planet to make this vision a reality.

**A**s the philanthropic arm of Stichting Ingka Foundation, owner of the Ingka Group of companies, the IKEA Foundation (Stichting IKEA Foundation) was set up as a completely independent charitable foundation with a very clear mission – provide a better life for the many people without pursuing profit for IKEA.

The IKEA Foundation goes about this mission by making funds available in the form of a grant to partners and organisations that work with communities and people, often in the poorest parts of the world. Dedicated programme managers identify and work with partners to create a brighter future on a liveable planet.

In 2019, the IKEA Foundation provided EUR 194 million<sup>1</sup> in grants to organisations working to tackle climate change, increase the use of renewable energy, support the livelihood of farmers and help provide employment and entrepreneurship opportunities to those who need it most. The IKEA Foundation also invested EUR 10 million in better prevention and preparedness of communities in the face of emergencies and disasters.

## A brighter future for families and the planet

"The IKEA Foundation's grantmaking is guided by two commitments: helping families living in poverty afford a better everyday life and protecting the planet. Together with strong strategic partners, we work to transform global systems to benefit the many rather than the few, while protecting the planet for future generations," says Per Hegggenes, CEO, IKEA Foundation.

*"The IKEA Foundation's grantmaking is guided by two commitments: helping families living in poverty afford a better everyday life and protecting the planet."*

Per Hegggenes, CEO, IKEA Foundation

## Focus on systems change

The IKEA Foundation supports a number of long-term programmes and emergency relief efforts around the world. It focuses on programmes that create systems change – where youth, women and refugees have equal chances to develop skills, find sustainable jobs, start businesses and turn agriculture into a source of growth and innovation. Other examples are programmes that power vulnerable communities with renewable energy resources, giving access to green energy in order to create a sustainable livelihood. Recognising the urgency of climate action, the IKEA Foundation also supports programmes that encourage businesses, financial institutions and governments to drastically reduce carbon emissions.

"We need to act now and work together to tackle climate change. When people join together and unleash their creative power, they can create a brighter future. That's why we support programmes that promote new collaboration between businesses, civil society, governments and the many people," concludes Per.

Read more about the work of the IKEA Foundation: [www.ikeafoundation.org](http://www.ikeafoundation.org)



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## Committed to bold climate action

► **Corporations everywhere** are increasingly realising the role they can play in fighting climate change. They are recognising that those who live in poverty are especially vulnerable to resource exploitation, pollution and extreme weather.

The IKEA Foundation supports and provides grants to We Mean Business, a coalition of organisations that advises companies on ways they can become more sustainable and responsible. Through the

coalition's Take Action campaign, over 1,000 leading companies have committed to bold climate action. When companies choose low-carbon ways to manufacture, package and transport goods, it benefits people today and increases the chances that children will have better lives tomorrow.

In 2018, the IKEA Foundation announced the extension of their commitment to climate-related projects, planning to give EUR 700 million in total until 2023.

*Improving the lives of vulnerable children has been at the heart of what the IKEA Foundation does since 2009.*

## Better everyday lives for refugees

► **The IKEA Foundation is committed** to helping people forced to flee their homes, and the communities who host them, improve their incomes so they can become more self-reliant.

In the area around the Dollo Ado refugee camps in Ethiopia, for example, the IKEA Foundation has worked with UNHCR to build canals that irrigate 1,000 hectares of land. Local families and families who fled Somalia are now farming the land together. Since families are earning a better income, more children – especially girls – are staying in school.

The IKEA Foundation believes that refugees must have the means to earn a living so they can afford a better everyday life and become part of the communities in which they live.



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## Engaging co-workers through IWitness

► **In 2012, the IWitness programme** was launched to engage IKEA co-workers and customers in projects funded by the IKEA Foundation. The programme lets co-workers from different IKEA countries visit projects run by partners of the IKEA Foundation, in order to experience how these projects help some of the world's most vulnerable children and families. Then they share that experience with the many IKEA co-workers and customers back home to help drive change in their communities. It's an opportunity to see what's possible to do, thanks to the profits generated by their daily work – which is the reason the IKEA Foundation can make the impact it does. So far, more than 700 co-workers from 37 IKEA countries have had the chance to become advocates for the work carried out by the IKEA Foundation and its partners around the world.

EUR **194** Million  
granted in 2019

► **In 2019**, the IKEA Foundation granted EUR 194 million. To celebrate its 10th anniversary, the IKEA Foundation published a report highlighting some of its partners' achievements over the past decade.

Read more in the 10th anniversary review at: [www.ikeafoundation.org/annual-review/2018](http://www.ikeafoundation.org/annual-review/2018)



# Indices and appendix

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## Our compliance with the UN Global Compact

We are a signatory to the United Nations Global Compact, a set of ten principles in the areas of human rights, labour, environment and anti-corruption. The UN Global Compact reference table shows where the report discusses our policies and progress regarding these principles.

UNITED NATIONS GLOBAL COMPACT (UNGC) PRINCIPLES		LOCATION IN FY19 REPORT
<b>HUMAN RIGHTS</b>		
<b>Principle 1</b>	Businesses should support and respect the protection of internationally proclaimed human rights; and	<b>Respecting human rights</b> , page 83
<b>Principle 2</b>	make sure that they are not complicit in human rights abuses.	<b>Respecting human rights</b> , page 83 <b>Supporting decent work in our supply chain</b> , page 84
<b>LABOUR</b>		
<b>Principle 3</b>	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	<b>Building strong social relations</b> , page 54
<b>Principle 4</b>	the elimination of all forms of forced and compulsory labour;	<b>Respecting human rights</b> , page 83 <b>Supporting decent work in our supply chain</b> , page 84
<b>Principle 5</b>	the effective abolition of child labour; and	<b>Respecting and supporting children's rights</b> , page 83 <b>Fairer lives for young and migrant workers</b> , page 83
<b>Principle 6</b>	the elimination of discrimination in respect of employment and occupation.	<b>Going all in on equality</b> , page 52 <b>IKEA employment standards (IES)</b> , page 54
<b>ENVIRONMENT</b>		
<b>Principle 7</b>	Businesses should support a precautionary approach to environmental challenges;	<b>Circular and climate positive</b> , page 68
<b>Principle 8</b>	undertake initiatives to promote greater environmental responsibility; and	<b>Healthy and sustainable living</b> , page 62 <b>Circular and climate positive</b> , page 68
<b>Principle 9</b>	encourage the development and diffusion of environmentally friendly technologies.	<b>Healthy and sustainable living</b> , page 62 <b>Circular and climate positive</b> , page 68
<b>ANTI-CORRUPTION</b>		
<b>Principle 10</b>	Businesses should work against corruption in all its forms, including extortion and bribery.	<b>Business ethics</b> , page 106



# Our contribution to the UN Sustainable Development Goals

We support the United Nations Sustainable Development Goals (SDGs) in their ambition to achieve a better world for all. As a global business, we have a role to play in contributing to achieving the SDGs. Find out how we contribute to each goal in the table below, and where to read more in this report.

SUSTAINABLE DEVELOPMENT GOALS	HOW INGKA GROUP CONTRIBUTES
 <p><b>1 NO POVERTY</b> End poverty in all its forms everywhere</p>	<ul style="list-style-type: none"> <li>• Providing and supporting decent and meaningful work in our business and supply chain, pages 48, 82-85, and 87</li> <li>• Supporting refugees to develop skills for employment, pages 37 and 87</li> <li>• Partnering with social enterprises to support those facing poverty and other barriers, page 88</li> <li>• Partnering to create positive change in local communities, page 88</li> </ul>
 <p><b>2 ZERO HUNGER</b> End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p>	<ul style="list-style-type: none"> <li>• Offering healthier and more sustainable food for customers and co-workers, page 67</li> <li>• Investigating foods for the future, including offering more meat-free options, page 67</li> <li>• Trialling lower carbon techniques to grow more nutritious fresh produce, page 66</li> <li>• Minimising food waste in our operations, page 80</li> </ul>
 <p><b>3 GOOD HEALTH AND WELL-BEING</b> Ensure healthy lives and promote well-being for all at all ages</p>	<ul style="list-style-type: none"> <li>• Offering products for more healthy and sustainable living, page 62</li> <li>• Inspiring and enabling healthy and sustainable living, page 63</li> <li>• Offering healthier food to customers and co-workers, page 67</li> <li>• Supporting children's well-being by promoting the power of play, page 86</li> <li>• Health and well-being in the workplace, page 55</li> </ul>
 <p><b>4 QUALITY EDUCATION</b> Ensure inclusive and equitable quality education and promote life-long learning opportunities for all</p>	<ul style="list-style-type: none"> <li>• Supporting children's right to play, page 86</li> <li>• Supporting refugees to develop skills for employment, pages 37 and 87</li> <li>• Offering our co-workers opportunities for training and development, page 49</li> </ul>
 <p><b>5 GENDER EQUALITY</b> Achieve gender equality and empower all women and girls</p>	<ul style="list-style-type: none"> <li>• Working to ensure gender equality across Ingka Group, page 52</li> <li>• Partnering with social enterprises that employ people – mostly women – and empower them to develop sustainable incomes, page 88</li> </ul>
 <p><b>6 CLEAN WATER AND SANITATION</b> Ensure availability and sustainable management of water and sanitation for all</p>	<ul style="list-style-type: none"> <li>• Managing water resources, page 81</li> <li>• Inspiring and enabling customers to save water at home, page 63</li> </ul>
 <p><b>7 AFFORDABLE AND CLEAN ENERGY</b> Ensure access to affordable, reliable, sustainable and modern energy for all</p>	<ul style="list-style-type: none"> <li>• Making significant investments in wind and solar energy, pages 39 and 75</li> <li>• Making residential solar affordable and accessible for the many people, page 32</li> </ul>
 <p><b>8 DECENT WORK AND ECONOMIC GROWTH</b> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<ul style="list-style-type: none"> <li>• Being an inclusive employer and investing in our co-workers development, page 48</li> <li>• Providing and supporting decent and meaningful work, page 82</li> <li>• Improving standards in our supply chain through IWAY, the IKEA supplier code of conduct, page 84</li> <li>• Supporting refugees to develop skills for employment, pages 37 and 86</li> <li>• Partnering with social enterprises to create opportunities for people experiencing poverty and other barriers, page 88</li> </ul>

## SUSTAINABLE DEVELOPMENT GOALS

## HOW INGKA GROUP CONTRIBUTES

 <p><b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b> Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation</p>	<ul style="list-style-type: none"> <li>• Making significant investments in renewable electricity generation, pages 39 and 75</li> <li>• Investing in renewable heating and cooling in our buildings, page 75</li> <li>• Investigating foods for the future, including plant-based proteins, and trialling lower carbon techniques to grow nutritious fresh produce, pages 66 and 67</li> <li>• Tackling emissions from travel and deliveries, page 78</li> </ul>
 <p><b>10 REDUCED INEQUALITIES</b> Reduce inequality within and among countries</p>	<ul style="list-style-type: none"> <li>• Promoting a fair and inclusive society and respecting human rights, pages 83 and 84</li> <li>• Respecting and supporting children's rights, page 83</li> <li>• Supporting fairer lives for young and migrant workers, page 83</li> <li>• Supporting refugees to develop skills for employment, pages 37 and 87</li> </ul>
 <p><b>11 SUSTAINABLE CITIES AND COMMUNITIES</b> Make cities and human settlements inclusive, safe, resilient and sustainable</p>	<ul style="list-style-type: none"> <li>• Striving for zero waste and using resources in a circular way, page 79</li> <li>• Inspiring and enabling customers to live more sustainably, pages 62-63</li> <li>• Making residential solar affordable and accessible for the many people, page 32</li> <li>• Contributing to thriving communities, page 87</li> <li>• Tackling emissions from travel and deliveries, page 78</li> </ul>
 <p><b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b> Ensure sustainable consumption and production patterns</p>	<ul style="list-style-type: none"> <li>• Offering and trialling products and services that promote circular consumption, pages 33 and 66</li> <li>• Striving for zero waste and using resources in a circular way, page 79</li> <li>• Responsible sourcing of goods and services that help to run our business, page 81</li> </ul>
 <p><b>13 CLIMATE ACTION</b> Take urgent action to combat climate change and its impacts</p>	<ul style="list-style-type: none"> <li>• Contributing to the IKEA ambition to become circular and climate positive, page 68</li> <li>• Tracking our climate footprint against our science-based targets, pages 70-71</li> <li>• Understanding the impact of climate change on our business, page 72</li> <li>• Inspiring customers to make more climate friendly choices through campaigns and other customer communication, pages 17 and 63</li> <li>• Collaborating with partners to accelerate progress on climate action, pages 70 and 91</li> <li>• Making residential solar affordable and accessible for the many people, page 32</li> </ul>
 <p><b>14 LIFE BELOW WATER</b> Conserve and sustainably use the oceans, seas and marine resources for sustainable development</p>	<ul style="list-style-type: none"> <li>• Working to phase out single-use plastic from our IKEA Restaurants, Cafés and Bistros, page 80</li> </ul>
 <p><b>15 LIFE ON LAND</b> Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss</p>	<ul style="list-style-type: none"> <li>• Responsible sourcing of goods and services that help to run our business, page 81</li> <li>• Investing in responsibly managed forests, page 39</li> </ul>
 <p><b>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</b> Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p>	<ul style="list-style-type: none"> <li>• Respecting human rights, page 83</li> <li>• Aiming to become an inclusive and people-centred company and employer, pages 52 and 82</li> <li>• Contributing to thriving communities, page 87</li> <li>• Ensuring an ethical approach to the way we do business, through our Code of Conduct, page 106</li> </ul>
 <p><b>17 PARTNERSHIPS FOR THE GOALS</b> Strengthen the means of implementation and revitalise the global partnership for sustainable development</p>	<ul style="list-style-type: none"> <li>• Partnering with others to extend our impact beyond our own business and taking a stand on the issues we believe in, pages 53, 60, 86, 88, 89 and 91</li> </ul>

# Appendix, Circular and climate positive

This appendix contains complete and restated data as described in the section Circular and climate positive, page 68-81.

## Climate footprint (tonnes CO<sub>2</sub>e)

Restatements and previous years <sup>1</sup>

	FY16	FY17	FY18	FY19	FY19 SHARE %
Scope 1 (Previous years assured)	127,033	134,464	142,098	-	-
Scope 2 (Previous years assured)	492,617	488,761	495,006	-	-
Scope 3 (Previous years assured)	22,676,691	23,523,641	23,958,027	-	-
<b>Total (Previous years assured)</b>	<b>23,296,341</b>	<b>24,146,865</b>	<b>24,595,131</b>	-	-
<b>Scope 1 NEW</b>	<b>98,879</b>	<b>115,504</b>	<b>124,038</b>	<b>129,233*</b>	<b>0.54%</b>
<b>Scope 2 NEW</b>	<b>414,290</b>	<b>420,130</b>	<b>462,688</b>	<b>474,922*</b>	<b>1.98%</b>
<b>Scope 3 NEW</b>	<b>23,494,220</b>	<b>23,202,317</b>	<b>24,118,580</b>	<b>23,430,677</b>	<b>97.49%</b>
<b>Total NEW</b>	<b>24,007,389</b>	<b>23,737,951</b>	<b>24,705,306</b>	<b>24,034,832</b>	-

## Energy-related greenhouse gas emissions from our buildings (tonnes CO<sub>2</sub>e)

Restatements and previous years <sup>2,3</sup>

	FY16	FY17	FY18	FY19*
IKEA Retail	282,062	295,866	342,930	341,085
Distribution Centres	23,482	33,016	36,170	36,614
Ingka Centres (common areas) (Previous years assured)	296,923	281,292	267,067	-
<b>Ingka Centres (common areas) NEW</b>	<b>206,497</b>	<b>202,365</b>	<b>204,369</b>	<b>219,717</b>
Offices (Previous years assured)	8,272	9,197	10,962	-
<b>Offices NEW</b>	<b>1,128</b>	<b>2,048</b>	<b>777</b>	<b>3,415</b>
Other units (Wind farms) (Previous years assured)	1,519	2,804	878	-
<b>Other units (Wind farms) NEW</b>	<b>n/a</b>	<b>2,339</b>	<b>2,480</b>	<b>3,324</b>
<b>Total (Previous years assured)</b>	<b>612,258</b>	<b>622,175</b>	<b>658,007</b>	-
<b>Total NEW</b>	<b>513,169</b>	<b>535,634</b>	<b>586,726</b>	<b>604,155</b>

\* Data included in the external assurance scope

<sup>1</sup> Carbon footprint FY16-FY18 restated, following improved reporting process for Ingka Centres and update of Scope 3 models (historical data error and review of methodology).

<sup>2</sup> Carbon footprint FY16-FY18 restated, following improved reporting approach for Ingka Centres and historical data error correction.

<sup>3</sup> Emissions from company cars, onsite vehicles and refrigerants have been excluded for FY16-FY19, and a more consistent reporting approach will be introduced in FY20.

## Location-based/market-based emissions from consumed electricity<sup>1</sup>

Restatements and previous years <sup>2</sup>

	FY17	FY18	FY19
Consumed electricity (MWh) (Previous years assured)	2,089,644	2,112,256	-
<b>Consumed electricity (MWh) NEW</b>	<b>1,897,940</b>	<b>1,963,998</b>	<b>1,996,526</b>
Location-based emissions (tonnes CO <sub>2</sub> e) (Previous years assured)	800,677	813,160	-
<b>Location-based emissions (tonnes CO<sub>2</sub>e) NEW</b>	<b>800,856</b>	<b>860,930</b>	<b>877,012*</b>
Market-based emissions (tonnes CO <sub>2</sub> e) (Previous years assured)	453,326	456,051	-
<b>Market-based emissions (tonnes CO<sub>2</sub>e) NEW</b>	<b>420,130</b>	<b>462,688</b>	<b>474,922*</b>
<b>Reduction due to market-based emission factors (%) (Previous years assured)</b>	<b>-43.4</b>	<b>-43.9</b>	-
<b>Reduction due to market-based emission factors (%) NEW</b>	<b>-47.5</b>	<b>-46.3</b>	<b>-45.8</b>

\* Data included in the external assurance scope

<sup>1</sup> From FY18, we're applying IEA 2018 emission factors for carbon emission calculations. In previous years, we used DEFRA 2015 emission factors.

<sup>2</sup> Scope 2 FY16-FY18 restated, following improved reporting approach for Ingka Centres and historical data error correction.

**Detailed scope 3 (indirect) climate footprint across the value chain** (tonnes CO<sub>2</sub>e)

Restatements and previous years assured <sup>1</sup>  
 Scope 3 data is not externally assured in FY19.

Scope 3 GHG Protocol category number and name	FY16	FY17	FY18	FY19
1. Purchased goods and services (Previous years assured)	11,669,035	11,921,564	12,752,967	-
<b>1. Purchased goods and services NEW</b>	<b>11,353,156</b>	<b>11,684,306</b>	<b>12,386,743</b>	<b>12,432,641</b>
2. Capital goods (Previous years assured)	140,940	162,623	140,940	-
<b>2. Capital goods NEW</b>	<b>184,306</b>	<b>195,148</b>	<b>260,197</b>	<b>292,722</b>
3. Fuel- and energy-related activities (not included in scope 1 or 2)	238,214	237,097	305,213	217,683
4. Upstream transportation and distribution (Previous years assured)	944,086	879,376	957,356	-
<b>4. Upstream transportation and distribution NEW</b>	<b>1,003,741</b>	<b>1,040,075</b>	<b>1,085,839</b>	<b>1,019,830</b>
5. Waste generated in operations <sup>2</sup>	42,235	49,007	49,610	71,172
6. Business travel	42,910	39,265	39,001	28,471
7. Employee commuting	111,915	120,583	123,703	127,807
8. Upstream leased assets				
9. Downstream transportation and distribution (Previous years assured)	3,563,086	3,615,095	3,754,328	-
<b>9. Downstream transportation and distribution NEW</b>	<b>3,530,611</b>	<b>3,380,716</b>	<b>3,643,317</b>	<b>3,698,881</b>
10. Processing of sold products				
11. Use of sold products (Previous years assured)	4,982,167	5,506,868	5,259,304	-
<b>11. Use of sold products NEW</b>	<b>5,896,892</b>	<b>5,376,241</b>	<b>5,152,069</b>	<b>4,492,640</b>
12. End of life treatment of sold products (Previous years assured)	786,233	803,707	847,873	-
<b>12. End of life treatment of sold products NEW</b>	<b>832,423</b>	<b>832,723</b>	<b>829,592</b>	<b>810,570</b>
13. Downstream leased assets (Previous years assured)	155,869	188,456	161,707	-
<b>13. Downstream leased assets NEW</b>	<b>257,817</b>	<b>247,157</b>	<b>243,296</b>	<b>238,260</b>
14. Franchises				
15. Investments				
<b>Total scope 3 (Previous years assured)</b>	<b>22,676,691</b>	<b>23,523,641</b>	<b>24,392,003</b>	<b>-</b>
<b>Total scope 3 NEW</b>	<b>23,494,220</b>	<b>23,202,317</b>	<b>24,118,580</b>	<b>23,430,677</b>

<sup>1</sup> Carbon footprint FY16-FY18 restated, following improved reporting process for Ingka Centres and update of scope 3 models (following historical data errors and review of methodology).

<sup>2</sup> From FY19, Waste generated in operations includes data from Ingka Centres (common areas) that was not included in FY16-FY18.

**Total waste produced** (tonnes)

Restatements and previous years<sup>1</sup>

	FY17	FY18	FY19
IKEA Retail	462,564	504,274	475,966
Distribution Centres	55,641	69,626	68,412
Ingka Centres (common areas)	71,902	89,829	-
<b>Ingka Centres (common areas) NEW</b>	<b>54,569</b>	<b>91,220</b>	<b>85,040</b>
Offices	151	n/a	-
<b>Offices NEW</b>	<b>n/a</b>	<b>n/a</b>	<b>182</b>
<b>Total</b>	<b>590,107</b>	<b>663,729</b>	<b>-</b>
<b>Total NEW</b>	<b>572,774</b>	<b>665,119</b>	<b>629,600</b>

**Water use by business unit** (m<sup>3</sup>)

Restatements and previous years<sup>2</sup>

	FY17	FY18	FY19
IKEA Retail	5,346,839	6,009,125	5,862,693
Distribution Centres	264,567	380,132	270,729
<b>Distribution Centres NEW</b>		<b>270,602</b>	<b>-</b>
Ingka Centres (common areas)	3,577,280	3,812,010	-
<b>Ingka Centres (common areas) NEW</b>	<b>2,463,212</b>	<b>2,480,484</b>	<b>2,539,254</b>
Offices	42,109	69,029	48,628
<b>Total</b>	<b>9,230,796</b>	<b>10,270,296</b>	<b>-</b>
<b>Total NEW</b>	<b>8,116,728</b>	<b>8,829,240</b>	<b>8,721,304</b>

<sup>1</sup> Waste volume FY17-FY18 restated, following improved reporting process for Ingka Centres.

<sup>2</sup> Water use FY17-FY18 restated, following improved reporting process for Ingka Centres and correction of historical reporting error for Distribution Centres in FY18.



# Assurance report of the independent auditor

To: the Board and shareholders of Ingka Holding B.V. and its controlled entities

## Our conclusion

We have reviewed the scope 1 and 2 carbon emissions reporting in the Ingka Group Annual & Sustainability Summary Report FY19 for the year ended 31 August 2019 of Ingka Holding B.V. and its controlled entities (hereafter: 'Ingka Group') based in Leiden, the Netherlands. A review is aimed at obtaining a limited level of assurance.

Based on our procedures performed, nothing has come to our attention that causes us to believe that the scope 1 and

2 carbon emissions reporting is not prepared, in all material respects, in accordance with the reporting criteria as included in the section 'About our sustainability reporting' on page 93.

The scope 1 and 2 carbon emissions reporting is included in the Circular and Climate Positive section on page 68, the appendix on page 114 and the explanatory notes on page 93 in the section 'About our sustainability reporting' of the Ingka Group Annual Summary & Sustainability Report FY19 (hereafter: the Report). The data for the indicators included in the scope of our engagement are marked in these sections with an asterisk (\*).

## Basis for our conclusion

We have performed our review of the scope 1 and 2 carbon emissions reporting in accordance with Dutch law, including Dutch Standard 3000A 'Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten)' (Assurance engagements other than audits or reviews of historical financial information (attestation engagements)) and including Standard 3410 'Assurance engagements on Greenhouse Gas Statements'.

Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the scope 1 and 2 carbon emissions reporting' of our report.

We are independent of Ingka Holding B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

## Reporting criteria

The scope 1 and 2 carbon emissions reporting needs to be read and understood together with the reporting criteria. Ingka Group is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the scope 1 and 2 carbon emissions reporting are the Greenhouse Gas Protocol (published by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD)) and the applied supplemental reporting criteria as explained on page 93 of the Report.

## Scope of the review of the group

Ingka Holding B.V. is the parent company of a group of entities. The scope 1 and 2 carbon emissions reporting incorporates the consolidated information of this group of entities to the extent as specified in the section 'About our sustainability reporting' in the Report.

Our group review procedures consisted of both review procedures at corporate (consolidated) level and at site level. Our selection of sites in scope of our review procedures is primarily based on the site's individual contribution to the consolidated information. Furthermore, our selection of sites considered relevant reporting risks and geographical spread.

By performing our review procedures at site level, together with additional review procedures at corporate level, we have been able to obtain sufficient and appropriate assurance evidence about the group's scope 1 and 2 carbon emissions reporting to provide a conclusion about the carbon emissions reporting.

## Responsibilities of Management for the scope 1 and 2 carbon emissions reporting

Management of Ingka Group is responsible for the preparation of the scope 1 and 2 carbon emissions reporting in accordance with criteria of the Greenhouse Gas Protocol (published by the WRI/WBCSD) and the applied supplemental reporting criteria as explained on page 93 of the Report.

Management is also responsible for such internal control as Management determines is necessary to enable the preparation of the scope 1 and 2 carbon emissions reporting that is free from material misstatement, whether due to fraud or error.

## Our responsibilities for the review of the scope 1 and 2 carbon emissions reporting

Our objective is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review engagements with a limited level of assurance is therefore substantially less than the assurance obtained in audit engagements.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the scope 1 and 2 carbon emissions reporting. The materiality affects the nature, timing and extent of our review procedures and the evaluation of the effect of identified misstatements on our conclusion.

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS, Regulations on quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3000A, Standard 3410, ethical requirements and independence requirements.

Our review included amongst others, the following procedures:

- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, and the characteristics of Ingka Group;
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the scope 1 and 2 carbon emissions reporting. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by management;

- Obtaining an understanding of the reporting processes for the scope 1 and 2 carbon emissions reporting, including obtaining a general understanding of internal control relevant to our review;

- Identifying areas of the scope 1 and 2 carbon emissions reporting with a higher risk of misleading or unbalanced information or material misstatements, whether due to fraud or error. Designing and performing further assurance procedures aimed at determining the plausibility of the scope 1 and 2 carbon emissions reporting responsive to this risk analysis. These procedures included among others:

- Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the scope 1 and 2 carbon emissions reporting;
- Determining the nature and extent of the review procedures for the group components and locations. For this, the nature, extent and risk profile of these components are decisive. Based thereon we selected the components and locations to visit. The visits to sites in Germany, Russia and China are aimed at, on a local level, validating source data and evaluating the design of internal controls and validation procedures;
- Obtaining assurance information that the scope 1 and 2 carbon emissions reporting reconciles with underlying records of Ingka Group;
- Reviewing, on a limited test basis, relevant internal and external documentation;
- Performing an analytical review of the data and trends.

- Evaluating the consistency of the scope 1 and 2 carbon emissions reporting with the other information in the Report which is not included in the scope of our review.

We communicate with Management, among other matters, the planned scope and timing of the review and significant findings that we identify during our review.

Amstelveen, 28 January 2020  
KPMG Sustainability,  
Part of KPMG Advisory N.V.

W.J. Bartels RA, Partner

