Annual Summary & Sustainability Report FY20

Ingka Group (Ingka Holding B.V. and its controlled entities)

IKEA Retail Business

INGKA™

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Ingka Group in FY20

Growing from our Swedish roots
Driven by the IKEA vision to create a better everyday life for the many people, we bring the IKEA Brand to millions of homes. 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 well-designed, functional, durable, affordable and sustainable home furnishing solutions to people with big dreams and thin wallets. In a year when home has become even more central to the lives of the many, we've worked even harder to meet the changing needs of our customers, whether it's online, through our customer service or in our IKEA stores. By continuing the largest 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 a better life at home
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 – engaging with even more people with our affordable, well-designed and sustainable home furnishing solutions for a better life at home. It inspires us even more today than ever before.

The financial year 2020 (referred to as FY20) of the Ingka Group (Ingka Holding B.V. and its controlled entities) refers to the period between 1 September 2019 and 31 August 2020 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. On 25 January 2021, Inter IKEA Group will publish the IKEA Sustainability Report, which reports on all companies in the IKEA franchise system and value chain.

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Our Covid-19 response

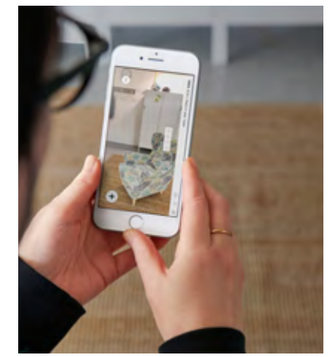
In March 2020, Ingka Group launched a range of emergency actions in response to the coronavirus pandemic. EUR 26 million was granted to support communities impacted by the pandemic. Additionally, we provided income stability for our co-workers, including extended parental leave for parents with children home from school.

Read more on pages 8-10.

Leaping from AR to AI

Ingka Investments has acquired Geomagical Labs, a leading developer of 3D and visual AI solutions for interactive home furnishing inspiration. By making it possible to scan your home with a smartphone and see in photo-realistic 3D how it would look with any IKEA furniture, Geomagical offers an enhanced digital meeting that makes designing your home a fun, inspiring and instantly accessible experience.

Read more on page 35.



Redefining life at home

We believe that home is the most important place in the world. In a year when we spent more time at home than ever, the seventh IKEA Life at Home Report explores how the events of this year have changed our relationships to home, and how they will inform the way we live in the future.

Read more on pages 16-17.

Custom designed electric trucks

In FY20 we completed testing of two types of electric vehicle prototypes, developed for IKEA in collaboration with Renault and MAN. These projects are part of a wide range of initiatives and partnerships to meet our 100% zero-emission goal.

Read more on page 33.

Expanding in big cities

In FY20, we opened several new IKEA stores in big cities like Moscow, Seoul and Tokyo. We also started to make real estate investments in city centres, with Ingka Investments acquiring a building in Paris and Ingka Centres acquiring inner city malls in downtown London and San Francisco.

Read more on page 30.

Investing for our climate

With continued investments in forestland, wind farms and solar parks, we exceeded our 2020 goal to produce as much renewable energy as the energy we consume in our operations. In September 2020, we pledged to invest EUR 600 million more to reach the IKEA ambition to become people and planet positive by 2030. This increases our overall investments into sustainability to EUR 3.8 billion since 2009.

Read more on pages 36-37.

We bring IKEA into people's lives

Ingka Group brings the IKEA Brand to 30 countries in order to make millions of homes and lives better. We operate 378 IKEA stores, as well as worldwide ecommerce and digital solutions. Our expansion and reach are strengthened by our network of meeting places and an active investment arm to support sustainable growth and business transformation.

One brand, many companies

IKEA is a franchise business. That means that many people and companies with different owners work under one IKEA brand, dedicated to one IKEA vision: to create a better everyday life for the many people. The franchisor Inter IKEA Systems B.V. is responsible for continuously developing the IKEA Concept and ensuring its implementation in new and existing markets. Franchisees like Ingka Group provide valuable input based on consumer and market insights.

Each year, the companies in the IKEA franchise system work together to launch more than 2,000 new products, develop new ways to make shopping more convenient, and help more than 800 million people to live healthier, more sustainable lives.

Ingka Group – three businesses in one

As the largest IKEA franchisee, Ingka Group represents the IKEA Brand through omnichannel retail in a variety of physical and digital formats, generating over 90% of total IKEA Retail sales in FY20. Ingka Holding B.V. is the parent company of Ingka Group, and is based in Leiden, the Netherlands. 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, with IKEA stores, and new customer meeting points, distribution units and omnichannel solutions. Every year, we welcome more than 706 million customers into our 378 IKEA stores in 30 countries, and our website IKEA.com saw more than 3.6 billion visits in FY20.

Ingka Centres

We also own one of the world's largest shopping centre businesses, operating 45 vibrant meeting places in 15 countries across Europe, Russia and China, with 370 millions visits in FY20. Always anchored by IKEA, our experience-led meeting places offer a unique mix of activities and services developed to meet the specific needs of each local community.

Ingka Investments

Through Ingka Investments, we make strategic and responsible 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.

3.6
billion visits to IKEA.com

9.4 million downloads of the IKEA app

EUR 1.2
billion net profit

(EUR 1.8 billion in FY19)
To be reinvested back into our business.

IKEA Clean Energy Services in 11 countries

Sales grew by 90% and our community of clean energy producers and consumers accumulated savings of over EUR 10 million and 63,000 tonnes of CO_2.

378
IKEA stores in 30 countries

At the end of FY20 we also had:
58 smaller formats such as IKEA planning studios and IKEA shops in cities
45 Ingka Centres meeting places in 15 countries
29 Distribution Centres in 18 countries
54 Customer Distribution Centres in 16 countries

166,350
co-workers

151 million IKEA Family members

Our most loyal customers are members of IKEA Family. More than 29,000 new members join every day!

39
million products saved

We successfully gave 39 million recovered products a second life. 30,5 million products were resold through the As-Is shop, and more than 8 million products were repacked and sold at affordable prices.

x 547

We have invested in 547 wind turbines and 2 solar farms in 14 countries and have 935,000 solar panels on the roofs of our IKEA stores and warehouses.

EUR 37.4
billion Ingka Group revenue
(EUR 39.2 billion in FY19)

Total IKEA Retail sales amounted to EUR 35.2 billion (EUR 36.7 billion in FY19). And online sales grew by 60%, amounting to 18% of total IKEA Retail sales.

50/50

Half of our managers are women, as are more than half of our co-workers.

706 million IKEA store visits
370 million Ingka Centres meeting place visits

A purpose-led company

Many of the global sustainability challenges that we're responding to in our strategy are described in the United Nations Sustainable Development Goals (SDGs). While we support all of the goals, our strategies contribute to six of them in particular. Read more on pages 112-113.

A MESSAGE FROM JESPER BRODIN

Life at home is more important than ever

FY20 will go down in history an exceptional year, in so many ways. Never have we been so challenged. Never have I been so proud. It has been incredible to see over 166,000 entrepreneurs come together around our purpose putting people at the heart of everything we do and adapt so quickly to meet the new needs of our customers. We will look back on FY20 and say that this was the most important year for IKEA in recent times.

Through the many challenges of the coronavirus pandemic, we stayed true to the IKEA vision, in standing with the many people, supporting communities and providing income stability for our co-workers. We collaborated with over 1,000 government agencies and NGO's to support those leading the emergency response and to those particularly affected – elderly, children, homeless, refugees, families living in poverty and victims of domestic violence.

A year of life at home

The pandemic has disrupted and affected every aspect of people's lives at home. With almost a third of the world's population asked to stay at home, homes now have to fulfil more functions, solve more problems – often all at the same time. People's needs and dreams are getting bigger, but for many, wallets are also getting thinner. The demand for affordable, well-designed, functional, sustainable and good-quality home furnishing makes IKEA more relevant than ever, and this is an opportunity for us to better serve our customers and live up to our vision to create a better everyday life for the many people.

Accelerating omnichannel

Before Covid-19, we were already well on track with our transformation to become a more affordable, accessible and sustainable company, ready to meet customer needs in more channels and better ways. When the pandemic led to more demand for online shopping and convenient delivery services, we stepped up our efforts, accelerating our digital capabilities and repurposing IKEA stores to fulfilment units. There has been remarkable work done within digital and store fulfilment, and we have taken big steps towards creating a new physical and digital infrastructure that can take our omnichannel capabilities to the next level. At the same time, we opened 26 new IKEA locations and accelerated our expansion in big cities. FY20 will be remembered as one of the most entrepreneurial years in IKEA history.

Building back better

Our commitment to making sustainable living affordable for the many people, and becoming a climate positive business, is stronger than ever before. As much as the pandemic has changed our lives, the climate crisis could have a much larger impact on people's health and economy. We are entering the most important decade in the history of mankind and the world needs leadership and climate action. Actions speak louder than words and we will continue to act for a green recovery, to build back better and drive change when it comes to the challenges of inequality and resource scarcity. Together with our partners and stakeholders in the EU Green Recovery Alliance, we have made one clear promise: that the social and economic recovery from the coronavirus outbreak will be focused on creating a resilient, climate-neutral economy.

Our vision and values guide us into the future

It really has been a year like no other. The pandemic has given us perspective. It has challenged our homes, our business and our priorities and continues to impact all of us in many ways.

Even if we have been put to the test, it's clear that our purpose is what unites us. We have experienced the true power of our culture and values, as we navigated uncharted territories without a map, but with a strong compass.

To all my colleagues, I want to thank you for your patience, hard work and big heart. You make me proud to be part of this team.

While our challenges will continue in FY21, I feel very optimistic. I believe optimism is a choice and a mindset. It's a force of good. And in the end, it is only optimists who change the world for the better. By working hard to solve problems and create opportunities, we will keep innovating to become an even more affordable, accessible and sustainable retailer that people can depend on, especially in challenging times. We are more determined than ever to create a better everyday life for the many people, at a time when home has become more important than ever. Together, we will roll up our sleeves, get things done and make dreams come true. After all – that's what entrepreneurs do!

Jesper Brodin
President and CEO, Ingka Group

Stronger together, united for tomorrow

Working through the challenges of the pandemic, co-workers from all over Ingka Group came together to keep our business strong and support our customers and communities.

More than anything, 2020 was defined by the coronavirus pandemic – a health crisis that has evolved into an economic crisis too, with a huge impact on all aspects of life and continued uncertainty likely for a long time to come.

The health and safety of our co-workers and customers have always been our top priorities, and by the end of March, 300 of our 380 IKEA stores were closed. Behind the scenes, we were working hard to keep as much of our business going as possible, to save jobs and continue to meet our customers' needs in new ways. With many of our customers confined to their homes, we saw a big increase in online demand, and took immediate steps to safely convert our stores into e-commerce fulfilment units, accelerate our digital capabilities and increase services such as drive-through, click & collect and contactless deliveries. This way, we were able to ensure business continuity and continue to make people's lives at home better during this difficult time.

Caring for our 166,000+ co-workers

People are at the heart of IKEA. Securing employment for as many of our co-workers as possible, for as long as possible, is a top priority for us, and an important factor behind the decision to keep much of our operations safely running. In March, we also set up a global framework to quickly support our country operations in providing income stability for co-workers. We started to offer additional parental leave for those who were at home with children and provided more flexible work arrangements whenever possible. To use this time to support co-workers to grow and learn, we enabled online training and competence development from home. Many quickly reskilled to take on new responsibilities: IKEA store co-workers learned how to prepare home deliveries, customer support centre co-workers started handling sales and store specialists began doing online consultations. See page 18 to learn more about our reskilling initiatives in China, and page 50 about how co-workers from our stores and customer support centres quickly took on new roles.

Returning government support

During the height of the lockdowns in the spring, when most of our IKEA stores were closed for an uncertain period of time, Ingka Group, like many other businesses, received government stimulus support to help cover co-workers' salaries. As our business recovered faster than expected, thanks to increased online sales and strong store sales when our stores opened safely again, we have started a dialogue with governments about returning the full amount of the support we received. In cases where our co-workers did not receive their full pay, Ingka Group will also make up the difference.

Supporting our suppliers and tenants

To be there for our partners and build for the long term, we supported our small and medium-sized partners and suppliers by offering faster payment terms and, in some cases, offering loans. As a one-off, Ingka Centres waived rents and service fees for tenants that were unable to remain open because of lockdowns. We also invested in driving online traffic to our tenants' websites and letting them share our IKEA home delivery and click & collect services (read more on page 38). To reunite local neighbourhoods after lockdowns, Ingka Centres is also investing EUR 1.6 million in local community programmes.

Helping the communities most in need

With our size, reach and resources, we have a unique opportunity to help protect the health and livelihoods of those affected by the coronavirus pandemic. In March, we announced emergency relief of EUR 26 million, allowing our 30 country organisations to take more immediate action in their local communities. Supporting 600,000, people in 30 countries, in collaboration with over 1,000 NGOs, we prioritised the needs of high-risk groups and the people leading relief efforts, focusing on providing necessities such as face masks and gloves. Helping to make hospitals, medical centres and shelters feel a bit more like home, we also donated beds, bedding, food and toys. See pages 90-91 to read more about our many donations and initiatives around the world.

Towards a new normal

As we look towards FY21, the pandemic is still ongoing, and local situations keep changing all the time. We continue to focus on keeping IKEA a safe place to work and visit for co-workers and customers. We monitor, assess and readjust to this new reality, and the decisions we make are in collaboration with governments, local authorities and healthcare professionals.

For Ingka Group as a business, the crisis has brought us closer together and accelerated our business transformation, forcing us to get even more creative and solve problems that would normally have taken years, in a matter of weeks. During the crisis, our country organisations have been leading the way with real entrepreneurship, enabling the entire group to move at great speed. Our strong performance in this challenging time shows the resilience of our business and the strong leadership among co-workers across IKEA.

In response to the fatigue many felt in the face of the second wave of the pandemic, IKEA Retail Netherlands launched the co-worker campaign #StayStrong, as a way to strengthen confidence and sense of togetherness. Encouraged to share their own reasons for "Why are you holding on?", 120 co-workers told their own stories in personal messages made visible to all their colleagues in their IKEA store.

The campaign offered many different perspectives during these difficult times and reminded us that while we all have our different reasons for coping, it helps if we do it together. At a time when we need to distance ourselves from each other physically, it's more important than ever to stay connected.

Safety first, adapting to a new normal

Since the outbreak of the pandemic, our primary focus has been on making sure that IKEA is a safe place to visit and work. We have also worked to stay open and accessible to customers as much as possible, with rigorous safety measures for co-workers and careful preparation for safe re-openings.

Activating crisis management

In February, Ingka Group activated a global crisis management team to lead and coordinate the response to the pandemic across the entire organisation. Initiatives included guidelines for restricted travel and remote working, criteria for closing and safely re-opening IKEA stores and a verification scheme for follow up on the implementation of virus prevention measures. The pandemic hit our countries in different magnitude and phases and by the end of March, we had closed almost 80% of our stores for the safety of our co-workers and customers. Our online business, fulfilment and delivery operations were still running in the majority of cases, and we implemented strict safety measures to protect the co-workers that were working hard to fulfil online orders from the stores, improve our e-commerce offerings and set up services such as drive-through, click & collect and contactless deliveries.

"Safety has always been a top priority for IKEA, but even more so now as we face the coronavirus pandemic. This is not just applicable for when we re-open but will continue to be a priority everywhere in our operations as we move into the new normal," says Susanne Pulverer, Business Risk & Compliance Manager at Ingka Group and leader of our global coronavirus Crisis Management Team.

Closing and safely re-opening our IKEA stores

By learning from countries that were impacted early, we were able to develop best practice, guidelines and manuals to help all our country organisations assess their readiness to re-open and establish new routines to prepare co-workers for the changes that would take place. As we slowly started to re-open, we considered criteria such as health authority directives, virus spread situations, protective equipment availability, established hygiene measures and co-worker sentiments and readiness.

While being eager to open the doors and welcome our customers back, each store took careful actions to secure the health and safety of all co-workers and customers. In collaboration with local authorities and healthcare professionals, we implemented robust safety measures to improve hygiene and protection practices, control visitor flows and make physical distancing smooth and easy. For example, we implemented strict control of visitor numbers, queue management, plexiglass at the registers, hand sanitizer dispensers throughout the stores, social distancing markers, temperature checks for co-workers, in-store communication and trained guides to help customers understand the new guidelines and protocols, as well as extra cleaning procedures. In addition, we started to work with a verification scheme to control that measures were in place in all our units; customer meeting points, distribution centres and office locations. The control was built on three levels of defense; verification through self-assessment, by the Business Risk & Compliance organisation on a risk based selection of a number of units and through an internal audit.

At the end of FY20, the pandemic had moved to a new phase, and all our countries were re-opened with only a handful IKEA stores and meeting places still closed. "Not that Covid-19 is behind us, but we are getting into a new normal, learning how to live and work with the virus around us, set new routines and ensure 'safety first' for co-workers and customers," ends Susanne.

Ready for the future

As Ingka Group firmly but carefully moves forward towards a new normal, we are prepared for any situation, including new lockdowns and re-openings, with a readiness plan. The IKEA stores are doing continuous assessments to secure that all safety measurements are in place and are in constant dialogue with local authorities to ensure we operate fully in line with any restrictions. We are also conducting internal
audits to secure compliance with safety requirements and stay alert in our ongoing protection of co-workers and customers.

By constantly re-evaluating the situation and coordinating best practice among our country organisations, we keep learning and improving in order to safeguard the highest safety standards in our stores and build resilience for the long term.

"It's been amazing to see the great team spirit, how co-workers quickly navigated the crisis and formed new ways of working. Everyone has been so devoted and innovative in finding ways forward, with a positive attitude."

Susanne Pulverer,
Group Business Risk & Compliance Manager

Our business

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PLATSA
Bed frame with 4 drawers

€468

A bedroom, a dining room and a living room – all in one place! A multi-use room is made possible with the help of the customisable PLATSA furniture system. When needs change, the modular PLATSA system can easily be repurposed with new frames, shelves or baskets.

Navigating a changing retail landscape

Our industry continues to transform, driven by changing consumer behaviours, digitalisation and climate change. Embracing the new reality of retail, we in Ingka Group are contributing to the biggest transformation in IKEA history to become more affordable, accessible and sustainable.

For the past 77 years, we have been driven by the IKEA vision to create a better everyday life for the many people. From flat packs to the plant ball, we have always looked for ways to innovate and improve the way we meet the needs of our customers. Today, we see big movements in digitalisation, urbanisation and environmental awareness that fundamentally change the way we live and shop. For us, this means many challenges and new opportunities. But most of all, it means change.

Embracing change

To adapt to this new reality, we are making the biggest transformation in IKEA history. We are creating new digital solutions and improving fulfilment with a focus on delivery and services. We are investing in our traditional IKEA stores and new IKEA formats, expanding into cities and continuing to integrate our retail business with our Ingka Centres meeting places. On top of this, through Ingka Investments, we are investing in innovative start-ups and technologies that can help us move faster. This transformation is also about becoming people and planet positive and making healthy and sustainable living an affordable choice for as many people as possible.

10 jobs in three years

As we transform, we have identified three strategic challenges that we are determined to turn into our greatest opportunities: affordability, accessibility and sustainability. To make this happen, we are focusing on what we call "10 jobs in three years, " ten big, bold initiatives with significant impact on our business, customer experience and sustainability goals and an ambitous three year timeline. With one year left to go, we are working harder than ever to get the jobs done. 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.

We have a long history of entrepreneurship and pulling together to get things done, constantly renewing and improving our business. This transformation is just the beginning of a new everyday reality for Ingka Group, as changes will of course continue to accelerate. We are excited to be creating that future.

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

To learn more about our 10 jobs in three years, find previous year's reports (FY18 and FY19) on https://www.ingka.com/newsroom/media-resources

A transformation accelerated

Accelerated by the Covid-19 pandemic, the need for affordable home fusnishing solutions and flexible services have never been greater. This is our time to make a meaningful difference to people's lives at home.

The Covid-19 pandemic has further increased digitalisation and changes in consumer behaviour. People shop more online, expect better delivery services, and are more careful about their spending, as the need for affordable solutions and value for money have become increasingly important. With many people confined to their homes, the need for solutions for a better life at home has also never been greater. At the same time, the effects of climate change are accelerating at a fast pace and present major challenges, but also opportunities. This means that IKEA can be more relevant than ever before by giving more people access to affordable home furnishing solutions that are also good for the planet.

By constantly working to meet these needs and make affordable, sustainable solutions widely available to the many people, we expect to grow, both in relevance and as a business. With a strong purpose-led brand, affordable offering and increasing accessibility, we have a unique opportunity to make a meaningful difference and keep offering a relevant experience in line with, and above, consumer expectations.

Physical retail is being redefined

Convenience, value-added services and seamless integration of digital and physical is a must in today's retail. This is enabled by digitalisation, both online and in physical spaces. Physical retail spaces remain important and continue to represent the majority of our retail sales. At the same time, the role of physical IKEA stores is changing. They need to offer even more attractive and unique experiences that include, but also go beyond, shopping. At the same time, the pandemic has increased health and safety concerns in physical spaces, which has implications for where and how we meet our customers.

Growing online demand

Online channels offer flexible and personalised shopping experiences and let people shop whenever and however they want. Experiential shopping like social e-commerce and live-stream selling will continue to see rapid growth, further boosted during the lockdown situation. For the home furnishing category, online channels have seen an increasing share of sales, especially when it comes to accessories. Third party ecommerce platforms have been growing and gaining market share for some time, driven by broad product ranges and easy access, and will continue to do so to a greater extent.

The role of "the home" is changing

Over the past year, we've seen the role, meaning and importance of home changing, as people have spent more time in their homes facing the joys and challenges that this brings. As a leader in life at home, we exist to make homes and lives better, so it's essential that we understand how behaviours and needs are changing, both on an emotional and functional level, in order to be relevant and attract new customers.

New service expectations

To stay competitive, retailers have been forced to innovate their service offers, while adapting to Covid-19 restrictions and changing consumer demand. This includes new, attractive delivery options and virtual customer consultation services at affordable prices. With an economic crisis looming for many countries, and for some this could last for some time, there is an increasing need for affordable solutions.

Redefining a better life at home

This year, more people have spent more time at home than ever before. Learning from their experiences, we explore the impact of the pandemic on life at home now – and look at what the future might bring.

For our relationship with home, 2020 has been like no other. While some of us faced serious challenges and struggled to cope, others enjoyed the slower pace and time with family. All across the world, we've been confined within our four walls, leading many of us to come to a realisation: we want something different from our lives at home. With new priorities emerging everywhere and all at once, the way we will live in the future now looks dramatically different. No matter what our living spaces look like, or who we share them with, "home" will need to flex for every part of life, work, play, learning, socialising, "me" time and more.

A closer relationship with home

This new situation, with all its compromises and new priorities, is at the heart of the IKEA Life at Home Report 2020, our annual research study, featuring insights from 38,210 people in 37 countries. We are calling it "The Big Home Reboot," as it explores people's newfound, closer relationship to home and the hopes and expectations they have for the future. Bringing together our primary research over the last seven years, interviews with experts and an exploration of trends likely to affect the way we live in the next decade, we've identified three big shifts that will gather pace and influence our future lives at home: more multipurpose, more local and more healthy.

A better life at home for the many people

This extraordinary year marks a reboot for our notion of home, but this is only the beginning. While life at home has been hard for many this year, there's much to be learned – and shared — from this time.

We now have a unique opportunity to define the future we want to live in and turn a challenging time into fuel for the future. We will use what we've learned to move forward with positive, actionable ideas and solutions that can make life at home better for the many people, not just the few.

About the Life at Home report

Our annual research gets us closer to what people need and dream about when it comes to a better life at home. That way we can create even better solutions based around the emotional needs of home, which we've identified as privacy, security, comfort, ownership and belonging.

The combination of qualitative and quantitative methodologies we use makes the Life at Home Report one of the world's most comprehensive research projects into life at home. In 2020, we spoke to 20 families around the world every week for three months and ran a survey of 38,210 people in 37 countries. We also conducted extensive desk research and challenged our findings by virtually connecting with experts on home and its future role.

Get inspired by the full Life at Home report on lifeathome.ikea.com

1. The multipurpose home

The multipurpose home has been emerging as a shift in the way we live for some time. In 2020, it became our make-do reality and got us thinking about the importance of flexibility and having enough space, comfort and privacy. As pandemic restrictions lift and change, this shift will pick up pace and become more permanent. Homes will need to adapt quickly, to become truly multipurpose.

The role of rooms will change

With urbanisation, homes around the world have gradually become smaller. While conventional thinking may see this as a limitation to a comfortable life at home, future mindsets will be different. We'll value small spaces as much as large ones, with solutions for maximising the possible uses of the space becoming a design requirement. For hundreds of years, home has been designed around specific functions: a room to sleep, a room to eat, and so on. The next generation of architecture will break free from this notion and design spaces to meet a long list of needs and activities. Home design will become more creative and thoughtful, with new home layouts and redefined spaces.

2. The local home

The pandemic has brought about a renewed belief in the value of community, with many of us relying on local networks for physical and emotional support, the resources we need and social interaction. From dusty lofts to abandoned retail spaces, under-utilised places in our homes and communities will spring back to life to help us live more locally. We'll be using under-utilised spaces to support our individual and community interests, like homegrown food and urban community gardens. As a result, we'll once again see our immediate surroundings as part of an extended home network.

Life will have a 15-minute radius

Rather than travelling long distances for work or leisure, people will look to live "more locally", depending more on local services, work-spaces and facilities. Proximity to the office is slipping down the priority list, with nearly half of us now saying that we would consider moving further away from work for a better life at home, with that figure rising to 53% for those under 35.

3. The healthy home

The pandemic has put health and wellbeing at the front of our minds, both at home and in public places. We are more careful when it comes to hygiene and safety standards, not only for our own homes, but for transportation networks, workplaces, schools, gyms and social spaces.

Health will become standard

We have an opportunity to learn from the pandemic – to set a new standard for what defines a "healthy home". A definition of good housing that goes beyond affordability or accessibility, to include health and wellbeing as an equally important priority. The healthy home of the future won't simply be about basic physical functions, but it will be a source of strength for our mental and physical health. The outside and inside of our homes will become more integrated, and homes will get lighter and greener, with large windows, communal gardens, balconies and roof terraces.

Fast-tracking the transformation of our stores and services

To meet a big increase in online demand during lockdown, we came together to solve – in days or weeks – what would normally have taken months or even years.

Most of our IKEA stores may have been closed to customers during the pandemic, but inside they have been bursting with activity; optimising space, logistics flows and technology in order to quickly convert our stores from a self-serve unit into an efficient logistics unit, focused on fulfilment and delivery of the increasing amount of orders placed online.

Turning stores into a delivery network

As part of our transformation, we were already repurposing our stores into both meeting points and fulfilment units, capable of handling pick-up and delivery for items bought at the store or online, at other IKEA customer meeting points or from one of our Customer Support Centres. Now, those initiatives have accelerated, as we have made immediate changes to quickly adapt and serve our customers in new ways. To move more volume with less space, co-workers reskilled and took on new responsibilities, we reallocated space from the self-serve area to the fulfilment area and optimised our workflows at every step, from picking and packing to pick-up or delivery.

We also accelerated the implementation of automated solutions, an example being mobile robots bringing articles to co-workers for faster and more ergonomic order preparation. Converting unused parking space underneath stores that are built on pillars into dedicated fulfilment areas is another recent optimisation that has helped speed things up. The new area is used to store orders that can go straight to customers, with the capacity to load multiple delivery vehicles at the same time. After a successful pilot at IKEA Alcorcón in Madrid in FY20, 15 more IKEA stores will follow in FY21, and from there on we will look to convert more than one hundred stores.

To ensure the safety of our customers and co-workers, a variety of safe pick-up and delivery services were quickly introduced, like contactless hand-out and deliveries, drive-through click & collect, one-person delivery and locker pick up. Collection lockers also have the added benefit of giving customers more flexibility and convenience, while serving as additional storage space for orders waiting to be picked up, increasing the overall fulfilment capacity of stores and bringing costs down.

A remote salesforce in customer support

The closing of our IKEA stores and customer meeting points also had a big impact on our Customer Support Centres. In just a few days or weeks, we had 2-3 times the normal volume of incoming contacts, and an increase of 20% to 300% in service orders, depending on the situation in respective countries. Going from primarily helping customers solve problems, our customer support centres now moved over to a heavy focus on sales, offering planning sessions and taking orders over the phone, chat and email. “When the stores were closed, our customer support co-workers were the only ones directly engaging with customers. From a customer point of view, they were the face of IKEA. And they rose to the occasion,” said Pernilla Jöne, Deputy Customer Support Centre Manager, Ingka Group.

Supporting and selling from home

In a matter of days, more than 5,000 customer support co-workers started working from their homes, requiring a speedy set up of computer terminals, broadband and phone lines in their homes, as well as the need to solve technical issues connected to working remotely. “In France and Germany, for example, an entire communication platform for remote customer service was put in place in a matter of days, something that usually takes six months,” Pernilla continues.

With all our customers now online and on the phone, co-workers quickly reskilled in order to take on new tasks: phone support specialists started to also manage email and chat, in-store planners and range specialists switched to doing remote planning sessions and selling from home. In just nine weeks, a majority of our countries were providing home furnishing services remotely, with a significant impact on our sales performance.

Managing expectations

At a time when Covid-19 has made it more challenging for our supply chain to provide and transport products around the world, the big increase in demand has also led to bottlenecks and product availability issues. Putting the customer experience in focus, our country organisations have responded by being transparent and more selective in the way we sell, focusing on selling what we have available and can deliver, to set expectations right for orders we know we will not have in supply for a while.

Change is here to stay

As we move forward, remote customer support and digital services will be even more important, and the benefits and future opportunities for remote selling and planning are clear - providing customers with more options to realise their needs and dreams at home more easily. We have been successful in better serving our customers, while many co-workers have appreciated the flexibility of working from home. Additionally, the challenge of having to cope with increased volumes also caused us to accelerate the implementation of automated solutions for customers to help themselves.

The many improvements to our store logistics and delivery services are also here to stay. While the process of transforming our IKEA stores into a fulfilment network was already underway, the big steps forward during the pandemic have served as a proof of concept. We will keep accelerating this process and all our stores will now be repurposed to also have fulfilment capabilities. By adapting to change and constantly re-evaluating and improving the way we work, we will keep working to make our services more affordable and accessible for the many people.

Upper: Many IKEA stores now offer collection lockers as affordable (and contactless) options, where customers can pick up their orders when it's more convenient for them, in some cases even outside of store hours.

Lower: IKEA stores with large logistics capabilities close to where our customers live have a big advantage. Click & Collect from store, has brought down service costs considerably and is priced at about one fifth of the price of home delivery.

New service options for all needs and budgets

By offering more cost-effective pick-up, delivery and financing services, we continue to transform, making IKEA even more affordable for people with thin wallets.

Increasingly, our customers want access to more convenient services, but with continued great value for money. As a purpose-led company with a strong affordability agenda, we have set out to develop more service options for different needs and budgets.

The new self-serve

With a strong commitment to innovating and reducing costs, we now offer a variety of pick-up and delivery options at different price points. From the most affordable Click & Collect from store, to Click & Collect near you - a mobile delivery service allowing customers to direct orders for pick-up at a chosen location in their neighbourhood, to curbside delivery (faster and doable for just one driver, bringing costs down), and complete home delivery with the full convenience.

Click & Collect from store, in particular, has brought down service costs considerably, and is priced at about one fifth of the price of home delivery. Many IKEA stores now also offer drive-through pick up and collection lockers as affordable (and contactless) options, where customers can pick up their orders when it's more convenient for them, in some cases even outside of store hours. With its much lower price, Click & Collect has become an increasingly popular alternative, and we are starting to regard it as the new self-serve. In most countries, we have introduced a more varied delivery offering that fits local needs, giving our customers more affordable choices and flexibility.

"Before the lockdown, there were 60 drive-through slots for click and collect customers. At the end of lockdown, we had made 500 slots available in a garage below the store. We will continue the service and improve it. It's highly appreciated by our customers."

Magdalena Krokowska-Wicherek,
Market Manager, IKEA Katowice, Poland.

Affordable last-mile delivery

Effective last-mile delivery is essential for keeping home delivery costs down – as well as for customer satisfaction and our environmental footprint. To make sure that this last part of the customer experience is well integrated with the rest of the customer experience, we have started a larger initiative to better oversee deliveries and returns. In FY20, we made a minority investment in Mover, an innovative Danish software platform that works with our current digital solutions to enable co-workers to access and monitor last-mile deliveries made by third party service providers, including live track and trace. Our co-workers can now pro-actively resolve any issues faster, and our customer support centres can help with information, updates and solutions. Possible future developments will allow us to optimise truckloads and route planning, which is key to reducing both costs and our environmental footprint.

IKEA Retail Denmark has been piloting Mover's technology for several months with three different transport providers. The solution has improved our transparency and delivery precision, allowing us to reduce delivery-associated costs. This will enable IKEA Retail to provide enhanced last-mile delivery services to our customers and continue to improve on our customer promise, while also reducing our environmental footprint. We hope to expand similar solutions in more countries, as we continue our efforts to better serve our customers' delivery and after-sale needs.

Fair financing for the many

For many people, making a bigger investment in their home, like a new couch or kitchen, can be difficult if they don't have savings, or access to some kind of financing to spread the cost over time. With the launch of the new IKEA Financial Services, we want to give more people a chance to improve their homes, while keeping their budget in balance. "To be inclusive, in a responsible way, we will try to find ways to start with a 'yes' even if that means starting with smaller amounts. Instead of standard criteria, we are creating our own people-centric credit scoring that will be transparent and easily accessible to our customers," says Leyre Azcona Munarriz, Customer Finance Manager, Ingka Group.

We are also moving from a single focus on helping customers to buy IKEA furniture, to offering a broad range of financing services for all aspects of life at home. It's about becoming a trusted, long-term partner for all home-related financing needs, for everything from home insurance to furniture leasing and loans for IKEA home solar panels. By making financing more available and affordable, we are giving those with the thinnest wallets more choices and more control. A transparent and fair financing option that truly supports our vision – to create a better everyday life for the many people.

Low prices with even more meaning

IKEA Retail Portugal has merged affordability and sustainability into a purposeful low-price strategy, enabling the many people to save both money and the planet.

While cost consciousness has long been a value shared across the IKEA world, it's now more important than ever. In Portugal, affordability is particularly important to consumers, as 60% of the population earns less than EUR 14,500 per year. Sustainability concerns have also been on the rise in this country of 10 million on Europe's southwestern Atlantic coast. In their efforts to create a better everyday life for the many Portuguese, IKEA Retail Portugal has brought affordability and sustainability to the forefront of its business strategy.

In the span of less than a year, 70% of 23,000 surveyed visitors to IKEA stores across the country said that they found prices lower than the last time they visited. This is thanks to a consistent low price strategy by our Portuguese team: communicating lower prices more effectively, investing in even lower prices, and promoting sustainable solutions that can help people save money.

"The key to the strategy was to put affordability first. When the whole organisation is aligned and focused on something, we can really move big things."

Michaela Quinlan,
Country Commercial Manager, IKEA Retail Portugal.

Local insights, local relevance

Engaging with customers and working with local market insights, our team in Portugal learned that while the Portuguese love IKEA, a big majority simply couldn't afford it. After bills are paid, an average Portuguese family may have just EUR 50 per month left to spend. People are also increasingly worried about climate change and sustainability, with concerns almost doubling in the last two years. To be relevant and create a better life for the many in Portugal, we simply needed to become more affordable, including the products we offer for more sustainable living.

An always-low price strategy

In a market cluttered with temporary discounts and flash sales, we wanted people to know that they can trust that at IKEA, prices are always low. Therefore, a long-term strategy was developed to build trust in the IKEA Brand as an always-low price retailer, drive repeat visits and increase sales.

Investing in even lower prices

Firstly, the team improved the way low prices were communicated, showcasing low-price room settings at half the price and focusing the marketing messaging on affordability. Secondly, they invested in new, lower prices on hundreds of popular items, with a focus on products with special relevance for the local market, almost half of which are products with a sustainability profile. Lastly, through an updated Financial Services offering, customers were provided financing with zero percent interest and the possibility to spread instalments over 2-5 years. This gave many people with thin wallets and no savings a chance to make a long-term investment in a new bed, sofa or kitchen – basic items that could really improve their everyday life.

Saving money while saving the planet

Working with IKEA Family members, the IKEA Matosinhos store in Porto co-created a fully furnished and equipped "green" version of a local couple's apartment for display in our stores and online. On a total budget of EUR 5,000, the beautiful one-bedroom apartment had sustainable furnishings and smart solutions that save up to EUR 500 a year in food, water and energy. "We changed the light bulbs for LED bulbs, added rugs and insulated blinds to keep the house warm, an induction hob and glass container so less food would be thrown away. Our monthly expenses are much lower than before," say Raquel and Christophe, who co-created the model home in the store based on their own real-life apartment.

"Sustainable living at home can save money – and save the planet. We wanted to merge our two strategies: sustainability and affordability. We wanted to democratise sustainability, and we wanted to make it affordable for the Portuguese."

Ana Barbosa,
Sustainability Manager, IKEA Portugal.

The strategy has proven successful, and the more affordable and sustainable model home has now been implemented in all IKEA stores and online. We have seen a sharp increase in sales on low-price products and a lot of media attention around IKEA affordability and money-saving sustainability solutions. But most of all, the IKEA Retail team in Portugal has truly managed to give low prices even more meaning – and make IKEA more affordable, accessible and sustainable to their fellow Portuguese.

A better experience at every customer meeting point

With the customer in focus and digital at the core, we continue to make IKEA Retail more accessible.

In FY20, online was our fastest growing channel, up 60% in sales this year, and digital development is also the enabler of all other channels and the way they fit together. It's the very engine of our omnichannel approach – offering a great customer experience in all channels and allowing customers to meet us however they want, whenever they want.

A digital stress test

Over the past year, our digital capabilities have been truly put to the test. With most of our IKEA stores closed and many people confined to their homes, we experienced an almost overnight increase in online sales and demand for services. Thanks to the digital development and technology upgrades of recent years, we managed to quickly scale our ecommerce systems and handle the peaks in online demand. At the same time, we were able to increase our digital capabilities, with a sharpened focus on order fulfilment and enabling our customer support centres and others to work remotely.

Online grows everything

We know that 80% of our customers begin their shopping experience online. Customers who shop both online and in the store spend more and make more store visits than those who only shop in stores. And growth for the home furnishing category as a whole is coming from online. This means that by accelerating our online business, we will grow both online and store sales.

Putting the customer in the centre

To become more accessible, we are launching more customer meeting points than ever before. Through our new digital capabilities, we are starting to connect all of these meeting points to create more consistent customer experiences, wherever and whenever our customers choose to interact with us. For example, the IKEA app is great for online shopping from home or on the go, and it also enhances the experience in the store. If a home furnishing event in a store is also livestreamed, it makes it easier and more convenient for our customers to join.

In FY20 we launched a store on Alibaba's Tmall platform. Looking to learn and adapt, we are evaluating how to combine the reach and role of a platform with a strong branded offer of our own in a way that creates clear benefits for both us and our customers across all our customer meeting points.

All about the data

Behind the scenes, it's all about learning from data in order to improve the customer experience. 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, such as by recommending products and tailoring the inspirational feed in the new IKEA app. This lets us enhance and personalise the online experience for customers who choose to share their data with us, and better share our home furnishing knowledge in digital channels.

A unified IKEA.com

We are continuing to transform in order to be faster and more flexible, to better respond to customer needs. For example, in FY20, we did a complete overhaul of IKEA.com for mobile, tablet and desktop, and we now have a better and more consistent online customer experience in practically all Ingka countries. In being more data-driven than before, we have also implemented algorithms for search, inspirational feed, recommendations and comparisons, which is contributing to a higher conversion rate. In addition, we were able to make improvements to the underlying systems in the payment area, resulting in a much faster online checkout, that is now live in 13 countries.

Scan as you go

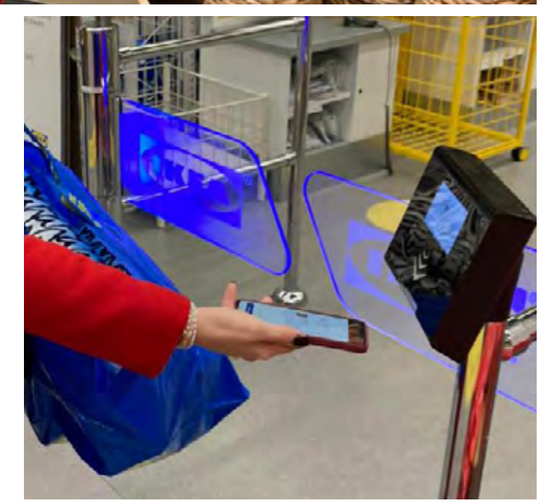
We are accelerating our rollout of self-serve solutions for our customers – a key driver of customer satisfaction, cost management and growth. For example, IKEA Lille in France is testing a new feature in the IKEA app that lets customers scan items as they go through the store, and then pay at dedicated checkout kiosks, instead of processing all products at the same time at the cash register. This improves the customer experience, and co-workers from the checkout areas are freed up to spend more time helping customers in other ways. Early results show that the checkout process is now three times faster, and it has received a 4.7/5 rating from customers.

This pilot is just one of the ways we keep developing the IKEA app to make both online shopping and the store experience more seamless and fun. For example, we are testing augmented reality in Tokyo (see page 31), and with the acquisition of the AI start-up Geomagical Labs (see page 35), we will be able to take virtual home visualisation to a new level.

In one year, we have rolled out the IKEA app to nine countries, plus a separate version in China. The IKEA app builds customer loyalty with younger demographics and helps us better understand consumer preferences and behaviour. In FY21, we aim to launch the IKEA app in 14 more countries.

Looking back at our most intense digital year yet, and knowing this is only the beginning, we will continue to push forward with an ambitious digital agenda. By becoming more accessible, more connected and more integrated, we will reach more people and improve the customer experience at all customer meeting points.

In FY20, IKEA Lille, France began testing a new feature in the IKEA app that lets customers scan items as they go through the store, and then pay at dedicated checkout kiosks, instead of processing all products at the same time at the cash register. This improves the customer experience, and co-workers from the checkout areas are freed up to spend more time helping customers in other ways.



At the digital forefront for fast growth in China

IKEA Retail China leads the way in omnichannel development and growth, adapting to new online shopping behaviours and enhancing the customer experience at all meeting points.

With a strong focus on innovation and digital integration, IKEA Retail China continues to grow with a range of services and initiatives to create better customer experiences. The first IKEA Digital Hub was established in China, one of the world's largest and most digitally advanced markets. Here e-commerce is 99% mobile and app based, and big platforms like Tmall and WeChat dominate not just online shopping, but Chinese life in general. With growing trends like social selling and livestreamed shopping, China is also at the forefront of new consumer habits driven by the convergence of ecommerce, entertainment and social media. Integrated innovation.

Located in Shanghai, the Digital Hub is a cross-functional innovation centre, set up to integrate digital in all aspects of IKEA Retail China and improve our digital presence, digitalise our IKEA stores and enable a data-driven, omnichannel customer experience. "Omnichannel is like having several position players on a sports team, not just one player," says Kevin Lee, Chief Digital Officer, IKEA Retail China. "In fact, changing the game to omnichannel means that we moved from tennis to soccer. All our customer meeting points have different strengths and weaknesses and you need to know when and how to play what player."

80% of online sales via the app

Going mobile first, the team in China quickly revamped the mobile IKEA.cn and launched a shoppable IKEA app. After just a few months, the app is already capturing 80% of our total online sales in China, and it has played a significant role in countering the decrease in offline sales during the Covid-19 lockdowns.

Testing a virtual store on Tmall

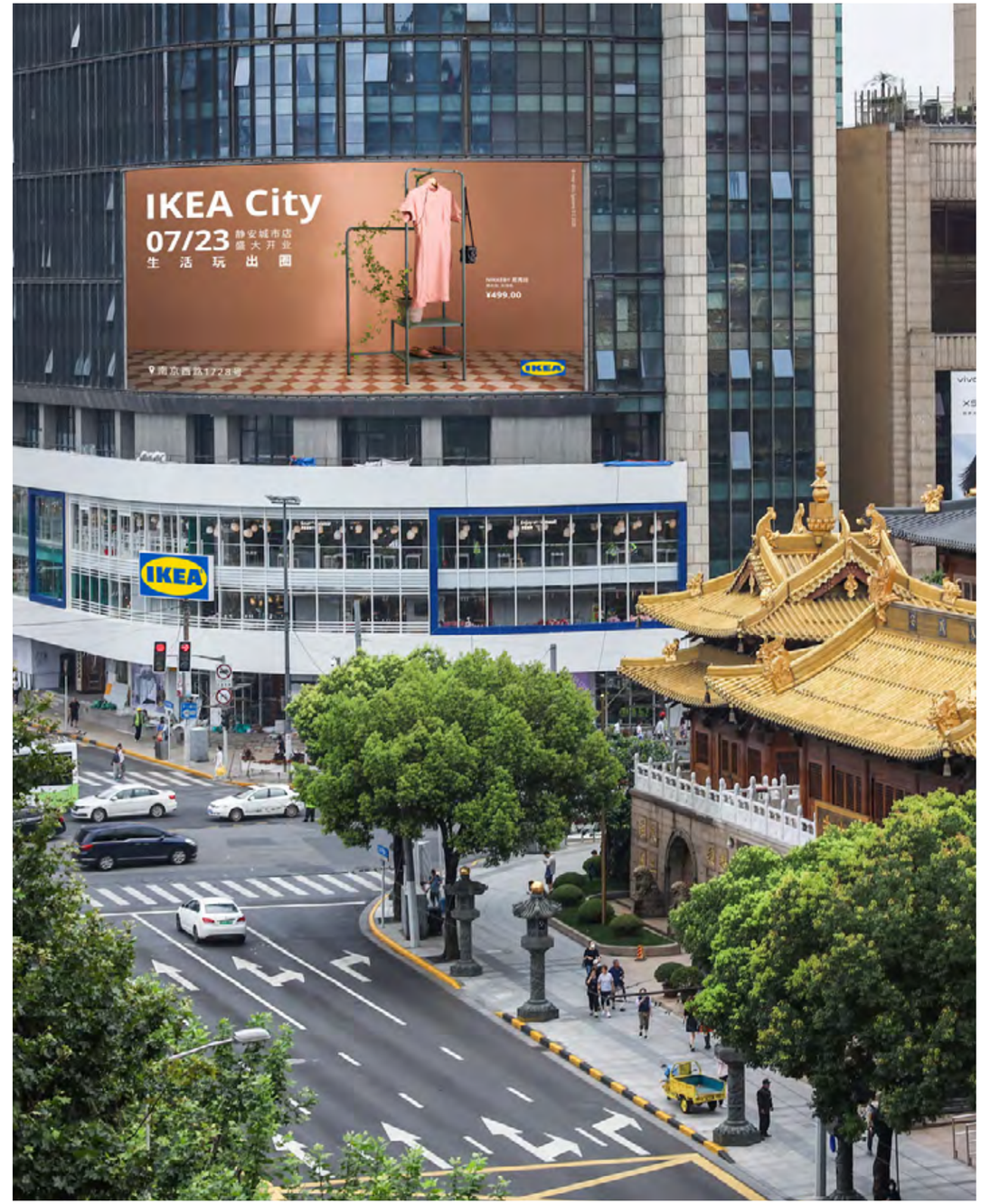
In March 2020, IKEA Retail China launched a test store on Tmall, the leading Alibaba platform with more than 700 million active users, under development assignment from Inter IKEA Systems B.V. Covering Shanghai and surrounding provinces representing 17% of China's population and 30% of its e-commerce volume, the Tmall store is a test to collect learnings and prepare for potential scaling. With 11,500 orders and 340,000 fans on the first day, we were off to a good start. As many as 68% of our Tmall customers are new to IKEA, and a third of them come from areas without physical customer meeting points. Customers rate the store 4.9 out of 5. Ratings are crucial in the social media and user-generated-content-driven Chinese market, and a good indication that we got it right. With Tmall as a new online test channel, we are reaching more people, especially more of the younger generation. The added convenience and improved shopping experience take us one step further towards becoming a true omnichannel retailer.

Digitally-powered city stores

In China, like everywhere, expanding into cities is a key part of our omnichannel approach. In July 2020, we opened two stores in central Shanghai, an IKEA small store XS in Yangpu and an IKEA shop in Jing'an. In the smaller location in Jing'an, we are testing digital tools that play a significant role in enhancing the customer experience, integrating shopping leisure and social interaction. Through social commerce, our store co-workers can sell online directly to the customers they've connected with at the store, enabling them to help make a sale beyond the physical part of the customer journey. By augmenting the store with AI technology like the PAX planner, we help customers simplify the configuration of a complex product, but we also generate data that we can use to improve and customise our offering. The more we engage digitally, the more we learn and the better we can adapt.

More to come in FY21

As we move into FY21, IKEA Retail China will continue to push forward with an ambitious agenda for new meeting points and further integration of online and offline channels. This will help Ingka Group grow faster in the Chinese market, and the learnings will also benefit the group as a whole. More hubs are being established in the US, the Netherlands, Spain, and India, also covering functions beyond Digital. These global offices will give IKEA access to a wide pool of talent and let us come closer to our countries, helping us expand to better meet the needs of the many people.



Becoming more accessible for the many people

30
openings in FY20

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

IKEA Helsinki, Finland
Planning studio opened August 2020.

IKEA Ukraine
E-commerce launch May 2020.

IKEA Qingdao, China
IKEA store opened August 2020.

Russia

16 IKEA stores
5 IKEA planning studios
3 Customer Distribution sites
1 Store Distribution sites
14 Ingka Centres meeting places

North America

64 IKEA stores
1 IKEA planning studio
14 Customer Distribution sites
9 Store Distribution sites
1 Ingka Centres meeting place (acquired in September FY20)

Asia

46 IKEA stores
4 IKEA shops
3 IKEA planning studios
9 Customer Distribution sites
5 Store Distribution sites
3 Ingka Centres meeting places

Europe

246 IKEA stores
2 IKEA shops
7 IKEA planning studios
27 Customer Distribution sites
16 Store Distribution sites
28 Ingka Centres meeting places

IKEA DongBusan, South Korea
IKEA store opened February 2020.

IKEA Pankow, Berlin, Germany
Planning studio opened September 2020.

Australia

10 IKEA stores
3 Customer Distribution sites
1 Store Distribution sites

Making big moves in big cities

To bring IKEA closer to where people live and work, we are speeding up our expansion into cities, always hand-in-hand with our network of IKEA stores and an improved digital experience.

More and more people are moving into cities, and so are we. To bring the full IKEA offering to them, we are taking an omnichannel approach to 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 customer meeting points and locations that complement each other and meet different needs at different times. The goal for our expansion is simple: we will be where people are – whenever and however they want to meet IKEA.

An IKEA for every occasion

To make the full IKEA experience better than ever, we are investing heavily in upgrading our IKEA stores to be as good as new, and digitally connected. We are also expanding in cities, with the popular IKEA small store XS, IKEA shops and service-driven IKEA planning studios for more complex purchases like kitchens and bedroom storage – always closely integrated with an improved digital experience.

IKEA stores as a delivery network

As we keep making IKEA more accessible, fulfilment is key. We are transforming all our traditional IKEA stores to become stores with fulfilment capabilities, that can support the increasing order flow from our other customer meeting points in cities, online channels and remote Customer Support Centres. This store network gives us a big competitive advantage when it comes to offering faster, more affordable and more sustainable home deliveries – even for bigger furniture and items bought online or in a city location. It also gives our customers more flexibility. An example is the new, low-price Click & Collect service that became a popular alternative when our stores were closed during the pandemic.

Welcome to the city

With new city locations in London, Madrid, Moscow, New York and Paris, to name a few, we are expanding fast in 28 prioritised cities over the next few years. Despite the constraints of the pandemic in FY20, we were able to open five new IKEA stores, two IKEA small store XS, two IKEA shops, 16 IKEA planning studios, two fulfilment units and one pure online store. We announced the acquisition of a major building on Rue de Rivoli for what will be our second IKEA shop in central Paris, and Ingka Centres acquired a top-location shopping centre in central London and, in September 2020, announced the acquisition of another one in San Francisco, both of which will be converted into meeting places anchored by IKEA stores.

As we grow and extend our reach, we will also make the IKEA offer accessible 24/7. We are connecting all meeting points, both physical and digital, for a better customer experience, and we are going all in for fast, profitable growth as we bring affordable and sustainable home furnishing to more and more people. Wherever they are, and however and whenever they want it.

Sustainable solutions for small spaces in Tokyo

Packed with interactive tools and sustainable products, our latest IKEA shop in Japan focuses on urban small space living, Tokyo style.

Tokyo is the biggest city in the world, but its apartments are the tiniest. Therefore, our new IKEA shop in Harajuku is focusing on small space living, including solutions for spaces of 25 m² or smaller. “Forty-four percent of Tokyoites live in homes that are less than 39 m², and spaces are even smaller in the centre of the city. So, you can easily see the relevance,” says Mai Tanigawa, Country Home Furnishing & Retail Design Manager, IKEA Retail Japan.

Life at home in one room

At 2,500 m², IKEA Harajuku is roughly 10% of the size of a standard IKEA store, with 1,150 IKEA products available to take home right away and several thousands more ready to be ordered through in-store digital tools and the IKEA app. Reflecting Tokyo lifestyles, the shop presents the range thematically according to four key life at home activities: Sleeping, Organising, Relaxing, and Cooking. There are also special solutions for single households and the budget conscious. “The majority of apartment layouts in Tokyo are one room and kitchen and one room and dining/kitchen,” Mai continues. “Since space is limited, there are no dedicated bedrooms or living rooms. All life at home activities happen in the same room.”

Digitally enhanced in-store experience

To make the most of its smaller size, IKEA Harajuku has integrated several digital solutions to enhance the in-store customer experience and make shopping smoother and more fun. The IKEA Harajuku app, for example, features advanced product detection functionality. In addition to scanning a QR code, users can simply point their camera at an item, and it will show up in the app automatically. To make it quick and easy to help customers, co-workers carry tablets with access to inventory, planning tools, and customer profiles, and even the ability to take orders and accept payment right on the floor.

Sustainable convenience store

IKEA Harajuku has a strong sustainability focus. The Swedish Food Market offers a variety of vegan and sustainable items, such as IKEA bags, ISTAD freezer bags made of plant-based materials, and even plant-based ramen noodles. There is also the Swedish Café on the second floor and a take-out coffee stand on the ground floor.

IKEA Shibuya following suit

In November 2020, we opened a second IKEA shop in Shibuya, Tokyo, close to the new IKEA for business planning studio that also opened in Shibuya in 2020. With an area of 4,800 m2 and spanning seven floors, the new IKEA Shibuya shop is almost twice the size of IKEA Harajuku.

It's good business to be a good business

Sustainability is a defining aspect of our business transformation, and key to our future business model. Making progress towards IKEA becoming climate positive by 2030[1], we are making sustainable living affordable for the many people.

We are taking bold steps to reach our 2030 goal to become a circular and climate positive business, by reducing more greenhouse gas emissions than the IKEA value chain emits and growing the IKEA business at the same time. And we are committed to making sustainable and healthy living attractive, easy and affordable for the many people.

The business case for sustainability

We approach sustainability as a business opportunity. A natural extension of our vision and values that will lead to more growth, better sales, good return on investments and opportunities to lower our costs. Climate smart at scale is the new low-cost model, as we have seen with wind, energy efficiency and products like our LED bulb, which saw a price push from EUR 7 to EUR 0.99. The business case is clear: In the short term, we're meeting the increasing consumer demand for sustainable products and services. In the long term, sustainability is about securing our supply chain and business model, keeping costs down and protecting the health and wellbeing of our customers and co-workers.

Sustainable living that people can afford

As of 2020, we are generating more wind and solar power than the energy we consume in our own operations. We are rolling out affordable home solar to consumers, and by 2025, our aim is that 100% of our customer delivery transport and services uses electric vehicles or other zero-emission solutions. We are serving a new plant ball with 4% of the climate footprint of a classic meatball, and testing circular business models like second-hand, buyback and furniture leasing – the list goes on. For us, business and sustainability go hand in hand as we work to make sustainable products and services affordable to the many people.

Testing and developing new circular models

Furniture as a service through leasing is being tested in 6 countries and aims to, through leasing offers, encourage and support customers to acquire, care for and pass on IKEA products in more sustainable ways. We also buy back and sell used furniture in most of our IKEA stores, repair and resell products that have been damaged, and let customers return used furniture for resale or donation to charities.

Our first second-hand IKEA store

With the opening of our first pure second-hand IKEA store in Eskilstuna, Sweden, we are taking circular furniture to the next level. The store is located in a second-hand shopping centre placed within a local recycling station, where retailers only sell second-hand products that would otherwise have been thrown away. The store is part of a global innovation initiative within IKEA and is run as a six-month pilot project aiming to test and develop circular and profitable business models for the future. Here, customers can buy used IKEA products that have been cleaned, repaired, refurbished and restored to their former glory, at a fraction of the price.

Demand for used furniture is on the rise. Before the coronavirus pandemic, the second-hand furniture market was expected to grow by four times as much as the first-hand market up to 2027. As the pandemic evolves into an economic crisis, affordability is becoming even more important. Exploring ways to offer IKEA second hand, is also a way for us to become more affordable and reach even more customers.

[1] Becoming climate positive is about reducing greenhouse gas emissions by more than what the IKEA value chain emits. Read more about the IKEA commitment here.

Going the extra mile with electric deliveries

When electric vehicles were not suited to cargo, we partnered up on a solution for our needs. After a pilot with Renault and MAN, new zero-emission trucks are being rolled out in several countries.

Consumer demand for home deliveries is increasing, and so is the challenge this poses in terms of pollution, congestion and noise levels in our cities. With 50 million home deliveries every year, and a big increase since the Covid-19 pandemic started, we are facing that challenge head-on. By 2025, Ingka Group is committed to 100% zero-emission home deliveries in all of our 30 countries.

Developing our own prototypes

When the goals were first set in 2018, affordable technology for electric last-mile delivery of big furniture wasn't yet available. In order to move fast enough, we knew we needed to change the status quo and collaborate with new partners. Where we couldn't find electric trucks that suited our needs (they were either too small or too expensive), we simply looked for the right partners and started developing on our own.

Partnering with Renault and MAN

A handful of truck manufacturers were asked to come up with a blueprint for an electric cargo vehicle that would suit not just the urban delivery needs of IKEA, but the industry as a whole. "In order to meet our zero-emission goals, we needed to find a way around the existing conditions and look for partners willing to work with us to develop new prototypes and test in a city environment," said Raphael Guillard, Customer Fulfilment Strategic Sourcing Leader, Ingka Group. Together with Renault and MAN, we found our solution: a custom-designed electric truck, big enough to transport big furniture, yet effective on narrow city streets and designed for faster curbside loading and unloading. The 20 m^3 box body was optimised specifically for IKEA-size pallets, enabling us to load each truck to its full capacity. Driving with the trucks fully loaded is essential to making last-mile deliveries efficient and low cost.

Speedy rollout

The entire process was very fast. The prototypes were designed in the winter of 2019/2020, manufactured in the spring and by July, the rubber was ready to hit the road. After initial tests in Paris and Berlin, the pilot was expanded to more cities, including Vienna, Copenhagen and Turku. The patents are not exclusive, allowing anyone to use the designs, and for Renault and MAN to sell the trucks to others. "By doing so we enable change, not just for us, but for the entire industry. We are hoping these vehicles can be used by other companies to accelerate the transformation to more sustainable urban deliveries," Raphael continues. "We have also extended the collaboration to additional truck partners, with more prototypes and tests planned, in Oslo and Stockholm. The more electric trucks we can get out there to replace conventional trucks throughout the industry, the better for all of us."

Financially resilient, we invest in purpose-led growth

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

Our financial approach is unique. As a self-funded company with a conservative investment discipline over the last 77 years, Ingka Group has built up a financial position of over EUR 20 billion. Through our dedicated financial markets investments team, we invest the majority in low-risk securities in the financial markets, including bonds, listed shares and alternative investments. These are secure assets that maintain their value through time, but they also create additional revenue for Ingka Group, and can easily be liquidated to support IKEA Retail and Ingka Centres.

During the coronavirus pandemic, we saw how this approach helped us to stand strong in a time of crisis. With many IKEA stores and Ingka Centres meeting places closed for several weeks, Ingka Investments was able to financially secure business continuity, allowing Ingka Group to support co-workers, partners, suppliers and communities affected by the pandemic.

Financial resilience, sustainable future

We believe that long-term financial resilience is closely related to a more sustainable future. Therefore, we avoid undesired sectors in our financial markets investments, and are adopting an environmental, social and corporate governance (ESG) approach for all our investments. Starting with our financial market investments in 2020, it is our ambition to have zero exposure to fossil fuel and focus even more on sustainable investments by targeting companies that create positive impact for the environment and society.

Supporting our core business

To strengthen and grow our IKEA Retail business, we also make acquisitions and minority investments in innovative companies that are developing new technologies, solutions and services that can create synergies and accelerate our business transformation. These investments bring new insights into consumer behaviours, digital developments and business models, and we are determined to invest and collaborate with fast-paced innovators and entrepreneurs to stay on top of this constantly-evolving landscape. In FY20, for example, we acquired Silicon Valley start-up Geomagical Labs Inc., developer of a ground-breaking Artificial Intelligence (AI) technology for furnishing homes in 3D, which will enhance the digital IKEA experience in the IKEA app and on IKEA.com. Other recent acquisitions include Traemand, a kitchen planning and installation service; and TaskRabbit, an online and mobile task service connecting people with taskers who can help with tasks like furniture assembly and moving. In FY20, TaskRabbit expanded from Canada, USA and UK to France, Germany and Spain.

We have invested over EUR 200 million in 23 innovative companies, including minority holdings in Livspace, a home renovation and design platform; Ori, a robotics furniture company focused on small space living; and Optoro, a "reverse logistics" platform that allows goods to be returned, processed and resold in an efficient way, thereby significantly reducing cost, waste and pollution.

Real estate expansion in cities

Owning our own real estate has always been a firm pillar of our long-term financial independence. To support our retail expansion in cities, we have started to acquire top-location real estate in prioritised cities. While actively enabling our business agenda, this is also a safe way to preserve value in long-term assets. In FY20, we signed a EUR 130 million contract to acquire a major building on Rue de Rivoli in central Paris, to make room for our second Parisian IKEA shop.

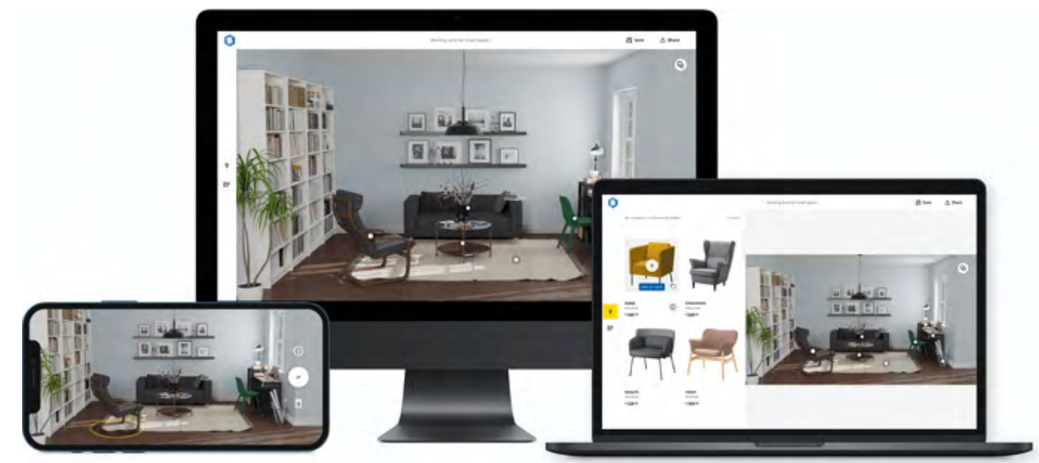
Investing in sustainable growth

We continue to make sustainability investments in order to contribute to the overall IKEA commitment to become climate positive by 2030 and speed up our transition to become a circular business.

In FY20, we made significant new investments in renewable energy production in Europe and the USA, and doubled our portfolio of responsibly-managed forestland in the USA. Our FY20 investments in Winnow Solutions Ltd., offering an AI-enabled solution to track and reduce food waste in commercial kitchens, and Mover Systems ApS, a technology company focused on sustainable last-mile delivery optimisation (to learn more, see page 21), are two minority investments that support both growth and the Ingka Group transition to become more sustainable.

Accelerating in FY21

As we move forward, we will continue to invest in our financial strength and be ready to support the business with liquidity at all times - now and in the future. At the same time, we will increase our focus to support city expansion, business development and sustainability that have a strong strategic fit for the Ingka Group. By putting our funds to work, Ingka Investments will continue to secure our independence and play a key role in supporting the transformation of our business in order to meet the needs of our customers, today as well as tomorrow.



Home furnishing magic right on your smartphone

With the acquisition of Geomagical Labs, IKEA customers will be able to scan their home, one room at a time, and see in 3D how it would look with any IKEA furniture, right on their smartphones.

Imagine taking a photo of your room and instantly turning it into 3D on your phone. Imagine dragging and placing endless combinations of IKEA products into your room, also in life-like 3D. Imagine being able to save all of this and create designs from any location. With our FY20 acquisition of the AI imaging start-up Geomagical Labs, this is set to become a reality.

Speeding up innovation

Digital development is at the very core of our transformation to become more accessible, and the acquisition of Geomagical Labs is the latest example of how investments can speed up our innovation in areas such as digitalisation and services. We believe strategic acquisitions will help us move faster and learn more quickly as we improve and broaden our service offering. And we're looking to disrupt rather than to be disrupted. "Bringing in Geomagical Labs is an excellent example of our ambition to make transformative acquisitions and investments in innovative companies with the aim to support the growth and development of the IKEA Retail business," says Edgar van Meenen, Investment Manager, Business Development Investments, Ingka Investments.

Leaping from AR to AI

While there are many AR applications that work while standing in your room, this new AI technology takes home visualisation to a different level, by letting you save your 3D model and take your room with you. This will allow users to create designs from any location, with friends or with the help of IKEA designers, in-store as well as remotely. Using any smartphone, a user will be able to quickly scan a room, render it into panoramic 3D and then add IKEA products to scale and see what the room will look like from any angle. Users can virtually try out endless combinations of products and solutions for their home and instantly click and shop on their phone. This makes designing your home an inspiring, fun and instantly accessible experience, while saving valuable time in the creative process.

Integrating Geomagical Labs' ground-breaking technology in the IKEA app and on IKEA.com will mean that we can create an enhanced and more personalised digital meeting that brings our home furnishing expertise to more people, in inspiring new ways. By combining the countless possibilities of the IKEA range with the actual parameters of the customer's home, we are essentially bridging the gap between great showroom inspiration and real solutions that actually work in peoples' homes. It's like having access to an entire IKEA store to try things from, right in your home. "Geomagical Labs' technology can truly enhance our customer experience and create a differentiating, enjoyable online customer experience," Edgar continues.

Integration with app and IKEA.com

Customers will be able to access the platform via a full integration into IKEA.com and the IKEA app, where they can also purchase directly. Testing began in July 2020, with over 2,000 interested IKEA Family members. After pilots in one or two European countries, the ambition is to launch publicly in 2021.

Investing in a sustainable future

To support the Ingka Group sustainability goals and contribute to the overall IKEA commitment to become climate positive by 2030, Ingka Investments is accelerating investments in renewable energy, forestland and circularity.

Sustainability investments constitute a growth sector that makes financial sense, but they are also a core strategic priority for Ingka Group. It is about making the necessary investments to meet our sustainability goals and support the Ingka Group transition to become a circular business, offering sustainable solutions and services that people can afford.

The future of energy is renewable

In FY20, we exceeded our 2020 goal to generate more renewable energy than the energy we consume across all of our operations. We acquired nine wind farms in Romania, with 64 turbines totalling 171 megawatts installed capacity, or a production equivalent to the consumption of more than 65 IKEA stores or 150,000 Romanian households. We also acquired a wind farm in Finland and made two solar park investments in the USA; a 49% stake in 636,000 solar panels in Utah and 823,000 solar panels in Texas. With a total 403 megawatt capacity, these rank among the largest solar panel projects in the USA.

"We believe the future of energy is renewable, and have invested heavily in wind and solar over the past decade because it makes our business stronger. We are excited that our actions have resulted in us exceeding this important milestone on the IKEA journey to become climate positive," says Krister Mattsson, Managing Director, Ingka Investments.

In support of our next goal, to consume 100% renewable electricity in all countries where we operate by 2025, we are looking to expand our investments in renewable energy production to China, India and Russia. We are also exploring ways to sell our excess renewable energy, primarily to suppliers in the extended value chain. "We want our energy production to grow even more, so that we can increase the share of renewable electricity that we consume ourselves. For this we need to expand to new countries, some of which are in early stages of the transition from fossil fuels to renewable energy. We are always looking for new partners to join our journey," says Frederik de Jong, Investment Manager, Renewable Energy Investments, Ingka Investments.

Since 2009, we have invested EUR 2.5 billion in renewable energy, and we now own more than 935,000 solar panels on IKEA stores and other buildings, 715,000 offsite solar panels and 547 wind turbines in 14 countries, bringing our total installed renewable energy power to more than 1.7 Gigawatt. This is the equivalence of the annual consumption of over 1 million European households.

6,000 football fields of responsible forests

Responsible forest management, reforestation and afforestation all form part of the solution for climate change, and we are committed to enhancing the carbon removal through our forests. Ingka Group has invested in forestland since 2014, as part of a long-term hedging strategy to acquire resources in our value chain on which our core business is dependent, directly or indirectly. As an active forest manager, we are committed to balancing environmental, economic and social aspects in a good way, ensuring responsible forest management that meets the highest environmental and social standards, and audited by the Forest Stewardship Council (FSC®). We take a long-term view, working to preserve and increase the forest quality for generations to come. In FY20, we planted close to 7.2 million seedlings to ensure that we always regenerate more trees than we harvest.

Recently, we have increased our focus on afforestation – the creation of new forestland by planting trees in areas where there were none before. In Latvia, we started converting former agricultural land that we had acquired as part of a larger piece of forestland. In Estonia, we acquired our first non-forestland specifically for the purpose of afforestation.

During FY20, we doubled our forestland area in the USA, with new investments in Oklahoma and Texas. In total, we now own and manage 235,000 hectares (2,350 square kilometres, or about the size of Luxembourg or Rhode Island) of responsibly-managed forestland[1] in Europe and the USA.

Towards a circular economy

Moving to a circular economy is essential if we are to continue to meet people's needs while staying within the limits of our planet. To help accelerate this transition, we invest in innovative companies that can help Ingka Group develop circular business models and grow our supply of sustainable resources. Our ambition is to help shape the circular IKEA of tomorrow, with scalable solutions that can leapfrog our business into the future. "We invest in companies that have a positive impact on both society and our retail business, all while preserving the earth's resources," says Lukas Visser, Investment Manager, Ingka Investments.

Our FY20 minority investment in Winnow Solutions Ltd. is a good example, as Winnow is an innovative company with a strategic fit that creates synergies for IKEA Retail. Winnow has developed an AI-enabled tracking solution that reduces food waste in commercial kitchens. After piloting the solution in our UK stores over the last two years, IKEA Retail is now rolling out Winnow's technology in most of our IKEA stores worldwide, which means it will have enormous potential to save a considerable amount of food waste.

The mattress recycling company RetourMatras is another recent minority investment with synergies for sustainable growth and the development of circular business models. In FY20, RetourMatras opened its third facility, reaching a recycling capacity of more than one million mattresses per year in the Netherlands. We are now looking at expanding the solution to other IKEA Retail countries, and with the capacity to prepare more than 90% of the materials in a mattress for reuse, the solution can potentially have a positive impact at scale for both our customers and our business. "Our investment in RetourMatras provides IKEA Retail Netherlands with the opportunity to offer a mattress recycling service to customers with the peace of mind that the material from their old mattress will be reused. Alongside growing recycling capacity, we are supporting RetourMatras in testing technologies with a mattress producer in order to use recycled materials to achieve a circular mattress," Lukas finishes.

[1] Ingka Group-owned forests do not currently directly supply raw material for the IKEA range.

Our renewable energy journey

Ingka Investments started renewable energy investments in 2009 and in FY10, we owned 52 wind turbines in two countries. In FY12 we committed to generating as much renewable energy as the energy we consume in our operations globally by 2020. At the start of FY20, we were able to exceed this production target with the expansion of our portfolio with two solar farms in the US and a windfarm in Romania. Today, Ingka Investments owns and manages 547 wind turbines and 715,000 offsite solar panels in 14 countries. Read more on pages 77-78 and 120.

By 2025, we want the electricity consumption in our operations to be 100% renewable. To achieve this consumption target, we aim to expand our renewable portfolios into more countries, such as Russia and China. With our own wind farms and solar parks, we want to make renewable energy available to our operations and to support our value chain where we produce more than we consume ourselves.

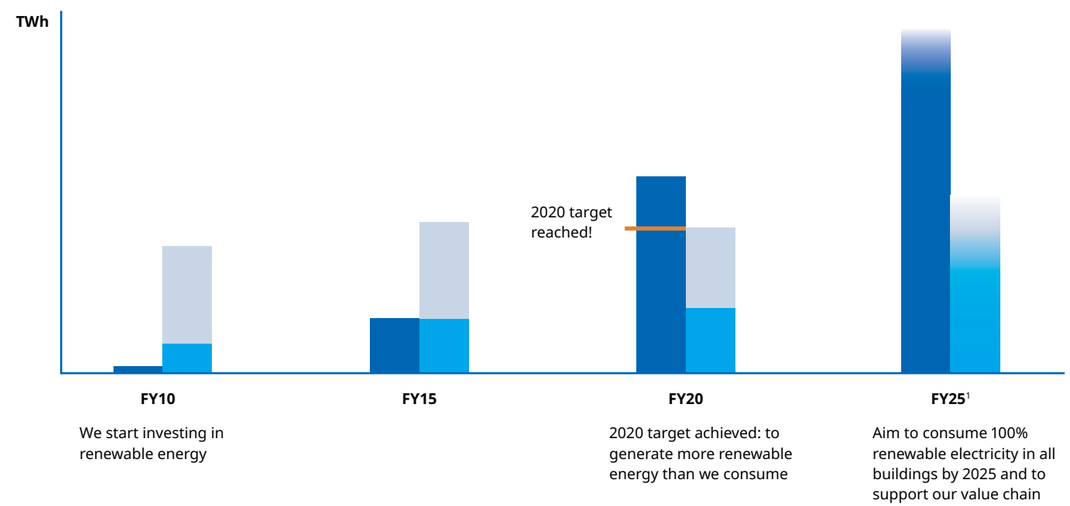
Generation

- Includes all the renewable energy generation by Ingka Group, on site and off site

Consumption

Includes energy consumed within Ingka Group buildings including electricity, heating and cooling

- non-renewable energy
- renewable energy



[1] Illustrations are indicative only and not reflecting absolute targets for generation or consumption.

Meeting places that bring people and communities together

Through Ingka Centres, we are moving from the traditional notion of shopping centres to a more experience-led concept we call "meeting places." Always anchored by IKEA, our destinations offer a unique mix of activities and services developed to meet the needs of local communities.

With 45 locations in 15 countries, Ingka Centres works with over 16,000 brands and 7,000 stores, welcoming 370 million visitors in FY20. Together with IKEA Retail, our partners and our communities, we co-create meeting places with a focus on experiences, wellbeing and sustainability, tailored to the specific needs of each local community. We operate under several brands, including Livat in China and MEGA in Russia.

While all our meeting places are retail destinations, always anchored by IKEA, they offer a variety of activities and experiences that go beyond shopping. To add real value to local communities, we offer a locally-adapted mix of retail, restaurants, entertainment, recreation and social community spaces. These are dynamic, full of reasons to visit and easily accessible by public transport and other affordable and sustainable transportation.

We always put sustainability in focus, working towards being powered by 100% renewable energy and recycling 100% of our waste, whilst reducing greenhouse gas emissions. Based on local needs and behaviours, we also develop offers and experiences that can inspire and enable our customers to live healthier and more sustainable lives.

More urban, more omnichannel

As part of the Ingka Group transformation to reach more of the many people, we are speeding up our digitalisation and have started moving into cities, with our new urban meeting places. In FY20, we acquired Kings Mall in central London, and in September 2020, we announced the acquisition of the 6X6 Mall on Market Street in downtown San Francisco. These are two major projects in top locations that we believe we can transform and significantly improve by co-creating new solutions around local community needs, omnichannel experiences and sustainability. We are also accelerating our efforts to enhance the digital experience in our meeting places, investing in new technologies and digital solutions. In FY20, we launched Livat Online in China, a digital community and marketplace for shopping, content and livestreaming events, as well as a new app for seamless food order and delivery at our MEGA meeting places in Russia.

Learning from Wuhan

Since our Livat Wuhan meeting place is located in the Chinese city where the Covid-19 pandemic first began, Ingka Centres was one of the first international businesses to learn the importance of taking early action together with local partners and communities. Based on these learnings, we were better prepared than we otherwise might have been, when we needed to act in Europe and Russia. When most of our meeting places closed, our first priority was protecting the health and safety of our co-workers, customers, and partners. But, to also help cushion the economic consequences of the lockdown, Ingka Centres waived rents and service fees as a one-off for some 2,000 of our partners in the countries where lockdowns were introduced. We invested in measures to drive e-commerce traffic to their websites, help distribute their digital content, and facilitate home delivery and pick up services, contactless shopping and drive-through sales. We believe that by supporting each other, we will come through this as a stronger community.

Taking our meeting places into the future

We are constantly upgrading our meeting places for the future, making them more multi-purpose, sustainable and in tune with online shopping and digital interaction trends. We are adding more food options, entertainment, parks, workspaces, playgrounds, and online commu- nities, and also introducing new sustainability concepts like repair cafés, eco-labs and recycling programs.

For example, in front of our Wola Park meeting place in Warsaw, we are revitalising Ulrich's Garden, a 200-year-old park and historical monument, by turning it into a local hub for sustainable food, healthier eating habits, and a less wasteful lifestyle. In Port Łódź, also in Poland, we are adding major upgrades like a new food court, a large underwater-themed children's play world, a free co-working space, and volleyball and basketball courts and a football field, which have already hosted sports tournaments for local schools. In MEGA Park in Ekaterinburg, Russia, we recently opened a new 1,000 m² skateboard park that will be open to all MEGA guests free of charge.

Onwards and forwards in FY21

As we move forward, we continue to work with our partners and communities to support each other and navigate these challenging times. Our digitalisation and expansion to urban locations continue, as does our work to accelerate the development of new, environmentally-friendly concepts that can inspire and support our customers to live more sustainable lives. We continue to transform retail experiences, engage local communities, and provide access to affordable solutions that are relevant to our customers' lifestyles. The pandemic is not over yet, and we are likely to face more near-term challenges. But we believe we are well placed to handle these, and our business is well positioned to support our customers in the best way.

Creating new meeting places in cities and online

Ingka Centres is expanding in cities and online by co-creating vibrant meeting places with urban flavour, enhanced digital capabilities and more sustainability options. London is leading the way.

As part of Ingka Group's transformation to become more accessible, affordable and sustainable, Ingka Centres is investing EUR 7.3 billion to upgrade our meeting places and expand into new markets. We are also moving into cities to create accessible urban meeting places with a focus on new omnichannel experiences and sustainability. With increasing demand for convenient neighbourhood destinations where people can live, work, shop and play – our meeting places will be specifically tailored to meet these inner city needs, combining retail, restaurants and entertainment with residential, office and community services. More people are doing remote work, and health has become a bigger priority, which means that flexible workspaces, gyms and health services are also becoming part of a modern urban mix. Sustainability and circularity will be a key priority and a differentiator in all developments.

Growing online

Following last year's launch of MEGA Online in Russia, in FY20 we opened Livat Online in China. This new online community and marketplace offers our partners a growing new digital platform that can carry 5,000+ products from 130 brands, driving traffic to both online and physical stores. Starting with Livat Beijing, we are planning for Livat Wuxi and Livat Wuhan to follow. "In getting closer to the many, we are able to deliver seamless and personalised customer experiences and build stronger connections. Major digital initiatives like Livat Online support this vision and will drive traffic to all channels," says Jonas Karlsson, Digital Product & Analytics Manager, Ingka Centres.

Starting in FY20, we are piloting a new food delivery-service in our meeting places in Russia. Through the new MEGA app, customers can order food from multiple restaurants across the meeting place that will be prepared and collected for take away or delivery in just one click. "Online communities have actually become more popular during the pandemic, and we expect them to be used by many more people in the future. Our meeting places are all about bringing the many people together, and this can be at our meeting places or online. This is all part of the major investment we are making to transform our business for the future; tech powered but still human driven," Jonas continues. We are also improving the omnichannel capabilities of our European meeting places with new online communities, loyalty programs and delivery services that enable Ingka Centres and our partners to get even closer to our customers.

Next stop, London

In December 2019, Ingka Centres made our first urban location acquisition: Kings Mall in the heart of west London.

Through this acquisition and upcoming redevelopment, we are transforming the shopping centre into a vibrant urban meeting place under the Livat brand, with a dynamic mix of offers to regenerate the neighbourhood. This is our first meeting place project in the UK, and also the first time Ingka Centres takes over and fully redevelops an existing location, rather than building it ourselves. With our meeting place concept, we believe we can upgrade and transform existing city locations into popular destinations that help regenerate the area around local community needs, digitalisation and sustainability. It's also a way for us to introduce IKEA to these urban locations.

Meeting people where they live and work

The borough of Hammersmith & Fulham is one of central London's main retail, commercial and residential areas. Located on Lyric Square, the 27,000 m² shopping centre is an ideal location for reaching many Londoners. There is a market on the city square, office buildings, residential apartments above the shopping centre, and the 125-year-old Lyric Theatre in the same building. "This is simply an incredible place," says Ekaterina Kirichenko, Concept & Customer Experience Developer, Ingka Centres, who is leading the project. "We have a great opportunity to bring all these components together to create a truly unique local destination where Londoners can meet, eat, shop and spend time together," she finshes. With immediate access to the tube, bus and railway stations, more than 80% of our visitors are expected to come on foot or by public transportation, making travel both affordable and sustainable.

Transforming according to local needs

The borough is undergoing significant development and regeneration projects, and we want to contribute to breathing new life into the area. Urban communities increasingly want convenient leisure destinations where they can shop, eat, work, relax, learn, exercise or socialise. This will guide our thinking as we redevelop the shopping centre, and plans will be driven by the needs of the local community. Through a tried concept development process, we are working closely with partners and the local communities to co-create an inspiring destination that can bring new value for customers, co-workers, partners and the neighbourhood as a whole. "We started with extensive research and interviews with locals to learn about their needs and wants for the future," Ekaterina continues. "With cafés, entertainment, education and community areas, our concept will be tailored to local wishes and built around the idea of convenience, socialising and experiences, where everyone is welcome and has a reason to come."

More sustainable, more accessible

Sustainability is an essential aspect of the redeveloped shopping centre. As we redesign the property, we will focus on waste sorting, recycling, reusing, and improving air quality, targeting a BREEAM Outstanding rating (learn more on www.breeam.com). "We're inspired by the entrepreneurial spirit and creativity of the people of Hammersmith," Ekaterina says. "There will be a unique space dedicated to events, lectures, workshops and activities that promote healthy lifestyles and sustainable urban living, and a food and beverage offering co-created with local entrepreneurs to offer unique concepts and a high level of hospitality to our guests". We are also investing in omnichannel solutions and digital services to make a revamped Kings Mall more relevant for today's consumers. Like in our other meeting places around the world, we will be introducing digital services such as contactless payments, loyalty programmes, and online communities to provide a seamless omnichannel experience for our urban customers.

We are investing a total of GDP 170 million (EUR 190 million) in Livat Hammersmith, including the acquisition and redevelopment, and IKEA Retail will open a first small format IKEA store in 2021.

Engaged people, thriving communities

Through an active community engagement approach, Ingka Centres strives to be a good neighbour that helps our local communities to thrive.

Ingka Centres is about bringing people together, and we want to engage with the people in our communities to have a positive impact in their lives. At the concept phase, we already co-create our meeting places with local representatives. But being a good neighbour is an ongoing process, something we work on every day. We believe that co-workers from both Ingka Centres and IKEA Retail, partners, customers and the broader community can all work together to create initiatives and experiences that meet local needs and address challenges we all have in common.

Our community engagement approach has three focus areas: building resilience, health and wellbeing, and becoming circular and climate positive.

Building resilience

This means supporting initiatives that help build community resilience, connection and solidarity by developing skills for employment, promoting equality and supporting social entrepreneurs. In FY20, for example, MAR Shopping in Algarve, Portugal hosted a series of exhibitions giving vulnerable voices an arena to connect with the wider community and discuss difficult issues like migration, racial prejudice and climate change. There was also an international cartoon show and, together with a local mental health organisation, exhibitions showcasing photography and sculptures made from reusable or recycled materials.

Health and wellbeing

Our community initiatives around health and wellbeing aim to promote physical and mental wellbeing, healthy and sustainable food, as well as active lifestyles and play. During the pandemic in FY20, physical and virtual initiatives around health and wellbeing have proven particularly important for bringing communities together in difficult times.

In many cases, it's been a matter of literally connecting people during lockdown. For example, we set up free phone support lines for isolated elderly people to have someone to talk to, organised food and medicine deliveries to the elderly and people in remote areas, and delivered sports equipment to disabled people dependent on physical activity for their health and that were unable to go to gyms.

With our online communities and digital capabilities, we were able to help with home delivery and contactless pick-up for restaurant food and other goods. Other virtual initiatives included helping partners connect with their customers during lockdown, by sharing videos and tips about things to do at home, including online training and workout sessions, bakeries giving online classes in baking, and hairdressers showing customers how to do their own hair at home. By staying connected, we stay engaged.

Circular and climate positive

With our third focus area, circular and climate positive, we want to engage with our communities in activities and initiatives that can help accelerate the transformation to a more sustainable society. By hosting events and workshops, offline and online, we work to inspire and pass on knowledge about reusing, recycling, and prolonging the life of products, and more. We also engage in campaigns in support of the local environment like eliminating plastic and keeping beaches and seas clean.

Creating a people movement

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People at the heart of our business

IKEA is a purpose-led business, with people at the heart of everything we do. Our vision is to create a better everyday life for the many people, and this starts by siding with our many co-workers.

We want to attract and recruit people who share our values and our commitment to life at home. We work to create a meaningful workplace, where we can all be ourselves, develop and grow, and where everyone is equipped to take care of our business, our customers, and each other.

Even before the pandemic, we were seeing big shifts in the global economy and disruption to long-standing business models. These range from increased automisation and digitalisation to consumer demand for an ever more accessible, convenient, and sustainable experience. The unprecedented challenges created by the Covid-19 pandemic have accelerated some of these trends and impacted our co-workers across the world.

Our people strategy helps us to navigate these challenges, respond to risks and opportunities and reach our growth ambitions. It outlines how we will equip our co-workers with the skills and resources they need to thrive and to take our business into the future.

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 the business and people.

166,350 co-workers

Our co-worker turnover rate (voluntary and involuntary) was 29.7%[1] and we recruited 48,700 new people.

93% of key global positions and 88% of leaders recruited from within

50/50 gender balance in management positions

85% of co-workers believe Ingka Group is a great place to work

[1] We've updated our co-worker turnover definition, read more in our appendix on page 123.

A MESSAGE FROM ULRIKA BIESÈRT

Our values come to life

2020 was a year like no other. Never have we been so challenged. Yet never have I been so proud, seeing the true power of our culture and values as we've navigated through dilemmas with limited time and resources. When the pandemic struck, leaving many IKEA stores closed and co-workers at home, we knew we had to act – to protect the wellbeing, livelihood and employment of our co-workers, and to protect our business. Fortunately, as always, we had our strong IKEA values to guide us.

I think we can be very proud of how we have responded, and the resilience, agility and commitment shown.

Through everyone's efforts, we changed our ways of working almost overnight, and accelerated many of our long-term initiatives, such as developing our digital capabilities, all while continuing to serve our customers wherever we could safely do so.

We adopted a short and long-term approach to support both our people and our business. In addition to income stability, we offered resilience training to support wellbeing and help all of us to lead ourselves and others through the pandemic. We opened up opportunities to learn at home and build skills, and we rapidly introduced support for our leaders to ensure they were equipped to take care of their teams, our business and our customers.

Yet FY20 has not been just about the pandemic, and even during the crisis we did not lose sight of long-term commitments, such as standing up for equality, diversity and inclusion. We also began a significant investment in reskilling and upskilling, and we will continue to build on this, to secure long-term employability to ensure we meet people's ever-changing needs for life at home.

Ingvar Kamprad always said that a crisis brings out the best in us, and that has never been truer. This year we have seen our values come alive as never before, as our dedicated and determined co-workers showed up, putting both our business and our people at the heart of every action.

The future is bright, and we will come out stronger and even more resilient, thriving in the new normal. We will look back on FY20 and say, this was the most important year for IKEA in recent times.

Ulrika Biesèrt
People & Culture Manager, Ingka Group

Caring for our people

The safety and wellbeing of our co-workers is our main priority, and never more so than during the pandemic.

The pandemic has impacted all of us across the world – affecting our safety, physical and mental health and wellbeing, and disrupting personal and professional lives. Since the start of the crisis, we have been focused on continuing to meet people's needs at home and securing livelihoods for as many people as possible, for as long as possible.

Securing livelihoods during the pandemic

During the initial phase of the pandemic, we committed to ensuring income stability for co-workers, so they received their expected pay even if they were not able to perform their tasks. We also safeguarded basics such as medical insurance and pensions. We extended our Employee Assistance Programme to 31 countries. This helpline enables co-workers to access support on matters relating to legal and financial advice, family issues (including domestic violence), health and nutrition, and dealing with grief and loss. Additional support was and is available as needed via our network of coaches and occupational health services.

Each Ingka country was also given a budget to provide financial support to those most affected, including assistance with medical costs, food purchases and childcare costs.

Building resilience and adapting to change

To support co-workers and leaders we launched a significant online competence development offer which included a series of specially developed training programmes to build resilience.

Many co-workers had to adapt to a very different way of working, and many had to work from home, often with children and family members around. To help, we offered additional parental leave and flexible work arrangements. We also provided guidance on working and learning from home, helping co-workers to adapt to new routines, structure their day, learn and develop and stay in touch with colleagues.

We sought co-worker views on our response to the pandemic. The survey was completed by over 23,000 people and showed that:

- 96% felt sufficiently updated on company policies and actions for Covid-19
- 89% felt that IKEA cares for co-workers' interests and safety during Covid-19
- 90% agreed they got sufficient support from their manager

Managing health and wellbeing

Our work during the pandemic was underpinned by our existing systems for health, wellbeing and safety at work. These are designed to help co-workers to be healthy, to feel connected with colleagues and to maintain their work-life balance.

Each Ingka Group country offers local health and wellbeing programmes, training and initiatives to encourage healthy living. In FY19, we appointed a Health and Wellbeing Leader in every country to address local priorities, and they played a key role in our response to the pandemic. We will launch a global health and wellbeing framework in FY21, to ensure consistency across countries.

We track progress using our co-worker engagement survey. Questions on health and wellbeing were completed by 47,400 co-workers and responses show that:

- 64% feel supported to live a healthy lifestyle
- 61% feel supported to effectively deal with stress
- 59% feel supported to manage their financial life

We'll use the findings to help us strengthen our approach.

Ensuring a safe work environment

We want to ensure a safe and healthy work environment for everyone working at Ingka Group, and we are continuously strengthening our processes and ways of working.

Our Group Rule on Safety and Security provides guidance on how all our locations should evaluate and mitigate safety risks and prevent accidents. In FY20, we updated it to include extensive respiratory virus prevention requirements. We also launched enhanced measures and controls to protect co-workers and customers from Covid-19. This included increased hygiene practices, protective screens around cash registers and customer service points, physical distancing and stricter control of visitor numbers. We continued to apply these measures as we reopened our IKEA stores and have integrated them into our health and safety compliance processes.

During FY20, we launched new safety and security induction training covering topics such as preventing accidents and evacuation procedures. It includes a face-to-face briefing and an online module for new co-workers, as well as an annual refresher module. Risk areas for co-worker safety at Ingka Group include sales, logistics and food areas, often when co-workers are handling material or using hand tools. We will be focusing on mitigation plans for these areas in FY21.

Our accident frequency rate (severe accidents per million worked hours) was 7.99 in FY20 (FY19: 11.6). We made further improvements to our data collection, enabling us to separately track accidents and occupational diseases. This means our data isn't comparable year on year.

Stronger Everyday

During the pandemic we launched an online programme called 'Stronger Everyday', to help co-workers build resilience and self-leadership through mindfulness techniques.

Online drop-in sessions were held three times a week in 16 languages, run by local leaders in partnership with mindfulness experts. They were open to all co-workers and those they live with. They were also recorded so they could be accessed any time. Over 17,000 co-workers took part in live sessions, and many downloaded and watched the recordings. Feedback showed that people found the sessions helpful in dealing with stress.

"It helps me worry less. In moments of extreme stress, I can shift my attention to what's happening with my breathing, which is something I've learnt in the sessions".

Aleksandr Belyy,
Sales & Supply Support Specialist, Russia

"I liked that the trainers started by touching base with us, and then built the session based on our reality. They balanced theory with how to put it into practice, giving us a great basis for facing the future."

Bouthania Gargouri,
Transformation Stream Leader, France

Living our values

Our shared values and strong culture make IKEA unique; as a place to work and as a brand. They are our guiding compass - not least through times of disruption and change.

Celebrating our values

In FY20, we further stepped up our efforts to celebrate our values, bringing them to life and showing their relevance to every co-worker. Each month, we took an in-depth look at one of our values, sharing video clips, news articles, interviews and co-worker perspectives with examples of how we're putting our values into action.

Senior managers held monthly meet-ups, where anyone could ask questions about our values, discuss challenges and share experiences. For example, at a meet-up in our IKEA Breda store in the Netherlands, Jesper Brodin, our CEO and Ulrika Biesèrt, our People & Culture Manager, had a dialogue with co-workers about leadership and equality. Co-worker questions included: why does equality matter to IKEA, how can we live our values in countries with different cultures, and what inspires you personally at work?

Values-based recruitment and recognition

Our values are central to how we attract, recruit and on-board new co-workers.

In our interview process we ask potential co-workers about their strengths and motivations, so we can identify candidates who share our values and are best suited to thrive in our culture – rather than having a narrow focus on qualifications and experience.
We have developed a digital toolbox of resources and interview guides for hiring managers, and we're rolling out new training on values-based recruitment. This helps hiring managers to assess candidates focusing on values, competence and diversity. During the pandemic, we launched new digital content on our values for online interviews.

Our candidate experience survey will help us monitor how effectively our values are integrated into the interview process. It shows that 77% of candidates were satisfied with their interview experience.
New co-workers learn about our values and culture through our onboarding process, so that every new team member knows what we stand for. Co-workers are recognised for how they live our values as part of our job chats and through feedback.

Building skills for the future

We increased our investment in training and competence development in FY20, to build the skills we need to deliver our business and sustainability goals and ensure we emerge stronger from the pandemic.

The coronavirus pandemic has accelerated our business transformation and sped up changes to our workplaces and how we meet our customers, amplifying the need to develop new skills for the future. Adapting to these rapidly-changing conditions means many new jobs will be needed in areas like home furnishing consultancy, planning and selling, services, online and platform, data & analytics and customer experiences. At the same time, some existing roles will change or no longer be required.

During FY20, we increased our focus on upskilling and reskilling our co-workers to prepare for these changes, so we can grow more of our talent from within, strengthen employability and accelerate job creation in key areas. We have identified the core competences we need, and during FY20 we approved our new Competence Plan, which outlines how we will develop our learning offer. We are focusing on skills in three key areas: home furnishing, sustainability and digital. During the pandemic, we accelerated the launch of new learning programmes and online development tools, enabling co-workers to learn from home. In FY21, our Future of Work initiative will focus on upskilling and reskilling in areas such as problem solving, creativity, analysing data, analytical thinking, selling and marketing in an online reality, interpersonal skills, people's needs at home and sustainability.

Working and learning from home

With tens of thousands of our co-workers at home during the pandemic, we had a unique opportunity to focus on learning and developing new skills. Through our new Learning at Home initiative, we encouraged everyone to log in to our online portal, participate in courses and share their training experiences with colleagues through Yammer, our internal social networking service.

Online learning activities were developed for different roles and functions, and for our focus areas of sustainability, home furnishing and digital literacy. They included bite-sized learning sessions that could be accessed via a mobile phone, and online facilitated training. In total, around 2.2 million training hours were logged in FY20, and more than 80% of co-workers reported being satisfied with our learning programmes.

Equipping our leaders in difficult times

Exceptional times call for exceptional leadership. During the Covid-19 crisis, our leaders had to respond to rapid change and uncertainty, from store closures to remote working and managing colleagues experiencing stress.

We rapidly rolled out an online development programme to all our leaders, focused on building resilience, leading with our values, supporting health and wellbeing and creating a sense of togetherness among our teams across the business.

Themes explored during the sessions included learning from disruption, self-compassion and resilience, digital agility, and inclusive and compassionate leadership. Leaders were able to support each other by sharing experiences and lessons learned.

"We may be scattered all over the world and sometimes feel alone, but we are not alone in this. I feel that my company of 30 years takes care of us and that each of us can translate the webinar learnings into what we need most. The mindfulness exercises have been a great support in grounding myself and focusing on positive things"

Franca Quaglia, Market Manager, Italy
Participant in our leadership programme

Developing our leadership pipeline

We are strengthening our succession; making sure we develop the next generation of leaders who can progress from store to market manager roles. They have started training to build their competence, and this will continue in the coming year. It will help leaders to develop the knowledge, skills and mindset to lead through uncertainty, navigate complex dilemmas and create an even stronger IKEA for the future. During FY21, our 500 key leaders will attend summits to explore real business and leadership challenges, hear from experts and learn from each other.

Far from silent during silent weeks

When Covid-19 first struck in China, millions of people had to stay at home in a time known locally as 'silent weeks'. We wanted to reach out to all our co-workers in China to help them stay connected, feel positive and use the opportunity to learn more about our range and its benefits for life at home.

We launched over 100 online learning modules and fun activities starting with 'Stay@Home', where co-workers could share photos of their lockdown lives and home styling.

More than 4,000 co-workers took part in our Love Range activity, learning about our 300 best-selling products through daily online training. This included a 'talent show', with co-workers encouraged to share their love of the IKEA range through their own vlogs and tips on how to sell their favourite IKEA products to customers. The co-workers producing the most popular videos took part in a live stream event, sharing their enthusiasm with 3,000 colleagues.

In total, co-workers in China completed 680,000 hours of online learning, and we used what we learnt to roll out successful learning programmes across other Ingka countries affected by lockdowns.

In FY20, co-workers completed:

- 92,000 sustainability training modules
- 41,700 home furnishing training modules
- 31,000 digital literacy modules

Going all in on equality

We want to be a leading example in our work on equality, reflecting our vision to create a better everyday life for the many people. Our commitment is more important than ever during the pandemic, which, in many countries, has set back progress on tackling inequalities.

We celebrate individual differences and encourage our co-workers to be themselves, because we believe the uniqueness of each individual makes IKEA better. Focusing on equality is also good for our business. Diverse teams are more innovative and help us to better reflect, understand and support our customers. Ensuring fair treatment and equal opportunities helps us attract and retain a wide range of talented people.

In FY20, we launched our Ingka Group Equality Plan, our commitment to taking a bold stand for equality. It includes targets and actions focused on:

- reflecting the diversity of our communities and creating an inclusive work environment, where all co-workers can be themselves.
- embedding equality into our business practices and ways of working, including policies, processes and interactions with customers.
- contributing to a more equal world and being activists for social change.

Every country has developed a local action plan based on the Equality Plan, and most have a dedicated Equality, Diversity & Inclusion (ED&I) Leader to oversee implementation at the local level.

We measure progress on creating an inclusive culture using our inclusion index based on questions from our co-worker survey. The score for FY20 was 81.5% (FY19: 80%). Our goal is 85%.

Our Code of Conduct and our Rule on Equality support our efforts to establish a workplace that is free from discrimination, harassment and hostility. Each of our countries in the European Union has signed their country's national diversity charter, committing to promoting equal opportunities in the workplace and society.

Closing the gender gap

We believe everyone has the right to be treated fairly and to be given equal opportunities, regardless of their gender.

Our goal is to achieve gender balance across our business in 2022. We have already achieved a 50/50 gender balance in our management positions (all leaders), but have further work to do in some functions and locations, as well as at senior leadership level (boards and committees).

We are collaborating with others to secure gender equality, including joining Catalyst, a gender equality non-profit organisation, and supporting the Women's Empowerment Principles. Read more about our approach to each of the Women's Empowerment Principles on page 123. We participate in the World Economic Forum's (WEF) Global Future Council on the New Equality and Inclusion Agenda, and are a founding member of its Hardwiring Gender Parity into the Future of Work initiative. Our CEO is a member of the B Team, a global collective of business and civil society leaders, and hosted a meeting on gender equality at the WEF in 2020. We supported International Women's Day through communications and events in 13 countries in FY20.

Gender balance – % of women	FY18	FY19	FY20
Supervisory Board	37.5%	37.5%	25%
Group Management	30.0%	30.0%	30%
All leaders (management positions)	49.4%	49.7%	49.5%
All co-workers	55.2%	54.6%	54.7%

We define gender balance as equal representation. In practice, this can vary year to 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%. This includes, for example, our Supervisory Board, which has eight members.

Committed to gender-equal pay

It's only fair that everyone receives equal pay for work of equal value, regardless of gender. This should be the case for all of our co-workers, in all our countries, without exception. Our goal is to achieve equal pay for women and men performing work of equal value in all countries by the end of 2021. To secure this, we rolled out a framework for gender equal pay in all Ingka Group countries in 2019.

Our approach includes yearly pay assessments to measure gender pay gaps, analysis of the reasons behind the gaps and action plans to close them. We monitor two types of gender pay gaps: total gap and identical group gap. We monitor the total gap because it may signal the need for additional gender equality efforts, such as increasing the number of women in highly-paid decision-making roles. However, our primary focus is on identical groups where women and men are performing similar work (same pay band, same job title).

We have conducted two annual equal pay assessments. In FY20, our second assessment covered 99.8% of our co-workers, over 160,000 people (from Retail, Investment and Centres). It showed that 2% of co-workers belong to groups where financial investment to close a gap is required.

In FY20 we took the following actions to reach and maintain gender-equal pay:

- Reinforced base salary setting principles for Ingka Group.
- Developed a Gender-Equal Pay eLearning Solution for managers and recruiters (rolled out in early FY21).
- Continued to tackle unconscious bias by developing a new eLearning course for all co-workers.
- Advocated for binding pay transparency in the EU to promote fair compensation for women and men by improving reporting and accountability.

We feel confident that we are on track to reach our goal of achieving gender-equal pay by the end of 2021. Achieving gender-equal pay at Ingka entails the following: each identical group with a difference in pay will be investigated; and each gap that cannot be explained by performance, competence or legal requirements will have a concrete action plan to address the gap.

We are a member of The Equal Pay International Coalition (EPIC), an initiative led by the International Labour Organization (ILO), UN Women and the Organisation for Economic Co-operation and Development. Our membership is one way that we demonstrate our commitment to equal pay for current and potential co-workers, and help to raise the profile of this issue.

80.3%
of co-workers feel included at Ingka Group

82.7%
of co-workers feel they can be themselves at Ingka Group

An ally to LGBT+ co-workers and colleagues

We support everyone's right to be themselves, whatever their sexual orientation or gender identity, and are committed to creating a workplace where our LGBT+ co-workers feel welcome, safe and accepted. We want to stand up against homophobia and transphobia, and every 17 May, we celebrate IDAHOT, the International Day Against Homophobia, Transphobia and Biphobia, through events in our IKEA stores and offices and online. This year's campaign, 'Be someone's home', aired during the height of the Covid-19 pandemic, when many people were stuck at home. It highlighted how home is not always a safe place for LGBT+ people, and encouraged people to create safe spaces for each other. The campaign reached over 24.5 million people and was shared across social media in 20 countries.

We also reissued the limited edition rainbow version of our blue carrier bag. We have sold over 2 million rainbow bags in 26 countries since FY19, with a portion of the profits going to LGBT+ organisations. In FY20, we joined Open for Business, a coalition advocating for LGBT+ rights.

During FY21, we will launch our Trans Inclusion Toolkit, to help all our countries provide a supportive working environment for trans co-workers.

Advancing racial equality

Everyone has the right to be treated fairly and to have equal opportunities, whatever their ethnicity, race or nationality. Yet racial and ethnic inequalities in society are often mirrored in the world of work.

We deeply condemn racism and prejudice, and have zero tolerance towards any racist or discriminatory behaviour. We also know we can do more to create meaningful and measurable change within our organisation, our industry, and society as a whole.

During FY21, we will be launching our Global Roadmap for Ethnicity, Race and Nationality, for all Ingka countries. This will help us achieve our goal to have a workforce that reflects the multicultural diversity of our communities, including in leadership positions. It will outline measures to ensure inclusive business practices and support the advancement of underrepresented ethnic, racial and national groups.

One of the countries where we took further steps on racial equality during FY20 was the USA. We engaged with our co-workers, including through five national virtual town-hall meetings, to understand the struggle for Black equality and how we can all become allies in the pursuit of racial equality. Over the next year, we are committing USD 3 million (EUR 2.5 million) to social justice, economic empowerment and education initiatives for Black communities in the USA. So far, we have donated USD 1.6 million (EUR 1.3 million) to organisations including Equal Justice Initiative, 100 Black Men of America, YWCA USA, and the National Black Justice Coalition for LGBT+ rights. We've also committed USD 0.9 million (EUR 0.8 million) in product donations to Black-owned small businesses in the USA affected by the economic downturn and civil unrest. We will use what we learn in the USA to inform our global approach to racial equality and benefit other countries too.

Engaging and rewarding our co-workers

When we feel that our opinions count and we are rewarded for our efforts, we thrive – and so does our business. We want to recognise the contribution made by everyone at Ingka Group and to listen to and respond to feedback.

Listening to our colleagues

Regular surveys help us to assess how co-workers feel about their jobs, teams and Ingka Group. We run our main survey at least once a year, along with more frequent pulse surveys. We are proud that 85% of co-workers believe Ingka Group is a great place to work.

Around 67,000 co-workers completed the main survey during FY20. The results show that we perform strongly in areas such as customer focus, sustainability and collaboration. It also highlighted areas for improvement, such as internal communications, planning and resources to help co-workers manage their workload, and development pathways and training feedback. We also asked co-workers how they felt about our response to the pandemic; see page 46.

In FY20, we launched Hej! our new co-worker web app, to help everyone keep up with Ingka news, access training and stay in touch via their mobiles. With Hej!, co-workers can read and reply to emails, view team documents, use their work applications, visit Yammer channels, access our MyLearning training portal and view their schedule, all in one place.

Information about our approach to social relations and employment standards is included in our appendix on page 123.

Rewarding performance and competence

Our compelling and competitive rewards help us attract, motivate and retain a talented workforce. We want to make sure that our total offer rewards performance and competence, so co-workers know that their efforts are recognised and that results matter.

Our annual One IKEA Bonus programme rewards co-workers for achieving and exceeding our business goals, and is directly linked to our financial performance. In FY20, this was affected by the impact of the Covid-19 pandemic and store shutdowns. However, approximately one third of our countries and units received a pay-out through the programme.

A big thank you to our co-workers

Our loyalty programme, "Tack!" ("thank you" in Swedish), enables all co-workers to share the success of IKEA through extra contributions to their pension savings. In FY20, the Ingka Holding Supervisory Board approved the Management Board's decision to re-set the programme back to its original annual format as of FY21 (rather than every 3-years). Despite not reaching the defined goals for the period FY19-20, it was also decided to globally allocate over EUR 105 million to eligible co-workers after the end of FY20, as a special thank you for loyalty and hard work during tough times.

We are updating our co-worker international pension funds, to ensure our investments reflect our commitment to people and planet, including not investing in the fossil fuel industry.

People and planet positive

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New

HUVUDROLL
Plant balls, 500g
€3,49

Becoming People and planet positive

We will become people and planet positive, creating a better everyday life for the many people within the boundaries of the planet.

Today the world faces daunting social and environmental challenges. Covid-19 has caused major distress and disruption, yet it is just one of many issues facing society. Climate change, unsustainable consumption and rising inequality are affecting the lives of many millions of people around the world, and the next decade will be critical. We need to act now and that is what we're doing.

At Ingka, we want to take a leading role in creating a better tomorrow. We're transforming our business to become circular and climate positive, to contribute to a net-zero carbon economy, to make healthy and sustainable living affordable, attractive and accessible for our millions of customers and to help to create a fairer and more equal society.

We will become people and planet positive by focusing on three areas:

1. Healthy & sustainable living. Inspire and enable 1 billion people to live a better life within the boundaries of the planet.
2. Circular & climate positive. Strive for zero waste and become circular and climate positive by 2030, including advocating 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.

Our approach is aligned with the IKEA People and Planet Positive Strategy and covers the three parts of Ingka Group (IKEA Retail, Ingka Centres and Ingka Investments).

We listen to stakeholders and our partners to decide what matters most and where we should focus our efforts; see page 116. Information about governance of sustainability at Ingka Group is included on page 94.

The impact of Covid-19

Many aspects of our sustainability strategy were impacted by the Covid-19 pandemic, with IKEA store and meeting place closures for periods during FY20. In some cases, our progress was delayed, while in others we increased activity and accelerated progress towards our targets. This makes it challenging to compare performance trends year on year. Read about our response to the pandemic on pages 8-10 and 90-91.

UN Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) provide a framework for collective action to tackle global sustainability challenges.

At Ingka Group, we support all of the goals, and use them to help guide our strategy, ambitions and engagement. We have a particular focus on six of the goals:

Gender equality
See pages 52-53

Affordable and clean energy
See page 64

Decent work and economic growth
See pages 44 and 88-89

Reduce inequalities
See page 86

Responsible consumption and production
See pages 60 and 83

Climate action
See pages 72-73

See how we contribute to the 17 SDGs on pages 112-113.

A MESSAGE FROM PIA HEIDENMARK COOK

We are more committed than ever

FY20 was the year no-one was expecting. The Covid-19 pandemic showed us like never before how fragile our world can be, how much we depend on each other and how connected we are across borders and continents. Despite the difficulties, we came through the year more committed than ever to our sustainability goals.

The year we showed up

As the pandemic struck, I, like many others, was concerned. I worried for the health of family, friends and colleagues, but also what the disruption might mean for our people and planet positive agenda. Yet thanks to the determination and can-do attitude of colleagues right across Ingka Group, FY20 turned out to be a year we can be truly proud of. A year where, despite unprecedented events and the need to sometimes adjust our path towards our targets, we kept our focus on our sustainability ambitions.

It was the first year we generated more renewable energy than we consumed in our operations, thanks to our investments in solar and wind technology that began a decade ago. We extended our clean energy services to customers in 11 countries, rolled out HUVUDROLL, our plant balls (an alternative to the classic IKEA meatball, but with a much lower climate footprint), and continued to trial circular services and new business models – all with the ambition of making sustainable living accessible and affordable to more people.

Covid-19 reminded us how important it is to be part of a community, so I'm particularly proud we were able to donate EUR 26 million in emergency funding and products to support communities affected by the pandemic in 30 countries.

On the right path, but more to do

Of course, not everything went to plan, and we didn't complete everything on our to-do list. It was disappointing that despite real progress, we fell short on our ambitious food waste goal (page 81), and that we made slower-than-hoped-for progress in some areas, such as the roll out of electric vehicles and furniture leasing. Store closures and business disruption due to the pandemic meant many of the activities we had planned for the year had to be postponed.

Behind the scenes, we continued to lay the foundations for a holistic approach to business, where the impact of our choices on people and the planet are considered in every decision we make. Our Country Retail Managers made great strides in taking on the additional role of Chief Sustainability Officer, which will further embed sustainability at the national level, help to connect business development decisions with our sustainability priorities and lay the groundwork for future successes. We know we can do even more to involve every co-worker in our sustainability efforts, and that will be a focus in FY21.

Committed optimists

Covid-19 was unprecedented but it is far from the only challenge facing humanity. Climate change, biodiversity loss, unsustainable consumption and rising inequality – these are all problems that can seem insurmountable. Yet I am optimistic.

I have always believed that we achieve more when we act together, and the events of this year have only confirmed this. We'll continue to make collaboration a priority as we progress towards becoming

people and planet positive. By siding with the many people and working in partnership, we'll keep building a movement for sustainable living, and bringing our customers the affordable solutions they need to live healthy, sustainable and better lives at home.

A new decade of action

Over the last ten years, we've come a long way towards our goal to be people and planet positive. Now we need to go even further and faster – the next decade is critical.

In FY21, we'll launch some of our biggest sustainability actions yet, and step up our efforts to connect our commercial activities to our people and planet positive goals. In our IKEA stores and communications, we'll go all in to engage and inspire co-workers and customers to mobilise a movement for sustainable living.

We hope to show everyone that sustainable business is good business, and the only way we and the planet can prosper in the long term. The determination demonstrated by everyone across Ingka Group during FY20 gives me confidence that we can take a big step forwards.

Pia Heidenmark Cook
Chief Sustainability Officer, Ingka Group

Healthy and sustainable living

We want to make it affordable and convenient for anyone and everyone to live a better everyday life within the boundaries of the planet. With 706 million IKEA store visits and 3.6 billion online interactions each year, we have the opportunity to reach a huge audience. We want every customer to find affordable and sustainable IKEA products that meet their needs, and to feel engaged, informed and inspired by our know-how and solutions for healthy and sustainable living. Affordability is key because living more sustainably should not be a privilege for the few.

The IKEA range is supplied by Inter IKEA Group. It is designed according to the five dimensions of Democratic Design: form, function, quality, sustainability and a low price. This means sustainability is considered from the start and embedded into design, manufacture and use.

In addition, we are finding new ways to reach more people and excite them with the benefits of sustainable living – from prolonging the life of our products, to creating a clean energy community and offering more plant-based food options in our food outlets.

Together with Inter IKEA Group, we're developing a measurement framework to track progress against our 2030 ambition to reach 1 billion people. We're also working to strengthen our targets and develop a set of key performance indicators to track progress on our goals for healthy and sustainable living.

You can read more about responsible sourcing, home furnishing suppliers, product design, product safety and other related topics on about.ikea.com.

Our ambition

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

- Creating a movement in society around better living.
- Promoting circular and collaborative consumption.
- Inspiring and enabling people to live healthier, more sustainable lives.

In FY20 we:

Inspired 97,400 customers and co-workers to reduce energy, water and waste through the IKEA Better Living app

Made IKEA Clean energy services available in 11 countries, helping customers avoid 63,000 tonnes of CO_2 and save EUR 10 million

Tested new approaches extending the life of IKEA products

Rolled out our plant-balls, which have just 4% of the climate footprint of a classic IKEA meatball

Progress against targets in FY20

OUR TARGETS	PROGRESS IN FY20	PERFORMANCE SUMMARY
Enable better living by: inspiring customers to make informed sustainable choices; and providing relevant information and inspiring communication about how IKEA products are sourced and produced and how they enable customers to reduce their direct environmental impact.	In progress, on track to target	Increased communications on sustainability across our IKEA stores, meeting places and websites to inspire customers and highlight products in ranges that can help them save energy and water, reduce waste and live a healthier life at home.
Inspire and enable millions of people to live more sustainably, for example by reducing energy and water use and minimising waste.	In progress, on track to target	Tested a range of ways to engage customers and co-workers on sustainability. Around 5,670 co-workers and 91,750 customers have downloaded the IKEA Better Living app, which helps them learn about their footprint and how to shrink it.
Provide knowledge, inspiration, services and platforms supporting customers to actively participate in circular actions.	In progress, on track to target	We are testing solutions that encourage circular consumption, including Furniture as a Service tests in six countries, buy-back schemes for second-hand IKEA furniture and our spare parts service.
Phase out single-use plastic items offered in customer and co-worker restaurants, bistros and cafés.	Achieved	The target covered a list of commonly used single-use plastic items. We phased out all of the items included in the target, except for disposable cups for hot drinks. A thin plastic coating (from renewable sources) is still used in the lining of these cups for safety reasons, and we were not able to source a commercially-viable alternative during FY20.
Enable customers in all our countries to use and generate renewable energy by 2025.	In progress, on track to target	We reached 11 countries with our clean energy services, including nine countries offering solar panel and battery storage systems.

In progress, on track to target | In progress, not on track to target | Achieved | Not achieved

Inspiring and enabling more sustainable living

We want to make sure every customer can find the information and inspiration they need to make more sustainable choices.

We're stepping up communication on sustainability across our IKEA stores, meeting places and websites. When they visit one of our stores, people now see more information on sustainability from the entrance to the checkouts, and we're highlighting IKEA products that help customers to save energy and water, reduce waste and live a healthier life at home. By the end of FY20, around 80% of our stores had at least one room set designed to inspire customers on solutions for more sustainable and affordable living. Online, we're making sustainability more visible too, including launching product guides to help customers choose more sustainable materials, eat more sustainably, repair and maintain furniture, and save energy and water.

We're also using our advertising to reach a wider audience. For example, one of our successful campaigns in FY20 ran in Canada, centred around a "Stuff Monster" encouraging Canadians to let go of used furniture in a responsible way, and showing that it isn't just good for the planet, it's good for us too. The journey continues in FY21 with the challenge of encouraging the many to do "One Little thing" for the planet, and reminding us all that doing our bit may sometimes feel like hard work, but is really worth the effort.

Ingka Centres meeting places also inspire visitors on sustainable living. For example, retailers at the LIVAT Centre Wuxi in China participated in our latest Caring for the Environment roadshow in FY20. Visitors took part in sustainability and craft workshops, and could pick up bargains at a special flea market event. Previous roadshows have taken place at Centres in Russia and Poland.

Understanding attitudes to climate change

Understanding what people think and feel about climate change helps inform us how, when and where we should talk to customers about sustainability.

Our latest Climate Action research was conducted by Globescan in 2019, and covered over 30,000 people in 30 countries. This shows that people around the world are more worried about climate change than ever before. They want to protect the planet to ensure a better life for future generations, and 87% are willing to change their behaviour to do so. They are most likely to act if they know what to do, understand the impact they can have and feel supported. Cost and convenience are key, and people are motivated when they understand that taking action on climate change is also good for their health and their community. A summary is available at: www.ingka.com[1]

Many of our Country Retail Managers, key functional managers, unit managers and co-workers have participated in workshops on the research findings and are using the results to inform local product selection, store layouts and communication to customers.

Products and our climate targets

Inter IKEA Group, the supplier of the IKEA range of products, has committed to reducing scope 3 carbon emissions[3] relating to home furnishing products and food by at least 15% in absolute terms by 2030 compared with 2016. This translates to, on average, a 70% reduction per IKEA product.

We contribute to this target by:

- Promoting energy efficient products and those made using renewable and recycled materials.
- Offering vegetarian and plant-based food options, such as veggie dogs and plant balls.
- Enable customers to use IKEA home furnishing products longer through circular services, as well as reducing our product waste.

Read more about our climate targets on page 71.
Read about how Inter IKEA Group is taking action to reduce the climate footprint of the IKEA product range at about.ikea.com

Small actions add up with our Better Living campaign

With the IKEA Better Living app, we want to make it easy and fun for everyone to live a more climate-friendly everyday life. The app is free to use, and helps people learn about their personal footprint and how to shrink it. It includes bigger steps, like installing solar panels, as well as many smaller actions, like reducing your shower time or eating plant-based for a day. Users can log their sustainable actions to compete in challenges, earn points and receive prizes. The app also helps co-workers to learn about our products and feel confident in talking to customers about sustainability.

Throughout FY20 and early FY21 we held several Better Living challenges for co-workers, encouraging countries and individuals to compete to log the most healthy and sustainable actions. So far, 5,670 co-workers and 91,750 customers have downloaded the app across 20 countries. Through the actions they've logged, we estimate they have avoided over 22,000 tonnes of CO_2 and 1,000 tonnes of waste, and saved 199 million litres of water[2].

80%

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

A sustainability story behind every product

With the IKEA Democratic Design approach, all IKEA products have sustainability and affordability built in. These are a few examples of the sustainable features we are highlighting in our stores:

- RYET LED bulbs and TILLREDA induction hobs reduce energy use in the home.
- ÖVERMÄTT reusable food covers keep leftovers fresher for longer and help to reduce food waste.
- Sit and stand desks like RODULF help people adopt healthy working habits.
- Customers can enjoy our tasty HUVUDROLL plant balls, which have just 4% of the climate footprint of a classic IKEA meatball.
- Bathroom taps such as BROGRUND have a cold start design that improves energy efficiency. Our ranges are water efficient too, such as our BROGRUND, LILLREVET, VALLAMOSSE, VOXNAN showers.
- Air pollution is one of the biggest health challenges, and we want to play our part in finding solutions. In December 2020, FÖRNUFTIG air purifier was launched in mainland China, and will be rolled out in other IKEA markets from 2021.

[1] www.ingka.com/wp-content/uploads/2020/01/climate-action-ingka-group.pdf [2] These figures are estimated using data from the USA, including average daily water consumption, average food and general waste produced, average household CO_2 and greenhouse gas emissions. Data is from external sources, including government agencies, scientific institutions and NGOs. [3] Relative emissions from travel & deliveries

Clean energy for all

Empowering people to use and produce clean renewable energy is, in line with the IKEA climate positive commitment, one of our actions to enable the wider society to reduce its climate footprint. That's why we're building a global clean energy community, increasing availability and demand for clean energy in partnership with a growing number of customers and service providers around the world. Making renewable energy easy and affordable is good for the planet and good for our customers' wallets and wellbeing.

We offer a portfolio of clean energy services across 11 countries. Our home solar service (nine countries), offers solar panel and battery storage systems. By turning their rooftops into mini power plants, our customers can save an average of EUR 400 per year on their energy bill.

Not everyone owns their own home or can afford to invest in renewable energy generation. But everyone can still have a big impact by switching to a clean electricity supplier. We want to make this process simple and straightforward. We've already launched a clean electricity referral service in two countries, and from FY21, we'll be developing our own clean electricity subscription service.

11

Active in 11 countries, with a goal of 30 by 2025
(all Ingka countries)

90%

increase in sales value during FY20

100 GWh

energy generated by customers so far

63,000

tonnes of CO_2 avoided by customers

EUR 10 million

Over EUR 10 million saved by customers

Circular living made easy

Using resources efficiently has always been part of how we work at IKEA. Now we want to help make circular consumption the new normal for customers too.

We know our customers don't like to be wasteful, and neither do we. They value the things they own and they want to repair, reuse and recycle. Yet practical challenges - a lack of time, space, tools or know how - can get in the way of good intentions. By testing, adopting and scaling up new circular solutions, we can remove some of these barriers.

We're focusing on three key challenges:

- Restoring value – extending the life of materials and giving IKEA products a second life
- New approaches to ownership – services that give customers more flexible access to furniture without needing to own it, while saving on resources.
- Things we no longer need – helping people to deal with clutter in their homes while giving unwanted items a new life

By 2030, IKEA will transition to a circular business model, adapting how and where we meet our customers. All IKEA products will be made from renewable or recycled materials, and designed from the very beginning to be repurposed, repaired, reused, resold or recycled. Read more in the Inter IKEA Group Sustainability Report FY20.

A longer life for products

We're exploring how we can give our products and the resources we use a longer life by personalising, repairing, reusing, refurbishing, reselling and recycling.

We already reduce waste by selling returned, damaged or ex-display products at discounted prices through our As-Is areas. In FY20, 30.5 million products were sold in this way[1]. Now a growing number of our countries also buy back IKEA furniture from customers who no longer need it, and re-sell these good-quality second-hand items to new customers through our As-Is areas. In Sweden, to further explore circular models, in early FY21 we began testing a store stocked entirely with second-hand IKEA products to learn more about this potential market (see pages 32 and 66). With Inter IKEA Group, we offer a spare parts service in all but two of our markets helping customers to keep their IKEA products in good shape for longer through replacing small parts such as screws and fittings. Most spare parts are provided by our suppliers, but co-workers also rescue spare parts from damaged or returned products that can't be resold, ensuring important resources don't go to waste. More than 1 million customers used the spare parts service in FY20, with 14 million spare parts provided. Now we're rolling out a global online system that will make it easier for customers to find and order spare parts, without needing to visit one of our stores.

[1] As-Is sales were 8 million lower than in FY19 due to store closures as a result of the pandemic.

Upper: Circular Hubs – For many years, customers have been able to pick up a bargain in our As-Is areas - the part of the IKEA store where we sell returned, damaged, second-hand or ex-display products at discounted prices. Now we are turning As-Is areas into Circular Hubs where, as well as the usual bargains, customers can see our approach to circularity in action and learn how to maintain, clean or personalise their IKEA products. Our first Circular Hubs have been tested in China, France and the UK, and we aim to have launched Circular Hubs in half of our stores by the end of FY21.

Lower: With the opening of our first pure second-hand IKEA store in Eskilstuna, Sweden, we are taking circular furniture to the next level. The store is part of a global innovation initiative within IKEA and is run as a six-month pilot project aiming to test and develop circular and profitable business models for the future.

We'll also be testing whether we can offer larger furniture parts such as sofa armrests and cushions, enabling customers to repair damaged or worn products, rather than replacing them.

Preventing product waste

We also reduce product waste by repackaging IKEA products (including customer returns and products whose packaging was damaged in transit) so they can go back on the shelf. Our in-store product recovery teams repacked 8.4 million products in FY20. In total, we had around 62 million potential waste products in FY20 (including returned, damaged, discontinued and ex-display products), and we saved 39 million of them through As-Is sales and repackaging.

We're also exploring new ways to find a second life for IKEA products that are not in good enough condition to be resold and would otherwise go to waste. In the USA, we began working with technology provider Optoro to donate returned textile products to charity, preventing nearly 750 products from being discarded in the first 10 week. In Canada, we partnered with Furniture Bank, a social enterprise, to donate 1,000 returned mattresses that are still in good condition to low income households in Toronto, and will be extending this partnership to our IKEA stores across Canada. We also donated 1,000 kitchen units from discontinued product lines, which were used in housing for low-income households.

In Russia, where recycling services aren't well developed, we trialled a take-back service for old wooden furniture that would otherwise be sent to landfill. The returns were sorted, with any products in good shape donated to charity. The rest were broken down and the reclaimed wood used to create new chipboard for IKEA products or biofuel to power IKEA Industry factories. Customers learnt about the benefits of recycling, and in three months, around 130 tonnes of old furniture were collected. We're now scaling up the service to our IKEA stores in Moscow and St Petersburg.

New approaches to ownership

At each stage of our lives, the furniture we need changes. Whether we're setting up or expanding a business, moving into a first student flat, or having a baby, we sometimes only need products for a set period of time. With furniture leasing, we're testing a more circular way to use IKEA furniture. The goal is to improve flexibility for customers, extend the life of products and reduce waste by enabling the same product to have several lives.

Seven of our countries have been involved in the Furniture as a Service tests, and we've trialled different subscription models for business customers and students. 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 rental.

Our tests show that furniture leasing can meet customer needs and have a positive environmental impact, extending the life of materials and resources. However, there are practical challenges for our business to overcome, such as transporting and storing furniture, as well as adapting to new financial models. Some of our tests were disrupted by the Covid-19 pandemic, but we hope to launch our first service in FY21, focusing on business customers.

We're also testing a potential new service to help customers deal with clutter and unwanted possessions, while also reducing waste. We're looking at how we can inspire customers to improve their homes while finding new uses for old possessions or passing them on to others for a second life. The first pilots took place in Sweden and had positive feedback from customers, and we will continue in Portugal in FY21.

Can we give sofas a second life?

The sofa is at the heart of the home, providing years of service as a comfortable place to watch TV or read a book, a refuge for relaxation and family time, or a source of cushions for the kids to build a den. So, it's no wonder that the family sofa can end up looking a bit tired. Yet often sofas are discarded when most of their parts are still in good condition, and could be refurbished to last many more years.

We already offer some spare parts to help customers maintain and repair their IKEA sofas, but we think we can go further. We're exploring whether a sofa repair and refurbish service can save resources and help customers looking for a quality, low-price sofa. In our first tests in Poland and China, we partnered with a refurbishment company to clean and refurbish old IKEA sofas that were then resold in our As-Is areas at a discounted price. We'll continue testing during FY21 to further develop the offer.

Healthy, sustainable food

Our IKEA Restaurants, IKEA Bistros and Swedish Food Markets serve millions of customers a year. We want to make sure that we provide healthy and nutritious food options and that our food tastes great and is better for the planet too.

Our focus areas include: reducing meat consumption by inspiring more people to choose plant-based options, sourcing ingredients sustainably and responsibly, increasing seasonality through our market-specific ranges, and improving product shelf life to reduce waste.

We are also working to reduce food waste (see pages 80-81), and emissions from food are included in our science-based targets to reduce our climate footprint (see pages 74-75).

Sourcing responsibly

The IKEA food range includes many sustainably-sourced options, from organic rapeseed oil and responsibly-farmed eggs, meat and dairy, to seafood certified by the Aquaculture Stewardship Council and Marine Stewardship Council and UTZ Certified coffee, tea and cocoa.

More detail and examples of responsible sourcing for IKEA food is included in the IKEA Sustainability Report FY20.

Growing our own

From food waste to food miles, what we eat can have a big impact on the environment. For the last few years, we've been exploring whether growing our own fresh produce can play a part in reducing the environmental footprint of our food business.

During FY19 and early FY20, we tested medium-scale vertical farms in a container outside two IKEA stores in Sweden. The farms used hydroponic technology to grow romaine and frisée lettuces, and operated in a circular way, with food waste from the store used to create a nutrient solution to feed the lettuces.

Our tests were successful and the final results showed that:

- We can produce enough lettuce to supply our in-store restaurants using vertical farming techniques and 100% organic fertilizer.
- The produce is fresher, tastier and contains more nutrients because it is harvested and used almost straight away.
- When the containers are powered by renewable energy, the lettuces' climate footprint is 30% lower than the ones we would usually use.
- Thanks to efficiency improvements, in some locations we can produce our own lettuce for the same price we would pay a supplier for a conventionally-farmed alternative.

We are using our findings to develop a portfolio of vertical farming solutions that can be adopted across our IKEA stores. During FY21, we will be installing a new highly energy-efficient vertical farm, in a container at our Malmö store, operated by our co-workers. In Stockholm we will be working with a partner to source lettuces from a larger off-site vertical farm as well as integrating a Grow Room into one of our stores – see case study on the following page. We are also testing an in-store vertical farm in the restaurant of one of our stores in South Korea.

Ingka Investments has invested in two vertical farming businesses Aerofarms (USA) and Click and Grow (Estonia) to support development of the industry. We are partnering with Click and Grow to roll out our Grow Rooms, see case study on page 69.

Partnering for sustainable food

Following the successful use of food waste to create liquid fertiliser for our vertical farms, we are now working with a partner to trial on-site biogas plants (a type of anaerobic digester) in the Netherlands. These will use food waste to produce biogas, heat or electricity to help power our stores and liquid fertilizer for use in our vertical farms.

HUVUDROLL, a plant ball for meat lovers (and everyone else)

The meatball is an IKEA icon, with more than one billion sold every year. Yet eating less meat is one of the ways we can all reduce our impact on climate change. So, imagine if we could tempt some of our meatball fans to enjoy an alternative with a lower climate footprint?

That's the vision for our new plant balls. They're made with yellow pea protein, oats, potatoes, onion and apple, but they look and taste like meat, and our blind taste tests show that customers find them just as delicious. Designed for any customer wanting to enjoy a meat-free meal, they have a climate footprint of only 4% of the classic IKEA meatball.

Now available in most of our countries, the plant balls are part of a new range of plant-based dishes that includes lasagnes, curries and kebabs.

Together with the waste app, Too Good to Go, we're enabling customers in six countries to buy discounted surplus food from our cafes, restaurants, bistros and Swedish Food Markets. In FY20, this stopped 34,000 meals from going to waste.

Food safety

We have rigorous food safety procedures and standards for all our food products and outlets. This includes our detailed food safety checklist, which aligns with international standards and local legislation, as well as the mandatory 360 Food Safety co-worker training that is completed annually. We have a programme of global food safety audits, which includes external audits of our IKEA stores at least twice a year.

During FY20, we introduced further safeguards to ensure we protect colleagues and customers during the Covid 19 pandemic. This included guidance for stores offering new food takeaway services, and procedures and checklists to ensure a safe re-opening of our food facilities after lockdown.

Phasing out single-use plastics

We phased out 28 single-use plastic items from customer and co-worker restaurants, bistros and cafés. This included replacing plastic straws, plates, bowls, cups and cutlery with alternatives made from renewable materials, such as paper and wood from sustainably-managed forests.

One remaining challenge is single-use cups for hot drinks. During FY20, the only commercially-available cups contained a thin plastic coating on the inside for safety reasons. Although our cups now use a plant-based plastic from sugar cane, we'll continue to look for an alternative without plastic.

During the pandemic, we saw an increase in take-away meals from our food outlets, which in some cases has led to an increase in the use of new disposable plastic items not covered by our original target, such as takeaway boxes. We will be working to address this.

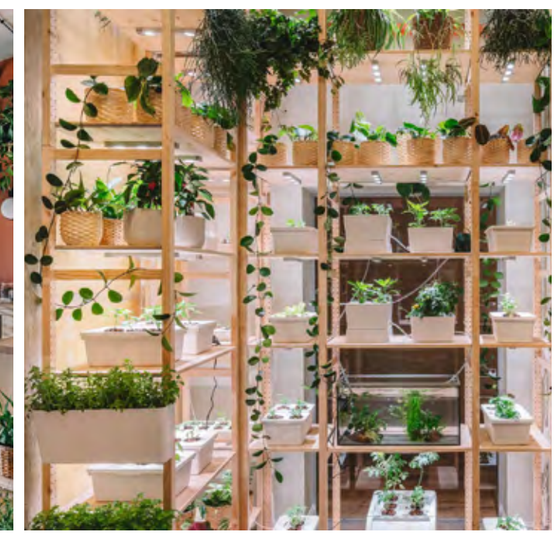
Inspiring the sustainable homes of tomorrow

We're bringing the benefits of vertical farming to life for our customers through our new 'Grow Rooms'. These feature hydroponic indoor garden products and interactive exhibits to inspire more customers to create their own mini farm, contribute to a better future for people and planet, all while enjoying the benefits of better, fresher and more sustainable food.

Our first Grow Room is in Szczecin, Poland, and forms part of our interactive co-creation space, 'Home of Tomorrow'. Located in an old town house, and restored using environmentally-friendly materials, the space is full of ideas and inspiration for more circular living.

Through visits and workshops, local people can share ideas and learn about growing food, reducing waste, upcycling old furniture, cooking vegetarian meals, and composting food waste for use on their own home farm. Many of the sessions are run in collaboration with local start-ups and partners.

During FY21, we'll be exploring similar approaches at some of our other IKEA stores around the world.



Circular and climate positive

The planet is our home, and we have only a decade to take decisive action to avoid the worst effects of climate change.

The IKEA vision is to create a better everyday life for the many people. We know that the effects of climate change are impacting people negatively - today and for generations to come. We must act now and urgently rethink how we live, work and travel, to stay within the boundaries of the planet.

We have a huge responsibility – and opportunity – to tackle climate change. The IKEA ambition is to become a circular and climate positive business by 2030. Our approach is based on what science tells us we must do to keep global warming to 1.5°C at the end of this century.

We are aiming to drastically reducing greenhouse gas emissions, remove carbon from the atmosphere through natural processes and storing it in land, plants and products through better forest and agriculture management within the IKEA value chain. Working together across the IKEA value chain to source, produce and use products in a sustainable way, we can extend their life and reduce our indirect impacts. We're also enabling people to travel to our IKEA stores more sustainably, and to generate and use renewable energy at home.

We believe that we must transform our business to stay relevant in a net zero economy. We must act together with others to tackle climate change, create jobs and build solutions for a cleaner and greener future.

Impact of Covid-19 on our environmental data in FY20

FY20 was an unusual year that has affected our environmental data. Many of our sites were shut for several weeks due to local Covid-19 restrictions, and customer visits dropped by around one fifth compared with the previous year. Our greenhouse gas emissions, energy use, waste and water use decreased as a result.

However, we adapted many sites to temporarily operate with additional capacity as delivery and collection points for customers, and our meeting places stayed open for essential services. We believe the impact on greenhouse gas emissions and energy use in our operations was less significant as a result.

In FY20 we:

Experienced reduced greenhouse gas emissions from our buildings by 5% compared with FY19

Exceeded our 2020 goal to generate more renewable energy than we consume in our operations

Gave 39 million products a second life by repacking and reselling them in store

Made progress towards achieving fully electric home deliveries in Amsterdam, New York, and Paris by the end of 2020

Our ambition

We will contribute to the IKEA ambition to be circular and climate positive by 2030. We will focus on the following commitments:

- 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.
- Striving for zero waste and becoming circular.

Progress against targets in FY20

OUR TARGETS	PROGRESS IN FY20	PERFORMANCE SUMMARY
BEING POWERED BY 100% RENEWABLE ENERGY, WHILE INCREASING ENERGY EFFICIENCY		
Reduce energy-related greenhouse gas emissions from our own operations by 80%[1] by 2030.	In progress, on track to target	Our scope 1 and 2 greenhouse gas emissions decreased by 4.6% against our FY16 baseline and by 5.4% since FY19. While this can be mainly attributed to Covid-19 disruption in our operations (see page 70), we still continue our efforts on energy efficiency and renewable energy.
We will generate more renewable energy than we consume in our operations through on-site and off-site renewable energy investments by 2020.	Achieved	We generated renewable energy equivalent to 132% of our energy consumption in FY20[2].
We aim to consume 100% renewable electricity in all buildings by 2025.	In progress, on track to target	66% of the electricity used in our buildings in FY20 was from renewable sources, on par with FY19.
All new and retrofitted buildings to use renewable heating and cooling systems from 2020. Aim for 100% renewable heating and cooling by 2030.	In progress, on track to target	In FY20, 40% of our stores and distribution centre buildings had renewable heating and cooling systems, sometimes in combination with fossil fuel-based technologies.
ZERO EMISSION HOME DELIVERIES AND REDUCING EMISSIONS FROM CO-WORKER AND CUSTOMER TRAVEL		
Aim to reduce relative[3] emissions from customer and co-worker travel by 50% by 2030.	In progress, not on track to target	Relative emissions from customer and co-worker travel decreased by 0.3% compared to FY19 and by 9% compared with FY16.
Aim for 100% of transport for customer deliveries and services to use electric vehicles or other zero-emission solutions by 2025.	In progress, not on track to target	In FY20, 9.6% of customer deliveries were electric or zero emission. This excludes small parcels.
All owned, leased or shared vehicles in our fleet to be electric or other zero-emission options by 2025.	In progress, not on track to target	In FY20, our procurement team approved for all new vehicles in our fleet to become zero emission, and we began work to change our fleet to zero emission in several countries.
Provide access to electric vehicle charging stations in all our IKEA stores, centres and other locations by 2020.	In progress, on track to target	In FY20, we added around 1,000 new electric charging stations for our customers, offering EV charging at 93% of our IKEA stores and 74% of our meeting places..
STRIVING FOR ZERO WASTE AND BECOMING CIRCULAR		
All materials for our non-home furnishing products will be renewable, recyclable and/or recycled and all plastics will be recycled, and/or from renewable sources by 2030.	In progress, not on track to target	In FY20, we started creating a roadmap to reach our 2030 goal. Together with hundreds of suppliers, we began to switch wood, paper and cardboard to 100% recycled or FSC-certified materials for non-home furnishing items that customers use when they visit our stores.
Reduce food waste[4] by 50% by end of august 2020.	Not achieved	The goal was not reached, but we achieved some good results: more than 60% of our stores have implemented a food waste solution and reduced food waste on average by 32%. The 50% reduction goal is moved to end of 2021.
Reduce our operational waste and strive to recycle 100% of waste generated in our operations by 2030.	In progress, on track to target	Waste generated in our operations decreased by 12% in FY20 compared with FY19, and we recycled 72% of waste generated in FY20.

In progress, on track to target · In progress, not on track to target · Achieved · Not achieved

[1] Direct and indirect energy-related emissions (Scope 1 and 2) compared with FY16. [2] Energy consumption covers electricity, heating and cooling in our operations, including sub-metered tenant consumption. If we exclude sub-metered tenant consumption, we generated renewable energy equivalent to 155% of consumption. [3] Relative to the number of journeys by customers to stores and centres, co-worker commuting and business trips compared to the FY16 baseline. [4] From production in IKEA Restaurants and Cafes, IKEA Bistros and Swedish Food Markets.

Tackling climate change

We have a huge responsibility, and opportunity, to tackle climate change. The IKEA ambition is to become climate positive and reduce greenhouse gas emissions by more than the IKEA value chain emits by 2030, while still growing the business (see figure below).

We have already made progress. Since FY16, the Ingka Group business grew by 14%, yet we have successfully decoupled growth from greenhouse gas emissions, achieving a 14% climate footprint reduction over the same period[1]. While FY20 was an unusual year due to Covid-19, between FY16 and FY19 our greenhouse gas emissions decreased by less than 2%, compared with 19% business growth.

We take a science-based approach to climate action, with externally-verified targets and data (see pages 74-75 for our science-based targets). We continuously work to improve the accuracy of our climate footprint data so we can make better decisions about where to focus our efforts and improve our impact. We track performance with climate footprint metrics that include emissions associated with our energy, waste and water use on a monthly basis. Performance is overseen by Country Retail Managers, and we track additional climate footprint metrics annually.

This year we advocated strongly for a green recovery from the Covid-19 pandemic. We joined the European Parliament green recovery alliance, and supported the UN-backed Uniting Business and Governments to Recover Better campaign, convened by the Science Based Targets initiative, UN Global Compact and We Mean Business coalition. And we partner with several other initiatives to encourage action on climate change (see page 116).

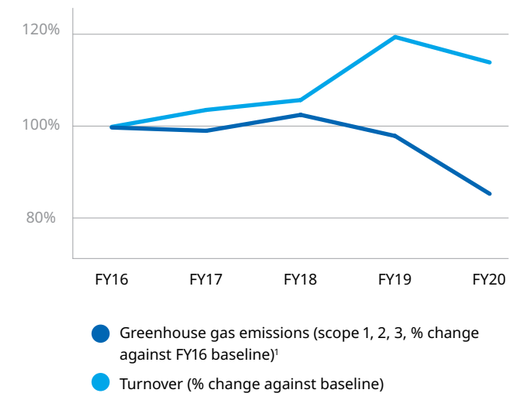
Our contribution to a climate positive IKEA

The IKEA ambition is to become climate positive by 2030 by:	At Ingka Group we're doing our part by:
1. Drastically reducing our greenhouse gas emissions in line with our science-based targets.	▶ Striving for 100% renewable energy and increasing energy efficiency ▶ Reducing emissions from home deliveries, and customer and co-worker travel (page 79) ▶ Offering customers more energy-efficient LEDs and appliances (page 63) ▶ Introducing plant-based food options like vegan meatballs (page 68)
2. Storing carbon in land, plants and products	▶ Offering circular solutions to prolong product life. Inter IKEA Group is exploring ways to remove CO_2 from the atmosphere and store it in forests, agriculture and products. This includes better forest management and agricultural practices, and storing carbon in IKEA products longer through the circular economy.
3. Going beyond IKEA	▶ Contributing to further greenhouse gas emission reductions in society by, for instance, enabling customers to save energy and resources at home, and to generate their own renewable energy with IKEA clean energy services (page 64)

Read more about how IKEA will become climate positive, and the actions Inter IKEA is taking, in the IKEA Sustainability Report.

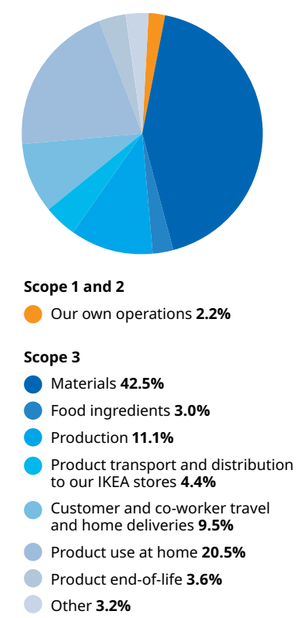
[1] Ingka Group Scope 1, 2 and part of scope 3 (assured by KPMG) decreased by 15.7%. Remaining Scope 3 (not assured by KPMG) decreased by 13.7%. See Appendix, p. 118-119.

Our climate footprint (Scope 1, 2 and 3) vs business growth (tonnes of CO_2e vs turnover)



Our climate footprint (Scope 1, 2 and 3)

(% share of CO_2e emissions in FY20)



Climate-related risks and opportunities

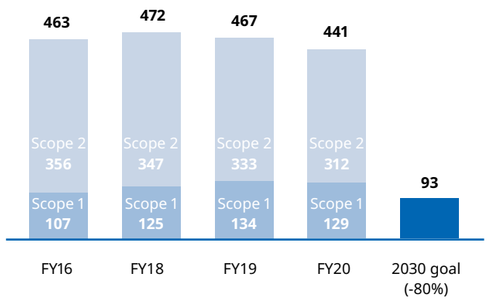
We support calls for companies to provide stakeholders with greater transparency and understanding of the impacts of climate change on their business. We report in line with the Taskforce on Climate-related Financial Disclosures (TCFD), and we were recognised on the CDP global A list of climate leaders for FY19.

Our approach to managing climate risks and opportunities includes the following:

- **Governance:** The Management Board of Ingka Holding B.V. is responsible for the Ingka Group People and Planet Positive Strategy and progress against its targets, including our climate footprint targets. Read more about climate change governance on page 94.
- **Strategy**: In FY19, we conducted a detailed assessment of climate-related risks and decarbonisation opportunities, in order to understand the strategic and financial implications for our business. We carried out a more detailed scenario analysis of financially material risks in three areas of our business: transport, energy and real estate. Read more on page 72-73 of our Annual Summary & Sustainability Report FY19.
- **Risk management:** Climate-related risks are integrated into the Ingka Group risk management framework. Read more about our risk management approach on page 95.
- **Metrics and targets:** We've set ambitious science-based targets to reduce our emissions. We track operational climate footprint metrics monthly and report our progress against targets (see page 74-75).

Energy-related GHG emissions from our buildings, company cars and on-site vehicles - Scope 1 and 2

(1,000 tonnes of CO_2e)



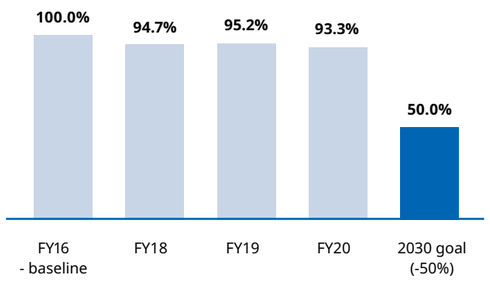
Our science-based target: Energy-related greenhouse gas emissions from buildings, company cars and on-site vehicles (scope 1 and 2)

Reduce absolute greenhouse gas emissions from across Ingka Group operations by 80%. This covers our direct and indirect energy-related emissions.

This goal is approved by the Science Based Targets Initiative as consistent with reductions required to keep global warming to 1.5°C.

Data for FY20 and F16-FY19 restated. Historical data can be found in the Appendix (see page 115)
Biogenic emissions (included in Scope 1 and 2) by combustion of organic energy sources - 10.457 tonnes CO_2.

Relative emissions from travel and deliveries - Scope 3 (percentage of baseline emissions)



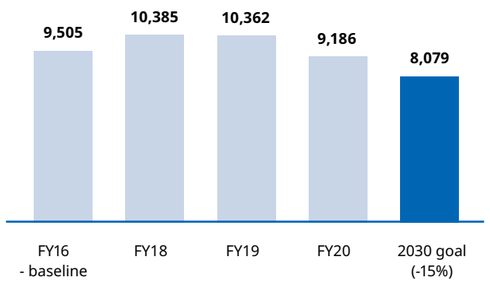
Our science-based target: Relative emissions from travel and deliveries (scope 3)

Reduce scope 3 greenhouse gas emissions from customer and co-worker travel, and customer deliveries, by 50% per person*.

* Relative to the number of visitor journeys to stores and centres, co-worker commuting and business trips, and customer deliveries.

Emissions from products and food - Scope 3

(1,000 tonnes of CO_2e)



Our science-based target: Emissions relating to home furnishing products and food (scope 3)

Inter IKEA Group has committed to reduce scope 3 emissions relating to home furnishing products and food by at least 15%*

* This graph shows the Ingka Group share of emissions from home furnishing products and food. The scope includes the footprint of materials, food ingredients, product transport (excluding customer deliveries), production at suppliers, and the use of products in people's homes.

Progress against our science-based targets:

Greenhouse gas emissions from our own operations (scope 1 and 2) are responsible for around 2.2% of our total climate footprint. In FY20, our scope 1 and 2 emissions decreased by 5.4% compared with FY19, although FY20 was an unusual year with store closure and changes to how we operate due to Covid-19 contributing to this decrease.

We're making progress against our science-based target for 2030, and have reduced greenhouse gas emissions from our own operations by 4.6% compared with our FY16 baseline. One of our main challenges is to reduce emissions while growing our business in Russia, India and China, where there is limited access to renewable energy (see page 77).

Both scope 1 and 2 emissions data is restated for previous years up to FY16. We've improved the quality of data for emissions from vehicles in our own operations and purchased renewable energy. More detail on data restatements, governance, scope and methodologies can be found on pages 114-115.

We reduced relative greenhouse gas emissions from customer and co-worker travel and customer deliveries by 2% in FY20 from FY19, and by 6.7% compared with our FY16 baseline. This was largely due to fewer customer and co-worker journeys in FY20 due to Covid-19. We have restated some categories of scope 3 data for FY16-FY20 (see pages 114-115).

In FY20, our total scope 3 emissions decreased by 12.7% in absolute terms, compared with FY19. A full breakdown of our climate footprint performance data since FY16 can be found in the appendix of this report, see pages 118-120. To read more about the IKEA value chain see the IKEA Sustainability Report.

The majority of our Scope 3 footprint relates to emissions from the raw materials, production, use and disposal of IKEA products and food. Our greenhouse gas emissions from products and food decreased by 11% in FY20 compared with FY19, which was largely because of disruption in our supply chain, and production being paused due to Covid-19.

We are making progress towards our science-based target for reducing greenhouse gas emissions, achieving a 3% reduction in greenhouse gas emissions from products and food compared with our FY16 baseline. Our efforts to contribute to the reduction of the climate footprint of IKEA products and food include: promoting energy-efficient products and those made using renewable, recycled and recyclable materials; trialling new ways to prolong the life of products and reducing product waste; and offering vegetarian and plant-based food options in our IKEA stores (see page 62).

About our climate footprint reporting

- The scope of external assurance in FY20 covers our direct climate footprint (greenhouse gas emissions - scope 1 and 2), and parts of our indirect footprint (scope 3), representing 14.8% of our total climate footprint. Scope 3 emissions within the organisational scope of Ingka Group, such as customer and co-worker travel and home deliveries, are included in the assurance scope. The majority of our scope 3 emissions come from the production and use of the products we sell, which are supplied by Inter IKEA Group. Inter IKEA Group are currently reviewing scope 3 emission models, which is why scope 3 emissions from Inter IKEA Group have not been included in the assurance scope this year. Data included in the external assurance scope is marked with an asterisk in the appendix, see page 118-120. For more information, see page 114 (About our reporting) and 124 (Assurance report).

- We are no longer measuring or reporting on carbon efficiency for our buildings as our climate footprint strategy is focused on achieving absolute emission reductions from our operations.

- In FY20, 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 114. Historical climate footprint data, including restatements, can be found in the Appendix, page 115.

Improving energy efficiency

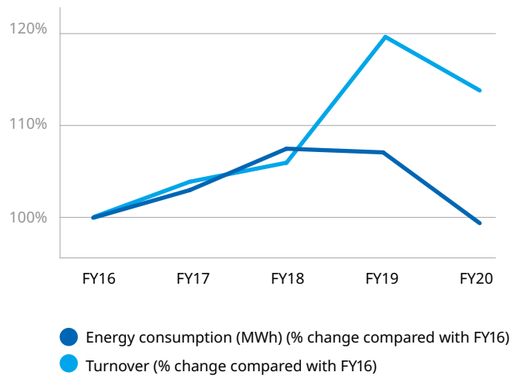
Achieving ambitious energy efficiency improvements across our sites helps us to save costs, while reducing our climate footprint and dependency on fossil fuels. Around 2% of our climate footprint comes from energy used in our buildings.

We have annual energy action plans for every building, investing EUR 54 million in energy saving projects in FY20. Solutions include switching to LED lighting, upgrading building management systems, improving insulation and using energy recovery from heating and cooling.

Our expanding smart metering infrastructure gives IKEA store managers more advanced information about energy use and potential savings. In FY20, Ingka Investments, together with our real estate team, began piloting real-time monitoring of electricity generation and consumption in Finland, the Netherlands, Poland and Sweden.

In FY20 we used 2,560 GWh of energy in our buildings. Since FY16, our energy use has remained relatively stable, despite business growth. Due to inconsistencies with data on gross building area in some countries, we're unable to report on energy efficiency this year, but we're working to improve our data systems so we can report this in future.

Energy use vs business growth
(Energy use MWh vs turnover)



All in for renewable energy

We want to accelerate a global transition to a society powered by 100% renewable energy.

We're phasing out fossil fuels, investing heavily in wind and solar power – both on and offsite – and switching to renewable heating and cooling in our buildings. We're also encouraging customers to generate and use their own renewable energy at home, with IKEA Energy Services (see page 64).

Investing in renewable energy

This year we exceeded our 2020 goal to generate as much renewable energy as the energy we consume in our operations. Over the last decade, we've invested close to EUR 2.5 billion in onsite and offsite wind and solar power. Recent additions to our portfolio include a 49% stake in two large-scale solar farms in the USA, providing power equivalent to 100 IKEA stores. We also have 935,000 solar modules on our sites. Read more about Ingka Investments' commitment to the renewable energy transition on page 36-37.

Using renewable electricity

Our focus is to increase renewable electricity use in our buildings. We're aiming to consume 100% renewable electricity across all the countries where we operate by 2025.

In FY20, 66% of the electricity we used worldwide was from renewable sources, on par with FY19. This includes 4% from our own solar electricity generated at Ingka Group sites. Where possible, we use renewable electricity credits from the wind farms we own and operate. If onsite and offsite approaches aren't possible, we purchase electricity from a supplier with renewable attribute certificates, to help increase overall market demand for renewables. By using electricity from renewable sources, the climate footprint of our operations (scope 2) was 53% lower than if we had purchased the average electricity mix available in the countries where we operate; see page 78.

Most of our emissions from buildings come from fossil fuel-based electricity use in China, Russia and Australia. We're focusing on increasing renewable capacity in these countries to reach our goals. For instance, in FY20 co-workers from procurement, investment and facility management explored new opportunities for reducing emissions in Russia. This includes onsite and offsite investments in renewable electricity, energy efficiency and renewable heating and cooling opportunities.

Generated renewable energy equivalent to 132% of the total energy used in our operations in FY20

1,747 GW

We have 1,747 GW of total renewable energy generation capacity

66% of electricity we used was from renewable sources

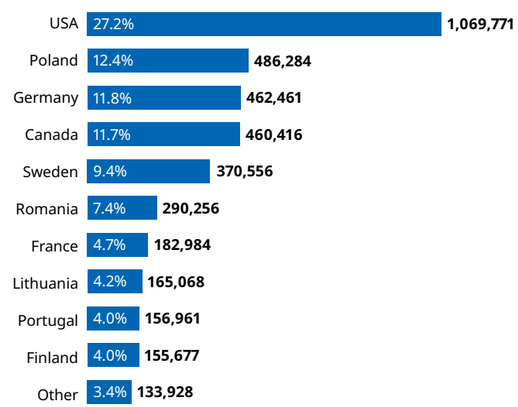
Our IKEA store in Jerez, Spain, and our Distribution Centre in Winterslag, Belgium, generate more renewable energy onsite than the energy they use each year.

Renewable heating and cooling

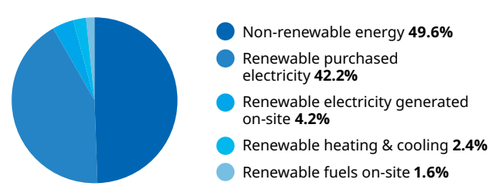
Renewable technologies such as ground and air source heat pumps, and biogas or biomass boilers, provide renewable energy at 40% of our stores and distribution centre buildings, sometimes in combination with other technologies. We're aiming for 100% renewable heating and cooling across all of our buildings by 2030, and every Ingka Group country has a road map to reach this goal. We're retrofitting existing buildings with renewable heating and cooling systems.

At IKEA Kållered, Sweden, we're opening a new IKEA store with a smart energy system. Its geothermal heat pump system is twinned with a highly efficient heat recovery system, making it around 50% more efficient than a typical IKEA store. In FY20, Ingka Centres approved a project in Xi'an, China, to build geothermal wells – the deepest ever in the country – which will provide renewable heating and cooling for our IKEA store and meeting place.

Electricity generated from Ingka Group wind power and solar investments by country FY20 (MWh) % of total wind and solar generation capacity by country



Energy use by source in FY20 (percentage of total energy use)



Tackling emissions from travel and deliveries

We want to do our part in creating low-carbon, breathable cities, where people and products can move around in a convenient, affordable and sustainable way. Around 10% of our climate footprint comes from customers travelling to our IKEA stores, co-worker business travel and commuting, and last-mile delivery of IKEA products to customers' homes (see page 73, Our climate footprint). Our goal is to halve relative emissions from customer and co-worker travel by 2030, and achieve zero-emission home deliveries by 2025.

We work with others to increase the rate of change. In FY20, we joined the Drive to Zero initiative of the clean transport consortium CALSTART, to grow the commercial electric vehicle market. In the USA, IKEA Retail joined the Corporate Electric Vehicle Alliance, with other major US companies, in order to collaborate on fleet electrification. We're also a founding member of EV100, a global coalition to promote electric vehicles.

Towards zero-emission home deliveries

Store closures and travel restrictions accelerated the growth of e-commerce in FY20. As more customers shop online, emissions from home deliveries are becoming a bigger part of our climate footprint.

We're targeting 100% electric or emission-free home deliveries by 2025. We made many more low-emission deliveries this year, with 9.6% of deliveries[1] made using electric or zero-emission vehicles, up from 4.8% in FY19. With electric vehicles in 19 countries, we've proven the technology works and we're focusing on scaling it up across all of our countries. We've already achieved 100% electric deliveries in Shanghai, and we're on track to achieve this in Amsterdam, New York and Paris by the end of 2020, with some minor delays due to Covid-19 disrupting the supply of electric vehicles. We didn't achieve our target for zero-emission deliveries in Los Angeles.

Existing electric last-mile solutions don't always meet our needs, which go further than standard small parcel deliveries. This year we collaborated with vehicle and equipment manufacturers, Renault and MAN, to test two electric prototype vehicles in pilots in several European cities. (see page 33).

Low-carbon travel for customers and co-workers

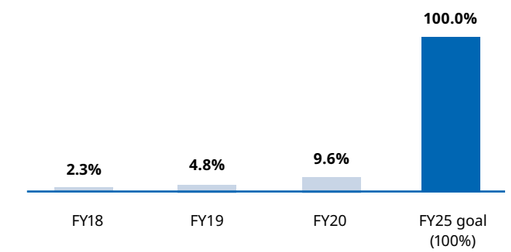
Customer visits to our IKEA stores decreased by around 21% this year, and we successfully switched to remote working for thousands of co-workers where possible during Covid-19 restrictions. Planned pilots of a low-carbon business and commuting travel booking tool for co-workers did not go ahead, but we're reimagining co-worker travel, and supporting home working and remote meetings (see page 50). The number of virtual meetings more than quadrupled this year, while business flights almost halved.

New city formats continue to make IKEA more accessible for customers and co-workers. We provided electric vehicle charging points at 93% of our IKEA stores and 75% of our meeting places in FY20. We're on track to provide access to charging points at all of our locations by the end of 2020. We've begun switching to electric vehicles in our own fleet and we're reducing the total number of vehicles we own or lease.

We introduced a rule that new vehicles in our fleet must be electric wherever feasible. Our goal is for all owned, leased or shared vehicles to be electric or zero emission by 2025.

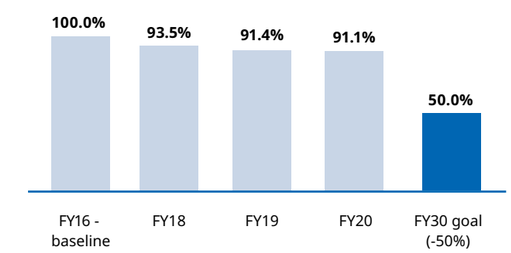
In FY20, relative greenhouse gas emissions from customer and co-worker travel decreased by 9% compared with the FY16 baseline.

% share of home deliveries made by electric or zero-emission vehicles



Climate footprint – Relative GHG emissions from customer and co-worker travel

(percentage of baseline emissions)



* Number of journeys by customers to stores and centres, and co-worker commuting and business trips.

[1] Deliveries excluding small parcels.

Striving for zero waste, using resources in a circular way

Transforming IKEA into a circular business is one of our biggest ambitions and challenges for the future. It's impacting every aspect of our business: the development of our products with circular principles in mind using renewable or recycled materials, reducing operational waste and working with customers to keep products in use for longer. Together, raw materials, production, waste in our operations, and product end-of-life make up around 58% of our climate footprint. Being circular is both a responsibility and a good business opportunity; enabling us to reach our ambitious climate goals.

Most 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.

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 reducing product waste and working with partners to develop circular resource flows to reduce the use of virgin materials across our operations.

This year we launched a cross-functional waste taskforce that brings together co-workers from our retail and centres operations, sustainability, facility management, procurement and product recovery. The group is tasked with finding new ways to reduce the flow of waste across our business.

Our waste performance in FY20

We produced 12% less waste across our operations in FY20, partly due to Covid-19 closures. The amount of waste we recycled increased slightly to 72% in FY20, up from 71% in last year's report. Increasing recycling rates at Ingka Centres meeting places 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.

Sustainability managers in each country track waste data monthly, and benchmarking between sites helps IKEA store managers to spot issues and find solutions quickly. We are starting to calculate the greenhouse gas emissions associated with our waste production so we can improve the climate impact of our waste streams.

Preventing product waste

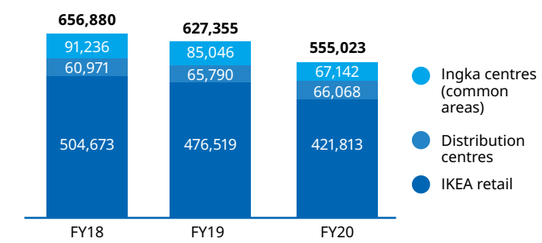
Some of our products are returned by customers, damaged in transit before they reach the IKEA store or on the way to customers' homes, or taken off display in store. We recover as many of these products as possible to give them a second life and stop them being wasted (see pages 65-67).

In FY20, we saved 39 million returned products from going to waste. Store closures due to Covid-19, changing customer habits and changing store operations led to fewer recovered products.

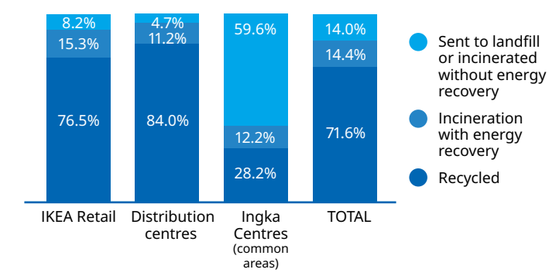
Food waste

We serve meals to many millions of people across our IKEA stores each year. We believe in setting ambitious goals that we stay committed to, and then embrace the learnings along the way and adjust as needed. In 2017, we set a goal to reduce food waste in all IKEA stores globally by 50% by the end of FY20. We did not reach that goal, but did implement food waste solutions in more than 60% of all IKEA stores globally, resulting in an average waste reduction of 32%. That equates to more than 10 million meals not wasted. We now aim to cut our production food waste in half by the end of 2022 in all IKEA stores globally. We've learned that it takes time to implement technical systems and new ways of working to track food waste effectively, and we will set up a new global food waste taskforce in FY21 to accelerate our progress.

Total waste produced (tonnes)



Waste disposal by business unit (%)



Our contribution to a circular IKEA

The IKEA ambition is to be circular and climate positive by 2030. At Ingka Group, we're going all in to contribute by:

Developing circular services for customers:

Testing new ways for customers to acquire, care for and pass on IKEA products, keeping resources in use for longer. These include:

- Furniture leasing or renting.
- Prolonging the life of products.
- Product take back and resales.
- Enabling products to be passed on (donations and second-hand sales) (see pages 65-67).

Switching to sustainable materials:

- Offering customers IKEA products made from renewable and recycled materials.
- Finding more sustainable options for our non-home furnishing products, like packaging and co-worker uniforms.
- Investing in renewable, recyclable, or recycled materials.

Striving for zero waste:

- Reducing operational waste.
- Increasing our recycling rate.

Reducing packaging, product waste and food waste from IKEA Restaurants and Cafés and IKEA Bistros.

Exploring circular resource flows:

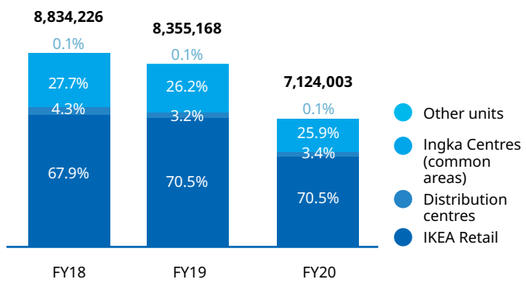
- Partnering with suppliers to reuse and recycle resources for non-home furnishing products.

Managing water resources

We aim to use water efficiently in our business, and in FY20 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. Total water use decreased by 15% in FY20, largely due to fewer visitors and less activity at our IKEA stores and meeting places. At some sites, water use went up during Covid-19 because of increased water use for sanitation and hygiene.

Our IKEA stores are also working to better manage stormwater runoff. For example, our South Philadelphia store in the USA has installed a cutting-edge stormwater management system that improves the quality of water entering the local water system.

Water use by business unit (m^3)



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 pages 88-89.

Going circular in our supply chain

In FY20, Ingka Group 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. By 2030, all materials purchased for our non-home furnishing products will be renewable, recyclable, and/or recycled. All plastics will be recycled and/or from renewable sources.

This year we began creating a roadmap to reach our 2030 goal. Together with hundreds of suppliers, we began to switch wood, paper and cardboard to 100% recycled or FSC-certified materials for non-home furnishing items that customers use when they visit our IKEA stores. Almost all single-use plastic items in our restaurants, bistros and cafés have already been phased out (see page 69).

Fair and inclusive

IKEA touches the lives of millions around the world, and has long promised to stand by the side of the many people. This is true now more than ever.

Millions of people are connected to our business, including customers, co-workers and people in our supply chain[1]. We have an important role to play in supporting the daily lives of people in our communities, and in times of crisis.

We want to contribute to thriving communities wherever we operate by being an inclusive business, by keeping people safe and by providing opportunities for the many people across our value chain. We also strive to have a broader positive impact in society, supporting 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 contributing to sustainable, child-friendly and connected neighbourhoods and cities by working with partners to tackle societal challenges.

Our ambition:

To improve the well-being of millions of people by becoming a truly inclusive and people-centred company and employer by 2030. We will focus on the following commitments:

- 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.

In FY20 we:

Completed 142 initial supplier assessments against IWAY, the IKEA supplier code of conduct, to check social and environmental standards at new suppliers

Developed local action plans in 29 countries to integrate refugees and asylum seekers into our value chain through our skills for employment programme

Developed standards to protect the rights of gig economy workers in our supply chain
(see page 86)

Made EUR 26 million available for Covid-19 emergency funding, along with product donations for communities in 30 countries

[1] 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 the IKEA Sustainability Report FY20.

Progress against targets in FY20

OUR TARGETS	PROGRESS IN FY20	PERFORMANCE SUMMARY
We will support at least 2,500 refugees by 2022 through job training and language skills initiatives in Ingka Group units across 30 countries.	In progress, not on track to target	We reached 45 refugees through skills for development programmes in 3 countries in FY20. The remaining countries couldn't start their training programmes due to store closures during Covid-19.
All Ingka Group retail countries will develop products or services from local social businesses by 2025, creating income opportunities for people experiencing poverty and inequality.	In progress, not on track to target	We partnered with 39 social entrepreneurs in 18 countries. This includes textile collections, sewing services, and last-mile services.

In progress, on track to target | In progress, not on track to target | Achieved | Not achieved

The BOTANISK collection consists of plant pots, baskets, a carpet, cushion covers and more. Made of sustainable materials like banana fibre, jute, and better cotton, each item is handmade by skilled artisans in collaboration with social entrepreneurs in India, Jordan, Thailand, and Romania.

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 keep people safe and respect human rights.

We'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 we update these regularly in line with emerging risks and expectations.

Potential human rights risks in the retail industry include: modern slavery and forced labour, low wages, undocumented cash wages, excessive hours, unsafe working conditions, harassment and prevention of collective bargaining.

This year health and safety was our main priority due to Covid-19 and we worked hard to ensure co-worker and customer safety as our stores reopened (read more on page 10). Our sustainability risk and verification team increased their focus on health and safety with suppliers and home delivery service providers.

Human rights risks are integrated into the risk management process of Ingka Group. In FY20, we strengthened our approach to human rights risks by putting greater emphasis on the risks to rights holders. This was one of the opportunities identified in a review of our policies and procedures in line with the UN Guiding Principles on Business and Human Rights. We'll continue to develop our approach next year, and embed further risk assessments in key parts of our business. Read more about how we manage risks in our supply chain on page 95. We mitigate potential human rights risks in our business and in our supply chain by monitoring compliance with the standards set out in IWAY – the IKEA supplier code of conduct. Our Sustainability Risk & Verification team conducts reviews to check compliance (see page 88). This year we introduced updated standards to protect gig economy workers.

We're committed to providing decent, safe, meaningful and engaging employment for every co-worker, and we expect them to uphold our values. Read more about our co-workers on page 44, and our approach to business ethics on pages 108-109.

Respecting and supporting children's rights

Children's rights are fundamental – to the world and to IKEA. Yet children are still among the most vulnerable and neglected members of society. We always try to act in the best interest of the children and families that come into contact with our business.

We want to use our size and strength to promote children's rights. We work to integrate a children's rights perspective in all our business activities by implementing the Children's Rights and Business Principles, which were developed jointly by Save the Children, the UN Global Compact and UNICEF. This means we never accept child labour. Our IKEA stores and meeting places are child-friendly and our products for children are safe and responsibly marketed. We advocate for a healthy future for children through our climate positive initiatives and we reinforce community and government efforts to protect children's rights.

In FY19, we developed detailed principles for child participation and safeguarding, but were not able to roll the new principles out in FY20 due to Covid-19 store closures. We will roll them out next year.

As a retail 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.

Our stance on child labour is made clear to suppliers in the IKEA Way on Preventing Child Labour and Supporting Young Workers. Our belief is that young people who are legally able to work should have access to decent employment opportunities, and they should not do hazardous work, night work or overtime.

Sustainability standards for gig economy workers

The way many people work is changing, with millions now employed in the gig economy. This type of work didn't exist two decades ago when the IWAY supplier standards were first launched. That's why this year, we developed new standards to protect people working via digital platforms in our supply chain.

We work with more than 40 suppliers that run their business through digital platforms in over 20 countries. The platforms provide important services for our customers, such as home delivery, assembly and installation – we couldn't run our business without them. But our IWAY standard currently does not apply to independent contractors, and there's a risk that workers are not covered by national employment and social protections as they don't have conventional employment contracts.

This year, we started developing sustainability requirements through workshops with digital platform providers. The requirements will include preventing forced labour, child labour and discrimination, and platforms will pay for uniforms and marketing equipment. The requirements will also include a framework for a dispute resolution and grievance process, and allow freedom of association.

Since the workshop, we've successfully piloted some of the requirements with platform providers, and we are embedding the full requirements into IWAY. The new standard will be rolled out next year.

Protecting migrant workers

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 FY20, we continued to roll out our Guidelines on Responsible Recruitment, designed to help our suppliers and service providers to reduce modern slavery risks.

In FY20, 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 not having the correct documentation in place for every worker regarding proof of workers' ages, employ- ment contracts and proof of wages, and we established corrective action plans to resolve this.

The power of play

Every child has a right to play. It's how they develop creativity, empathy, self-control and other essential skills. Yet millions of children worldwide are denied playtime.

IKEA has spent years researching play, and we want to create a movement that supports every child's right to play. In FY20, we relaunched our annual Let's play! campaign to encourage a more playful life at home – the most important playground in the world. During the campaign, IKEA stores and centres inspired families to build more play into every day by sparking fun with:

- **Shark trails** where we hide our BLÅHAJ shark soft toys around the store, ready for kids to search and find.
- **A soft toy drawing competition** where six children's dream toy designs are made a reality as the SAGOSKATT collection. The full revenue from toys sold goes to local causes supporting children.
- **MÅLA Studios** where children and parents reuse our flat-pack packaging and products from the MÅLA range to make sustainable arts and crafts.

Giving children a voice is a bigger job than we can take on alone. We are a founding member of the Real Play Coalition with UNICEF, the LEGO Foundation and National Geographic, and supported by the engineering firm Arup. The coalition's aim is that 500 million children will have benefitted from the power of play by 2025.

Access to play, particularly in cities, is declining. Yet cities have the potential to support children by reclaiming and integrating play into everyday life beyond the playground. This year, the coalition highlighted how urban environments lack opportunities or a city-wide strategy for play, with its "Reclaiming Play in Cities" report. A new global challenge was launched in response, in collaboration with PlacemakingX, to share examples of cities that have integrated child-friendly practices and scale this up in other urban locations[1].

"It's not trash, it's gold. We can turn our packaging into something creative and inspire our customers to do the same."

Nina Ramviken,
Sales co-worker, IKEA Malmö, Sweden
Creator of the MÅLA Studios concept

[1] Read the Reclaiming Play in Cities report at www.realplaycoalition.com/reclaiming-play-in-cities-report and find out more about the challenge at www.realplaycoalition.com/real-play-city-challenge.

Supporting decent work in our supply chain

We buy products and services from tens of thousands of companies, and we contribute to decent work for everyone in our supply chain.

We can't operate alone. Ingka Group's suppliers provide critical products and services, from construction, security and cleaning, to home delivery, product assembly and food for our restaurants.
We only work with suppliers and service providers who share our values, uphold our standards and want to have a positive impact on societies and communities. Suppliers must adopt the IKEA supplier code of conduct – known as IWAY – and ensure their subsuppliers understand and apply our standards too, see page 89.

The Ingka Sustainability Compliance Working Group – with members from procurement, business risk and compliance, and distribution, along with business experts – oversees the compliance and development of our suppliers. They review the most severe sustainability compliance issues in order to share learnings across the business.

IWAY has been at the heart of how we work with suppliers for 20 years, and it's always evolving. In FY19, we began work with Inter IKEA Group to substantially update IWAY, clarifying requirements for animal welfare and 'gig economy' platforms, see page 86. The new standard is easier for all types of businesses to work with, including smaller suppliers, as it's focused on achieving positive outcomes rather than prescriptive requirements. This year we trained relevant co-workers across the business on the new standard. It will be rolled out to suppliers in FY21, with training and support for suppliers and more co-workers in the respective markets.

Managing risk in our supply chain

We focus our efforts on the highest risk suppliers in our supply chain. We use internal and external data to assess risks based on the suppliers' location and industry, and the individual characteristics of the business they run. All new suppliers are evaluated and given a risk rating of critical, high, medium or low.

Suppliers are continuously reviewed and reassessed through a 10-step process based on their risk rating. Sustainability developers in our procurement team support and train suppliers to help them understand and apply our standards.

Our team of Sustainability Risk & Verification Reviewers conduct IWAY reviews for the highest-risk suppliers to check compliance. They also complete initial assessments to check standards at potential new suppliers. Third-party auditors verify and assess our approach at some suppliers, strengthening our IWAY approach with an independent perspective.

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

Our performance in FY20

In FY20, we completed 196 IWAY reviews of Ingka Group suppliers, down from 416 reviews in FY19. The reasons we conducted fewer reviews included Covid-19, lower risk levels at suppliers, and some suppliers having beem phased out. We were unable to conduct on-site reviews for six months, so we completed some virtual reviews with video tours instead. Despite significant disruption to our usual process, we completed all reviews required to check compliance at high and critical-risk suppliers, and we will return to on-site reviews where and when possible.

We also conducted 142 initial supplier assessments to check compliance at potential new suppliers in FY20. New suppliers helped to meet increased demand in parts of our business this year, for instance in ecommerce and home deliveries.

We found major non-compliances (issues related to critical "IWAY Musts") during 24% of supplier reviews in FY20, up from 21% of supplier reviews in FY19. Non-compliances were mostly related to working hours, accident insurance and minimum wages at suppliers in Russia, China, the Czech Republic, Slovakia and Poland.

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 in good time.

Raising standards for construction workers in India

India is an important new market for IKEA. Our first store in Hyderabad opened two years ago, and we're building more IKEA stores in the country. As new stores are being built, we're going far beyond the legal requirements and providing high-quality accommodation for construction workers. At the site for our next IKEA store in Bangalore, workers have separate, safe and comfortable accommodation with cooking, medical, refreshment and sports facilities. This exceeds the local industry norm and is based on the International Labour Organisation's standards and our own IWAY standard.

What is IWAY?

IWAY is our supplier code of conduct – the IKEA Way on Purchasing Products, Materials and Services.

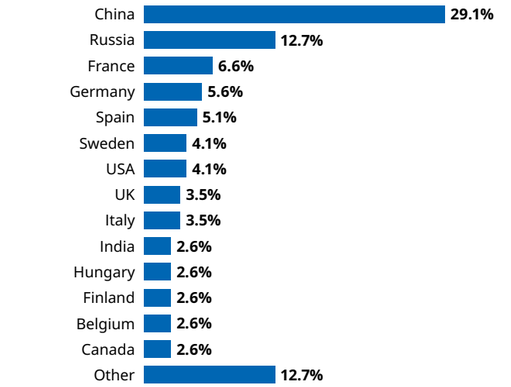
IWAY sets out minimum requirements on environmental, social and working conditions. It's based on the Universal Declaration of Human Rights, the United Nations Convention on the Rights of the Child, the eight core conventions defined in the ILO Fundamental Principles of Rights at Work and the Ten Principles of the UN Global Compact.

IWAY also applies to the suppliers in the Inter IKEA Group supply chain for the home furnishing products sold in our IKEA stores.

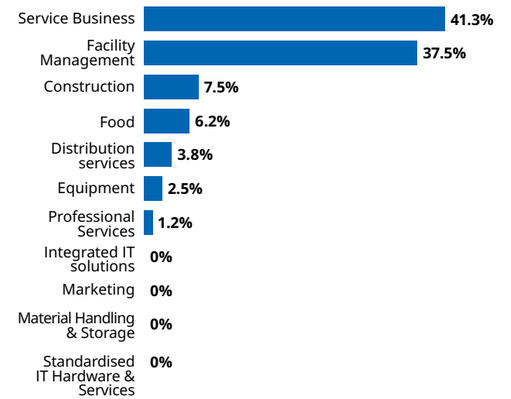
To be compliant with the IWAY approach, a supplier must have:

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

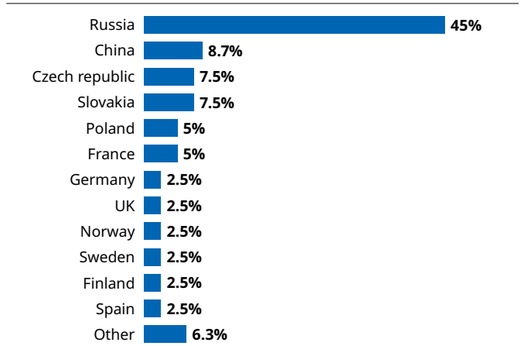
Location of IWAY reviews by country



IWAY Must non-compliances by supplier type



Location of major IWAY non-compliances



Contributing to thriving communities

We want to create a positive impact for everyone in our value chain. This includes local communities where we operate and where our co-workers and customers live. By supporting people and suppliers in our communities, we mitigate risks in our value chain so that we can recover in times of crises, securing our long-term success.

We partner with community organisations to find solutions to local social and environmental challenges. We're committed to accelerating and empowering vulnerable people to move from dependency to independency. We do this by integrating social enterprises into our Ingka Group supply chain and creating income opportunities for people. We've invested in building skills and work experience for refugees, migrants, people with disabilities, young people and women outside the labour market; and we're engaging our co-workers and customers to contribute to their local communities.

Supporting communities in times of crisis

This year, we worked hard to keep our co-workers safe during Covid-19 (read more about the support we gave co-workers on pages 46-47), and when the pandemic emerged, we acted quickly to make available EUR 26 million of Covid-19 Emergency Community Support funding, in the form of product donations and direct financial support. A cross-functional global and national emergency taskforce was created to oversee our community response in 30 countries. In total, more than 1.7 million IKEA products were donated, and we've reached more than 750,000 healthcare and emergency workers and vulnerable people at risk during the crisis.

We collaborated with thousands of local government and non-profit organisations across the world to reach those most in need, including the following:

- **Emergency and healthcare workers:** we provided furniture, bedding and a range of other products, like masks and gloves, to medical and emergency services, including hospitals, in Austria, China, Denmark, India, Romania, Russia, Spain and Sweden.
- **Homeless people:** we helped local governments and charities to provide warm and welcoming temporary shelters and food for over 140,000 homeless people in 17 countries affected by the crisis.
- **Vulnerable families with children:** we provided food, toys, games and furniture to struggling families in Canada, Italy, Portugal and South Korea.
- **Victims of domestic abuse:** kitchens, bathrooms, furniture and textiles were donated to local organisations providing emergency accommodation to vulnerable women and children in Belgium, France, Germany and Switzerland.
- **Refugees and migrant workers:** we supported refugees arriving in Canada and Germany, and migrant workers in isolation in India.
- **Care homes and the elderly:** care home residents received boxes of crafting projects and donations of plants, textiles and home accessories to brighten everyday lives during months of restrictions in countries including Belgium, the Netherlands, Norway and Slovakia.

A helping hand in Australia

The coronavirus pandemic was not the only crisis impacting our communities over the past business year. During the months of devastating bushfires in Australia, IKEA Retail Australia worked to help the communities and wildlife affected. An emergency community support fund was launched, and co-workers are helping more than 500 households across communities affected by the bushfires to recover by providing IKEA home furnishings for temporary accommodation. Some co-workers raised money through fundraisers, and many brought food, water and supplies directly to affected communities.

Working with three local charity partners, we're looking at the best ways in which we can help provide long-term support for communities affected by bushfires - not only to rebuild communities, but to help them thrive. We also know that long-term solutions are needed to the challenges communities face as a result of climate change. We will continue to use our sustainability expertise, from solar panels to water-harvesting tanks, to ensure we work together with local communities to become people and planet positive.

#togetherwithkindness

Co-workers took the lead in organising Covid-19 support, responding to local community needs with acts of kindness. Follow the hundreds of co-worker community outreach initiatives at https://together.ikeacocreation.com/
Here are some of the highlights:

- IKEA Spain helped set up a 5,000-bed hospital, and in China we donated 117,000 products to hospitals, including textiles, chairs and trolleys. In India, the IKEA Hyderabad store helped set up a quarantine centre near the store with 200 beds and mattresses, pillows, pillow covers, tables, chairs, curtains, sponges and water bottles.
- Co-workers at Ingka Centres meeting places across the world, including in Russia, Poland and Portugal, organised free food deliveries for the elderly, people with disabilities and other vulnerable people in our communities.
- Our meeting place in Brescia, Italy raised EUR 50,000 to support local organisations responding to the pandemic. The funds were partly used to purchase 20,000 protective masks for elderly people in nursing care.
- Many children were affected by school closures during the pandemic. In Portugal, we partnered with more than 80 local charities to help reach 10,000 vulnerable children and their families with "let's play and learn" kits to support home learning. Meeting places in Russia provided sports equipment to children with disabilities so they could continue being active at home during lockdown.
- For victims of domestic violence, lockdown restrictions meant being trapped at home with their attackers. In Germany and Switzerland, our stores donated home furnishing items and toys, as well as completely-furnished apartments, to charities and local government organisations helping women and children escape violence.

Skills for employment

We believe everyone has talent and potential – including those who are struggling to access the labour market. We want to support people who lack skills or experience, or face other barriers, to find work with us or another employer. Diverse co-workers better support our customers' needs and help us tap into new markets.

We're focusing on integrating refugees into our business. At the first Global Refugee Forum in 2019, convened by the UN's refugee agency, UNHCR, we advocated for refugee inclusion. Our aim is to show other companies and decision-makers how much value refugees can bring to businesses and communities. Our goal is to support 2,500 refugees through job training and language skills initiatives in 30 countries by 2022. To meet our goals, we developed three-year integration action plans in 29 countries with local partners and government organisations during FY20. They will run local training initiatives suited to our business needs, while providing work experience, training and language skills to refugees. Trainees are invited to apply for a job with us – or with our suppliers or business partners – at the end.

In FY20, we supported 45 refugees with skills for employment initiatives in three countries. Unfortunately, due to store closures during the pandemic, several countries were not able to start their in-store refugee training programmes as planned. This year, IKEA France launched the 'Live and Grow' together programme to train refugees in logistics and customer relations. Thirty people completed 9 weeks of language and communication skills training, combined with practical experience in an IKEA store or distribution centre. So far, 11 refugees have stayed with the business, and a total of 180 refugees will join the programme by the end of 2023.

"Having employment is essential for successful integration in a host country. We know from experience that refugees are highly motivated to work and that they have skills, viewpoints and experience that can benefit businesses and communities. Our goal is to influence the narrative around refugees with our actions in 30 countries and to create a supportive policy environment."

Mercedes Gutierrez,
Community Impact Leader, Ingka Group

Partnering with social entrepreneurs

We're helping vulnerable people to create income opportunities by integrating social entrepreneurs and social businesses into our retail value chain. This isn't charity – it's good for our business too. We help social enterprises grow while they tackle societal challenges, and they help us meet the needs of our business and customers.

Our goal is to develop products or services with social businesses in every Ingka Group market by 2025. So far, we've partnered with 39 social entrepreneurs in 18 countries that support people facing inequality or poverty, such as young people, migrants or those with disabilities.

Products and services provided by social entrepreneurs include the following:

- **Circular offers:** to customise, repair, upcycle, rent, resell or take back products and materials, such as textiles, to save resources.
- **Sustainable last mile fulfilment operations:** such as collection, delivery and product assembly. In FY20, we piloted a new "micro hub" concept for bringing last-mile services to customers in cities, in partnership with social businesses.

In FY20, social enterprises created beautiful handicrafts and services with a social mission, across our countries. We began selling cushion covers and cardholders made of recycled textiles for the ÅTERSTÄLLA collection in Moscow. The items are created by a social enterprise, Maliy Turysh, that provides work and raises living standards for people in a remote Russian village.

In the Netherlands, we created the TILLVERKA collection with a social enterprise, i-did, that gives old IKEA textiles a second life and creates jobs for people at a distance from the labour market. Textile scraps are turned into foldable boxes, cushions and the iconic FRAKTA bag made of soft and colourful felt.

This year, we also expanded our sewing studios run by social businesses, which repair and customise textiles for customers. For example, Sisters in Business opened a second in-store sewing workshop in Norway, providing stable employment and training for 10 female migrants to become economically independent. Social enterprises offer similar sewing services at our IKEA stores in Romania, Spain and Sweden.

Micro-hubs: a small idea for big social change

As we expand in city centres, we need to find sustainable ways to become more accessible and bring new services to customers. That's why we're developing "micro-hubs," provided by social entrepreneurs. Our first pilot in Paris is with a local enterprise, Carton Plein, that helps homeless people to integrate back into society with coaching, training and a job. Together we've opened a collection point in central Paris for orders from our IKEA Paris Nord store. It's great for our customers who get a more convenient option to pick up products, while reducing their carbon footprint by avoiding delivery or travel to the store. And it's a win for vulnerable and homeless people who gain self-confidence and experience serving our customers. If this first pilot proves successful, we will create micro-hubs in other cities, offering a range of customer services: from collection and return points, to bike deliveries, furniture rental and product refurbishment workshops. Building on the skills and capabilities of local social businesses, we'll partner up to provide the solutions customers need, with a positive social impact.

A place called home

During the Covid-19 pandemic, the message to people around the world has been to "stay at home" to stop the virus spreading and protect people. We believe that better homes create better lives – but there are many people that live in poverty in our communities and have no place to call home.

Ingka Group's campaign, "A Place called Home," is a long-term partnership with charities, civil society and government organisations to support people experiencing poverty and inequality, and lacking access to adequate housing.

We are co-creating solutions with local partners in 29 countries to support thousands of children, young people and families at risk of poverty, victims of domestic violence, people experiencing homelessness, refugees and asylum seekers. Through product donations and financial support, we'll help build capacity for extra social services and programmes to support those deprived of a place to call home.

Sustainability governance and management

The Ingka Group People and Planet Positive Strategy sets out the direction for the three businesses we operate: IKEA Retail, Ingka Centres and Ingka Investments.

The strategy is formally decided by the Management Board, considering advice from the Supervisory Board. The Sustainability Committee of the Management Board, chaired by the CFO and Deputy 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 the Ingka Group People and Planet Positive Strategy. The CSO organises and is the deputy chairperson of the Sustainability Committee, supported by the Sustainability Management Team.

The management team includes managers from the Group Sustainability, Group Communications and Finance functions, along with the Sustainability Managers of IKEA Retail and Ingka Centres. The management team is responsible for the development of sustainability policy, strategy and governance, and oversees our sustainability performance, communications and innovation programmes. Managers from the Procurement and Business Risk & Compliance functions attend relevant meetings.

Last 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. They are supported by Sustainability Managers in each country.

"Within IKEA, we all have a part to play to make sustainability easy, affordable, engaging and fun, and to help our customers take the first step. Being CSO has changed how I make business decisions. Sustainability is now one of the factors considered in every cross-organisational working group and decision-making process – it's part of core business. I see co-workers becoming more comfortable talking about sustainability, and I'm excited because when we create a movement at IKEA, the sky's the limit for what we can achieve!"

Javier Quinones,
Retail Manager and Chief Sustainability Officer, US

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, the IKEA People and Planet Positive Strategy and ambitions across the franchise system. The group also oversees compliance with requirements for sustainability goals through IWAY. Ingka Group collaborates with Inter IKEA Group on topics in the IKEA People and Planet Positive Strategy that require a value chain approach to improve our impact, such as inspiring customers on healthy and sustainable living.

About our sustainability reporting

In this report we cover our performance and progress against the Ingka Group People and Planet Positive Strategy. It covers the financial year 2020 (FY20), from 1 September 2019 to 31 August 2020.

For more information about our reporting, see pages 114-115.

For more information about all companies in the IKEA franchise system and value chain, see the IKEA Sustainability Report FY20, published by Inter IKEA Group.

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.

Social, 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, and also conduct an annual sustainability risk review, led by the Sustainability Management Team. Strategic sustainability risks are assessed using internal data and third-party reports from organisations such as the World Economic Forum and the World Resources Institute. Risks are assessed based on likelihood and impact.

Strategic sustainability risks are reported to the Ingka Group Sustainability Committee and the Ingka Group Business Risk & Compliance Committee. Strategic sustainability risks from various group functions are reviewed and consolidated in the Ingka Group Risk Register annually, to reflect the latest assessment.

Since FY19, our risk process has included a bottom-up approach for each Ingka Group country to identify and report local sustainability risks. Sustainability Managers in each country, supported by Business Risk & Compliance Managers and other relevant co-workers, identify and record risks. 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.

Managing climate-related risks

Climate-related risks are integrated into the Ingka Group risk management framework and identified and assessed annually, including through the country level bottom-up risk approach. Risks are assessed based on likelihood and impact on a five-point scale, ranging from rare and insignificant up to almost certain and critical. They are reported to the Sustainability Committee and Business Risk & Compliance Committee once a year. In addition, mitigation plans are developed and follow-up is performed continuously during the year. Sustainability experts work with risk owners across the business to develop mitigation plans.

In FY19, we conducted an additional risk assessment focused on climate-related risks and decarbonisation opportunities, and we modelled the potential impacts of two climate change scenarios. In FY20 we continued to develop plans to mitigate the risks and capture the decarbonisation opportunities identified in the assessment and scenario analysis. The results of the risk assessment and scenario analysis were reported in detail in the Ingka Group Annual Summary & Sustainability Report FY19. We also reported our climate change risks, opportunities and mitigation strategies in detail in our CDP climate disclosure.

Key sustainability risks in FY20

The key sustainability risks identified in FY20 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.

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 70-71.
- **Social and employee risks** – see Our people: Equality, diversity and inclusion, improving health, well-being and occupational safety, pages 46-47; and Fair and inclusive: Respecting human rights, Supporting decent work in our supply chain, pages 88-89.
- **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 88-89; and Our people, pages 52-55.
- **Anti-corruption, anti-bribery and business ethics risks** – see Business ethics, pages 108-109; and Fair and inclusive, page 88.

Financial performance & governance

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A MESSAGE FROM JUVENCIO MAEZTU

Delivering on our purpose in a transformative year

The past year was dominated by Covid-19 and its impact on people, communities and businesses, affecting our lives in ways most of us could never have imagined. For Ingka Group, it was first and foremost about securing the health and safety of our co-workers, customers and suppliers. But also, as life at home became even more important for more people, it was about fast-tracking our transformation to become an omnichannel retailer.

In FY20, we continued to make major investments in store fulfilment and digital transformation, launching the shoppable IKEA app in nine countries and ecommerce in all our countries, and improving digital infrastructure across the board. We also kept investing in innovative companies that can speed up our business transformation in strategic areas like retail services, logistics, digital and circularity. Continuing our expansion in big cities, we opened several new IKEA stores in cities, including Moscow, Seoul and Tokyo. Through Ingka Investments and Ingka Centres, we also made real estate investments in city centres, like central London, Paris and San Francisco.

Strong commitment, solid results

With a big increase in online sales when stores closed, a strong comeback for store sales when they reopened, and continued focus on cost performance, we were able to reach EUR 37.4 billion in Ingka Group revenue. A decrease of just 4.8% compared to last year, despite the fact that so many of our IKEA stores and meeting places were closed for almost two months. I'm very proud of all colleagues who adapted so quickly to keep the business going and continue to meet our customers' increasing needs at home.

We are built for purpose

It's long been Ingka Group's financial approach to earn the money before we spend it and not rely on external funding. With 77 years of growth and investments, we have built up a strong financial position which in combination with a unique ownership structure – being owned by a foundation with a charitable purpose - allows us to be purpose-driven in our decisions and take a long-term approach, thinking in "generations" rather than "quarters," with the room to act in times of crisis.

Over the course of the pandemic, we have also experienced first-hand how our financial strength and resilience enables us to navigate this crisis. It has allowed us to grant EUR 26 million in emergency relief to support communities. We also provided income stability for our co-workers, including extended parental leave for parents with kids who had to stay home from school. In addition, we were able to return the government stimulus we had received to cover co-worker's wages, and as a one-off, Ingka Centres waived rents and service fees for tenants that were unable to remain open because of lockdowns.

Sustainability is our new business model

We believe that it's good business to be a good business – that healthy and sustainable living can be affordable, attractive and accessible for the many people. By offering sustainable products like home solar, which makes renewable energy accessible for more people, our new plant-based ball with a 96% smaller carbon footprint than the meatball, and circular services like furniture rentals and buyback programs, we will continue to make sustainable choices available for the many, not just a luxury for the few.

We are accelerating our progress towards the IKEA ambition to become climate positive by 2030. In FY20, we exceeded our goal to produce as much renewable energy from our own wind farms and solar parks as the energy we consume in our operations.

And in FY21 we will invest EUR 600 million more in our operations, companies and solutions that have a direct impact towards the Paris Agreement and the UN Sustainable Development Goals. This increases our overall investments into sustainability to EUR 3.8 billion since 2009.

Continued transformation in FY21

FY20 has been a tough and remarkable year for all of us, not least on a human level. I'm humbled to see how much the organisation has been able to deliver. The solid sales performance, our response in supporting people and communities around us, and how we came together to better meet the needs of our customers. It really says something about the agility and entrepreneurship of our company.

Looking to FY21, we are even more inspired to keep expanding, speed up our omnichannel transformation and accelerate our sustainability agenda. The pandemic has made life at home more important than ever, and our job is to deliver on our vision to create a better everyday life for the many people. What a wonderful job. What a glorious future!

Juvencio Maeztu
Deputy CEO and CFO Ingka Group

Our financial year FY20

Despite the economic and public health challenges posed by Covid-19 in FY20[1], Ingka Group revenue amounted to EUR 37.4 billion (EUR 39.2 billion in FY19), and total IKEA Retail sales amounted to EUR 35.2 billion (EUR 36.7 billion in FY19).

In FY20, we completed the second year of our three-year business transformation to make IKEA more affordable, accessible and sustainable. We entered the year with a strong starting position and sound underlying business performance across all three businesses (IKEA Retail, Ingka Centres and Ingka Investments), coupled with lower operational costs.

Over the year, we accelerated our digital development and further repurposed our IKEA stores into fulfilment centres, implementing click & collect services, with contactless pick-up and drive through options. Despite the fact that almost 80% of our stores were closed for several weeks due to the Covid-19 crisis, we maintained a solid performance, with a revenue drop for Ingka Group of 4.8% for the entire year. Online retail sales accelerated during the height of the pandemic and have remained at a higher growth rate even after the reopening of our stores. In FY20, online sales grew by 60% (FY19: 48%), amounting to about 18% of total sales (FY19: 11%).

To summarise 2020, we continued to transform our business and perform well, despite the challenges of Covid-19 in an extraordinary and unprecedented year. With our mitigating crisis measures, strong financial position, dedicated and entrepreneurial co-workers and the acceleration of our fulfilment and online services, we were able to handle the challenges of the Covid-19 pandemic and perform well in a difficult period. We have become more resilient for the continuation of the Covid-19 pandemic and other future crises – and we are able to continue our transformation, living up to our vision to create a better everyday life for the many.

Ingka Group financial performance

Total Ingka Group revenue for FY20 amounted to EUR 37.4 billion, a decrease of 4.8% compared to FY19. The revenue development was impacted by a negative 0.4% points currency effect. Gross profit decreased from 31.8% in FY19 to 31.4% in FY20, which is mainly the result of higher sales price adjustments to handle outgoing articles, restaurant closures, higher distribution costs, and the closure of meeting places (shopping centres).

In response to the extraordinary drop in revenue caused by the Covid-19 outbreak, cost adaptation measures were activated. Operational costs amounted to EUR 10.5 billion, resulting in a cost ratio of 28.0%, compared to 27.1% in FY19. The ratio increased as costs could not fully adapt to the lower sales level in the period when the stores were closed, but also due to impairments recognised in FY20. Operating income decreased from EUR 2.0 billion in FY19 to EUR 1.4 billion in FY20.

A significantly lower result from financial market investments resulted in a financial net result of EUR 0.1 billion, compared to EUR 0.5 billion in FY19. Income before tax amounted to EUR 1.6 billion (EUR 2.5 billion in FY19). The effective tax rate of 24.1% (FY19: 27.2%) corresponds to an amount of EUR 0.4 billion in corporate income taxes (FY19: EUR 0.7 billion). Net profit was EUR 1.2 billion (FY19: EUR 1.8 billion).

In our second year of transformation, we continued to invest in stores, distribution and customer fulfilment networks, the digital customer experience, meeting places, renewable energy, and forestry, amounting to a capital expenditure of EUR 2.1 billion.

Total assets amounted to EUR 52.2 billion (FY19: EUR 54.9 billion), and we further strengthened our solvency position to EUR 43.2 billion of equity at year-end (EUR 42.8 billion in FY19). The total cash flow for FY20 is EUR 2.3 billion negative (FY19: EUR 1.8 billion positive), which includes the repayment of external loans amounting to EUR 2.8 billion. Cash flow from operating activities is EUR 3.0 billion (FY19: EUR 3.9 billion).

IKEA Retail

IKEA Retail sales reached EUR 35.2 billion for FY20 (FY19: EUR 36.7 billion), despite the economic and public health challenges posed by Covid-19. This represents a 4.1% decrease compared to FY19, with sales in the USA and China the most impacted by the pandemic. Online sales grew by 60% in FY20 (FY19: 48%), and compensated for approximately 30% of the lost sales in our stores. In addition, we saw an increase in delivery services.

As we started to reopen stores with increased and robust safety measures in place, visitation and sales went up substantially, and remained high until the end of the financial year. The growing interest in improving life at home led to strong visitation in stores and on IKEA.com, with 706 million (FY19: 839 million) and 3.6 billion (FY19: 2.6 billion) visitors respectively.

The business transformation of IKEA Retail has accelerated over the year, by repurposing stores to fulfilment units and implementing new customer distribution services to support further development of online sales.

Over the year, we have invested in both physical and online expansion. We have opened 26 new IKEA locations and closed one location. The new locations comprise five traditional stores in South Korea and China, smaller formats in Tokyo, Shanghai and Moscow, and Planning Studios in Rome, Tokyo, Oslo and Shanghai. We have also developed a more seamless IKEA experience with new digital solutions, and launched e-commerce in Ukraine as a first step into the new market. Ingka Group invested heavily in digital development and home delivery. As a pilot, IKEA opened its first store on a third-party digital platform in China.

[1] 1 September 2019 to 31 August 2020.

Ingka Centres

During FY20, Ingka Centres continued operations in 45 experience-orientated shopping centres, called meeting places, in 15 countries in Europe, China and Russia. Ingka Centres is also developing three new meeting places in China: Changsha (planned opening 2021), Shanghai (planned opening 2023) and Xi'an (planned opening 2024). Furthermore, the Kings Mall shopping centre in London was acquired and will, after complete redevelopment, become the first central location for a mixed-use meeting place anchored by an IKEA city store.

With the exception of the Nordic countries, all meeting places were closed for some time during the year due to the Covid-19 pandemic. Ingka Centres saw a total of 370 million visitors in FY20, a decrease of 90 million visitors compared to FY19. By August 2020, all meeting places were open and showing good recovery in terms of visitation, although not at the same levels as before the pandemic. To support tenants during closing, rents and service fees were largely waived. Ingka Centres also continued to support tenants after reopening, by offering rent discounts. As a result, rental income decreased by 19%, to EUR 0.7 billion.

Ingka Investments

During FY20, Ingka Investments focused on securing the financial resilience of Ingka Group, while supporting retail operations, transformation and Ingka Group sustainability goals. The main portfolio is Financial Market investments, where most of our liquidity is invested in low-risk securities to safeguard the long-term financial strength and independence of Ingka Group. The Covid-19 pandemic has led to unanticipated pressure on liquidity for companies across the globe and has demonstrated the importance of a strong and stable liquidity position. Now more than ever, we have been able to benefit from our unique financial approach of the past 77 years, which has allowed us to build up a very strong liquidity position of EUR 20 billion.

In FY20, we supported our expansion in prioritised cities by acquiring a top retail location on Rue de Rivoli in the heart of Paris. This will be our second IKEA Paris city store and is planned for opening in FY21. We also supported our digital transformation by acquiring Geomagical Labs, a 3-D and visual AI developer of interactive home furnishing solutions.

We continue our People and Planet Positive sustainability strategy. In FY20, we achieved our goal of producing as much renewable energy as the energy we consume in our operations. In addition, we invested in solar parks in the USA, and acquired wind parks in Romania and Finland. We acquired 24,000 hectares of forestland in the United States and increased our ownership of responsibly-managed forests to a total of 235,000 hectares. Ingka Group forest management is audited by the Forest Stewardship Council (FSC®). In all countries where we operate, management units hold the FSC certification for forest management.

Looking forward to FY21

Covid-19 will continue to impact the economy and society as a whole, but we are prepared to navigate this new normal with more agility, based on the lessons learned since the start of the pandemic.

In FY21, we will continue our transformation making IKEA more affordable, accessible and sustainable, giving customers more reasons to visit IKEA. We expect to accelerate our omnichannel development and continue to invest in growth and our agenda to become People and Planet Positive. We will continue our digital transformation, become more convenient and data-driven, and allow for more agile decision-making and adaptability. We will further transform our cost structure in order to create new opportunities to invest in growth. We will continue our expansion in city centres and further integrate sustainability into our business model. We will also continue our physical expansion and open different formats of stores while developing our omnichannel experience and new service offers that answer customer needs and are in line with market requirements.

Overall, we plan to invest in FY21 at a similar level as in previous years, with investments in existing assets, new city locations, fulfilment capabilities, digital capabilities and renewable energy. We will also accelerate our efforts in sustainability with an investment of EUR 600 million to speed up the transition to a net-zero carbon economy. This brings our total investments into sustainability to EUR 3.8 billion. As we launch our year of sustainability in FY21, we are more determined than ever to be part of solving the climate crisis and recovering and resetting our planet for generations to come. We will continue to integrate sustainability into our business model and measure our performance along four dimensions, looking at the value we create for our company, our customers, people and society, and our planet.

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.

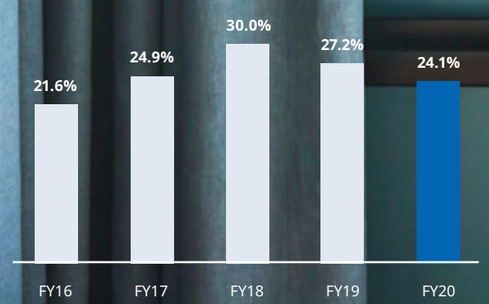
We want to create long-term value through growth, a great customer experience and a positive impact on people and the planet. The taxes we pay are an important part of our wider economic and social impact. Ingka Group pays taxes in accordance with laws and regulations, wherever we are present, as a retailer or in any other role. In FY20, corporate income tax amounted to EUR 378 million globally (EUR 682 million in FY19), which equals an effective corporate tax rate of 24.1% (27.2% in FY19). In FY20, our total tax bill, including other taxes and duties such as property taxes, environmental taxes and customs duties, amounted to approximately EUR 847 million.

Over the past five years (FY16–FY20), corporate income tax and other taxes and duties amounted to approximately EUR 6.2 billion. 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 IKEA stores and warehouses, and indirectly with our external suppliers, which in turn generate taxable income.

EUR 6.2 billion

in corporate income tax and other taxes over the last 5 years

Effective corporate tax rate (ETR) FY16-FY20



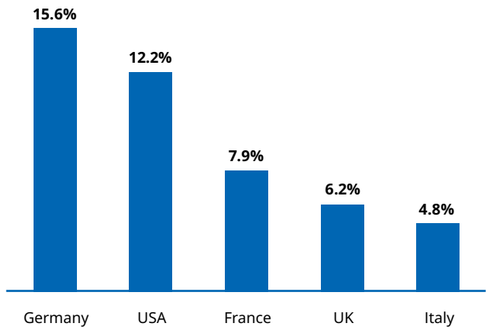
Consolidated income statement 1 September–31 August (in millions of Euros)

	2020	2019
Revenue	37,368	39,243*
Cost of sales and services	-25,643	-26,779*
Gross profit	**11,725**	**12,464**
Operating expenses	-10,454	-10,642*
Other income	160	205*
Operating income	**1,431**	**2,027**
Total financial income and expense	141	483
Income before minority interests and taxes	**1,572**	**2,510**
Tax	-378	-682
Income before minority interests	**1,194**	**1,828**
Minority interests	-5	-11
Net income	**1,189**	**1,817**

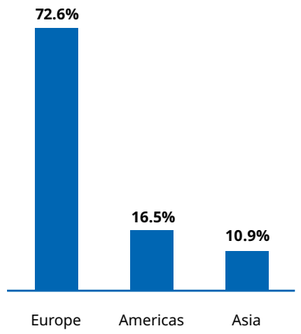
* These comparative numbers are reclassified for comparability purposes. The included abbreviated financial information is derived from the consolidated financial statements of Ingka Holding B.V.

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 2020 was issued on these financial statements. Ingka Holding's Annual Report for financial year 2020 is available through the Dutch Chamber of Commerce. Ingka Group total revenue includes sales of goods, service income, rental income and renewable energy and forestland income.

FY20 – Top retail selling countries



FY20 – Retail sales per region



Consolidated Balance sheet August 31 Assets (in millions of Euros)

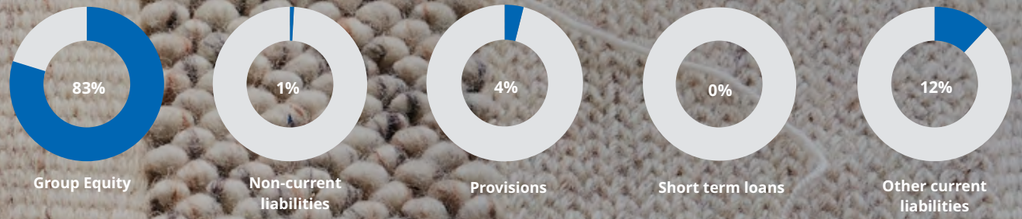
	2020	2019
Intangible fixed assets	2,217	2,240
Tangible fixed assets	23,887	24,451
Financial fixed assets	1,428	1,166
Total fixed assets	**27,532**	**27,857**
Inventories	1,945	2,273
Receivables	2,319	2,165
Securities	19,063	21,228
Cash and short-term deposits	1,347	1,366
Total current assets	**24,674**	**27,032**
Total assets	**52,206**	**54,889**

Consolidated Balance sheet August 31 Equity & liabilities (in millions of Euros)

	2020	2019
Group Equity	**43,166**	**42,828**
Provisions	1,890	2,275
Non-current liabilities	511	529
Total non-current liabilities	**2,401**	**2,804**
Short term loans	118	2,711
Other current liabilities	6,521	6,546
Total current liabilities	**6,639**	**9,257**
Total equity and liabilities	**52,206**	**54,889**

FY20 Total assets – EUR 52,206 million

FY20 Total equity and liabilities – EUR 52,206 million



BRÖNDEN
Rug, low pile, handmade

€279

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 is 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.

Stichting Ingka Foundation
Owner of Ingka Group

Stichting IKEA Foundation
Charity

Stichting IMAS Foundation
Management of own financial assets

The Ingka Group of companies

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 31 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

Supervisory Board	**Committees**	
Management Board	**Committees**	**Group functions**
Group Management	**Councils**	

INGKA CENTRES	IKEA RETAIL	INGKA INVESTMENTS
Centres Board **Centres Management**	**Retail Board** **Retail Management**	**Investments Board** **Investments Management**
Local Boards & Management	**Retail Country Boards & Councils** **Retail Country Management**	**Local Boards & Management**

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 2020, the Supervisory Board of Ingka Holding B.V. consists of eight members[1]. 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 Schrøder** (also member of the Audit Committee), **Luisa Delgado** (also member of the Remuneration Committee), **Ian Worling** (also member of the TaskRabbit board), **Peter Kamprad**, **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 **Juvencio 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: Jesper Brodin, President and CEO, (Chairperson), **Laia Andreu Lopez**, CEO Assistant (Permanent Invitee & Organiser), **Juvencio Maeztu**, Chief Financial Officer and Deputy CEO (Deputy Chairperson), **Barbara Martin Coppola**, Group Digital Manager, **Davide Urani**, Strategy, Development & Innovation Manager, **Ulrika Biesèrt**, Group People & Culture Manager, **Krister Mattsson**, Ingka Investments Manager, **Gerard Groener**, Ingka Centres Manager, **Kurt-Jörgen Olsson**, General Counsel, **Tolga Öncu**, Retail Operations Manager and **Olivia Ross Wilson**, Group Communication Manager.

[1] Stina Bergfors left the Supervisory Board on 25 March 2020. Peter Kamprad joined the Supervisory Board on 26 March 2020

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 and Ingka Group Policies and Rules, which include policies on Anti-Bribery and Corruption, and Human Rights and Equality. Business ethics is also incorporated into IWAY, the IKEA Code of Conduct for suppliers.

Our Code of Conduct was updated in FY19 to be more user-friendly, with 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 was launched in FY20. All newly-recruited co-workers receive face-to-face training on the Code, and in FY20 we developed additional online training for co-workers joining the business. In total, more than 73,000 co-workers were trained on the Code in 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). It is supported by an e-learning tool and dilemma workshops. In FY20, business risk and compliance teams were trained in Australia, Japan and South Korea, following training in China, India, Russia and Southeastern Europe the year before. Further rollout of face-to-face training was suspended from March 2020 due to Covid-19. Anti-bribery and corruption is an important part of our Code of Conduct training for all co-workers. Resumed roll out of the program will continue FY21. Beside the awareness training the implementation of key internal controls in the business has top priority as a measure to mitigate the risk of bribery and corruption.

Raising concerns and investigating misconduct

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 suitable, concerns should be raised with their line manager, local risk manager or People & Culture representative. Co-workers can anonymously raise a concern through our Trust line. The platform is independently operated by a third party. It is available in all countries where we are present, except for Austria and the USA. In the USA, we provide a similar service called iSpeak.

Concerns are evaluated by Trust line managers, and where an investigation is required, this is carried out by a designated manager within the People & Culture or Business Risk & Compliance functions. In FY20, Trust line received 185 reported concerns. The majority of concerns related to potential breaches of our human resources policies and were raised by retail co-workers. Some concerns and questions relating to Covid-19 were also raised this year, although this is outside the usual scope of Trust line.

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 want to provide customers with understanding, control and the ability to make decisions about their data – a revolutionary user experience with people centricity at its core."

Richie Evans,
Data Privacy Manager, Ingka Group

Our customer data promise

Data is a key enabler of our business and operations. It creates opportunities for us to be more relevant and offer a more meaningful experience for individual customers. Being the trustworthy partner that our customers, co-workers and partners expect, demands strong ethical standards. This requires continuous ethical consideration, review and care in everything we do, and a commitment to putting people first in our data-driven processes.

To be trusted, we need to make our customers feel the way they do in their home: valued, secure and in control. That's why we are taking steps to develop data ethics principles.

This year we launched our Customer Data Promise. Data use is a complex topic, so we want to provide customers with understanding, control and the ability to make decisions about their data. As a first step, we're putting this into practice in the new IKEA app, and we will do this across more digital channels in future. The new app gives customers transparent and easily-understandable information about privacy, and better control over how their data is used. Customers can easily toggle on or off personalised content based on their browsing or purchasing history. The new features are rolled out in 11 countries so far, with further rollouts planned for next year.

Indices & appendix

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OMTÄNKSAM
Table
€159

OMTÄNKSAM means 'thoughtful' or 'caring' in Swedish and is a collection that includes table and chairs, cushions that provide support, and easy to grip items. Developed in collaboration with ergonomists and physiotherapists, the products have lots of hidden features to add comfort, function and safety.

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 anticorruption. The table below shows where in this report you can find our progress on each principle.

UNITED NATIONS GLOBAL COMPACT (UNGC) PRINCIPLES		LOCATION IN FY20 REPORTING
HUMAN RIGHTS		
Principle 1	Businesses should support and respect the protection of internationally-proclaimed human rights.	**Respecting human rights**, page 86
Principle 2	Make sure they are not complicit in human rights abuses.	**Respecting human rights**, page 86 **Supporting decent work in our supply chain**, page 88
LABOUR		
Principle 3	Businesses should uphold the right to freedom of association and the effective recognition of the right to collective bargaining.	**Building strong social relations**, page 123 **Respecting human rights**, page 86
Principle 4	The elimination of all forms of forced and compulsory labour.	**Respecting human rights**, page 86 **Respecting and supporting children's rights**, page 86 **Sustainability standards for gig economy workers**, page 86, 88
Principle 5	The effective abolition of child labour.	**Respecting and supporting children's rights**, page 86 **Protecting migrant workers**, page 87 **Sustainability standards for gig economy workers**, page 86
Principle 6	Eliminate discrimination in respect of employment and occupation.	**Going all in on equality**, page 52 **Women's Empowerment Principles**, page 122
ENVIRONMENT		
Principle 7	Businesses should support a precautionary approach to environmental challenges.	**Circular and climate positive**, page 70
Principle 8	Undertake initiatives to promote greater environmental responsibility.	**Healthy and sustainable living**, page 60 **Circular and climate positive**, page 70
Principle 9	Encourage the development and diffusion of environmentally-friendly technologies.	**Healthy and sustainable living**, page 60 **Circular and climate positive**, page 70
ANTI-CORRUPTION		
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	**Business ethics**, page 108

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.

SUSTAINABLE DEVELOPMENT GOALS	HOW INGKA GROUP CONTRIBUTES
End poverty in all its forms everywhere	• Providing and supporting decent and meaningful work in our business and supply chain, page 88 • Integrating refugees and asylum seekers into our value chain and developing their skills for employment, page 92 • Partnering with social enterprises to create income opportunities for those facing poverty and other barriers, page 92 • Partnering to create positive change in local communities, page 90 • Supporting vulnerable suppliers and tenants during Covid-19, page 34
End hunger, achieve food security and improved nutrition and promote sustainable agriculture	• Reducing meat consumption with our plant-based dishes, page 68 • Responsibly sourcing our food, page 68 • Reducing food waste in our operations, page 81 • Adopting lower carbon, circular techniques to grow fresh produce and inspiring customers to do the same, page 68
Ensure healthy lives and promote well-being for all at all ages	• Inspiring and enabling healthy and sustainable living through our products and communications, page 60 • Offering healthier food to customers and co-workers, page 68 • Supporting children's wellbeing by promoting the power of play, page 87 • Advocating for a healthy future for children through our climate positive initiatives, page 87 • Health and wellbeing in the workplace, including protecting co-workers and customers during the Covid-19 pandemic, page 46
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	• Supporting children's right to play, page 87 • Supporting refugees to develop skills for employment, page 92 • Offering our co-workers opportunities for training and development, page 50 • Providing and promoting learning and decent employment opportunities for young persons, page 86 • Supporting home learning during Covid-19, page 50
Achieve gender equality and empower all women and girls	• Working to ensure gender equality and gender-equal pay, page 52 • Partnering with social enterprises that support women and empowering them to develop sustainable incomes, page 92 • Building skills and experience for women outside the labour market, page 90
Ensure availability and sustainable management of water and sanitation for all	• Managing water resources, page 82 • Inspiring and enabling customers and co-workers to save water at home, page 63
Ensure access to affordable, reliable, sustainable and modern energy for all	• Generating more renewable energy than we consume, page 77 • Investing in wind and solar energy, page 36 • Making residential solar affordable and accessible for the many people, with IKEA Energy Services, page 64
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	• Being an inclusive employer and investing in our co-workers' development, page 50 • Providing and supporting decent and meaningful work, page 84 • Improving standards in our supply chain through IWAY, the IKEA supplier code of conduct, page 88 • Supporting refugees to develop skills for employment, page 92 • Supporting suppliers and tenants during times of crisis, page 34 • Partnering with social enterprises to create opportunities for people experiencing poverty and other barriers, page 92
Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	• Generating more renewable energy than we consume, page 77 • Investing in wind and solar power, page 36 • Investing in renewable heating and cooling in our buildings, page 78 • Trialling urban farming solutions to grow nutritious fresh produce, page 68 • Tackling emissions from travel and deliveries, page 79 • Scaling up emission-free home deliveries across all countries, page 33 • Empowering customers to generate and use their own renewable energy at an affordable price, with clean energy services, page 64
Reduce inequality within and among countries	• Promoting a fair and inclusive society and respecting human rights, page 86 • Respecting and supporting children's rights, page 86 • Supporting fairer lives for young and migrant workers, page 87 • Supporting refugees to develop skills for employment, page 92 • Working to ensure gender, racial and LGBT+ equality, page 54
Make cities and human settlements inclusive, safe, resilient and sustainable	• Contributing to thriving communities, page 90 • Striving for zero waste and using resources in a circular way, page 80 • Inspiring and enabling customers to live more sustainably through IKEA products, and promoting circular consumption, page 62 • Making residential solar affordable and accessible for the many people, page 64 • Supporting communities during Covid-19, page 90 • Tackling emissions from travel and deliveries, page 79 • Investing in urban farming solutions, page 68
Ensure sustainable consumption and production patterns	• Trialling products and services that promote circular consumption, page 65 • Inspiring and enabling customers to shop more sustainably, page 67 • Striving for zero waste and using resources in a circular way, page 80 • Responsible sourcing of goods and services that help to run our business, page 83 • Innovating low-carbon ways to grow and consume food, page 68
Take urgent action to combat climate change and its impacts	• Contributing to the IKEA ambition to become circular and climate positive, page 79 • Tracking our climate footprint against our science-based targets, page 75 • Inspiring and enabling more people to live better lives within the limits of the planet, page 60 • Making residential solar affordable and accessible for the many people, page 64 • Advocating for a green recovery from the COVID-19 pandemic, page 32 • Investing in wind and solar power and switching to renewable heating and cooling in our buildings, pages 36, 77 and 78 • Tackling emissions from travel and deliveries, page 79 • Partnering with others to take climate action, page 116 • Promoting more sustainable food, page 68
Conserve and sustainably use the oceans, seas and marine resources for sustainable development	• Phasing out single-use plastic from our IKEA Restaurants, Cafes and Bistros, page 69 • Offering sustainably-sourced fish and seafood, page 68
Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss	• Responsible sourcing of goods and services that help to run our business, page 83 • Investing in responsibly-managed forests, page 36
Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	• Respecting Human rights, page 86 • Being an inclusive and people-centred company and employer, page 44 • Contributing to thriving communities, page 90 • Ensuring an ethical approach to the way we do business, through our Code of Conduct, page 88
Strengthen the means of implementation and revitalise the global partnership for sustainable development	• Partnering with others to extend our impact beyond our own business, and taking a stand on the issues we believe in, page 116

About our sustainability reporting

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 2020 (FY20), from 1 September 2019 to 31 August 2020, 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 People & Planet Positive 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 that 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 People & Planet Positive Strategy from across the IKEA value chain and franchise system.

Environmental data

We take a science-based approach to climate action, and our environmental data informs our investment decisions. Our data collection and reporting processes are updated in response to reviews from our independent external auditors, KPMG.

We are committed to being transparent about our climate footprint and environmental impact. We share lessons learned on data collection and emissions models with peer companies to support collective corporate efforts to track and improve impacts.

Our reporting and data collection processes involve many internal and external stakeholders. Most 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 climate 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 FY20 covers our direct greenhouse gas footprint (scope 1 and 2), and parts of our indirect greenhouse gas footprint (scope 3). Data included in the external assurance scope is marked with an asterisk in the appendix, see page 118-120. External assurance only covers the scope 3 emissions within Ingka Group's operational control (categories 2, 3, 5, 6, 7, 9, 13 and category 1 for raw materials of products used for store operation, purchased by Ingka Group Procurement). The majority of our scope 3 emissions are from purchased home furnishing products and food from Inter IKEA Group (categories 1, 4, 11 and 12) and are not included in the assurance scope this year.

Improving data quality

We work to continually update our data collection models and improve data accuracy, focusing on improving calculation methodologies and data accuracy for each Ingka Group category of emissions.
In FY20, we performed multiple internal reviews on data governance and quality, ways of working and reporting policy. This affects the carbon footprint data we previously disclosed, and data restatements are clearly indicated where relevant. We have restated our scope 1, 2 and 3 greenhouse gas emissions data for FY16-FY19. We also updated our data models and data quality for both our operational waste and water consumption, and we restated this data for FY18-FY19.

Historical climate footprint, water and waste data is reported in this appendix.

The key changes are the following:

- Scope 1 emissions restated for FY16-FY19 as we included emissions from company cars and on-site vehicles.
- Scope 2 emissions restated for FY16-FY19 as we established better governance and more accurate data on the sources of purchased renewable electricity.
- We developed a more detailed model for scope 3 emissions from category 9 customer travel and last-mile delivery. This enhances our understanding of travel and delivery at an individual site level, with more accurate information on average distance travelled, means of transport and other key attributes.
- We updated our scope 3 emission models for category 7 co-worker commuting to align it with the customer travel model.
- We improved the scope 3 emissions model for category 2 capital goods by adding data on company cars and on-site vehicles.
- Our scope 3 emissions model for category 13 tenants (downstream leased assets) has been restated as a result of data quality improvement on renewable energy sourcing.

Due to inconsistencies with data on gross building area in some countries, we could not report energy efficiency data this year. We are working to improve data so that we can report energy efficiency trends in the future. This does not hinder the work we are doing to become more energy efficient, please see page 76 for more details.

We no longer track carbon efficiency and instead focus our efforts on reducing our absolute carbon emissions.

Data may also be affected by uncertainties in scientific knowledge or in the contextual data used in calculations, especially for scope 3 emissions. Based on scope and objectives, the best data quality would be achieved if Ingka would track and measure all GHG emissions across operations and activities. This is not always possible therefore

DETAIL OF DATA RESTATEMENTS FOR GREENHOUSE GAS EMISSIONS IN FY20 COMPARED TO FY16-FY19

EMISSIONS SCOPE	GREENHOUSE GAS PROTOCOL CATEGORY	AFFECTED DATA	EXPLANATION OF CHANGE
Scope 1	Vehicles used in business operation	Passenger cars (owned and leased)	Change in data methodology: added CO_2 footprint for vehicles used in our own operations, based on assumptions of cost per km.
Scope 2	Buildings used in business operations	Electricity emission factors	Data quality improvement: established better governance and more accurate data on the purchased renewable electricity sources.
Scope 1+2	Buildings used in business operations	Energy consumption for IKEA Retail and Ingka Centers	Data quality improvement: Better governance on reporting and further standardised reporting procedures e.g. natural gas consumption.
Scope 3	Category 1 - Purchased goods (food)	Food ingredients (not assured)	Change in data methodology: added data on materials in food products for the local food range.
Scope 3	Category 2 - Capital goods (raw materials of acquired assets)	Capital Goods - new vehicles used in business operation (owned and leased)	Change in data methodology: added CO_2 footprint for our purchased and leased vehicles used in our own operations. Based on assumptions of CO_2 footprint per vehicle types.
Scope 3	Category 3 - Energy used in own operations (that is not covered in Scope 1 and 2)	Well to tank (WTT) – mobile combustion for business operations	Change in data methodology: added extraction, refining and transport of energy sources for vehicles used in our business operations and for last mile deliveries.
Scope 3	Category 9 - Customer transport	Customer transportation	Change in data methodology: data model for customer transport updated with more granular and accurate data from our operations.
Scope 3	Category 9 - Last mile delivery	Last mile delivery	Change in data methodology: data model for last mile deliveries updated with more granular and accurate data from our operations.
Scope 3	Category 13 - Leased assets to tenants	Energy consumption by tenants	Data quality improvement: established better governance, further standardised reporting procedures, for example natural gas consumption, and more accurate data on the purchased renewable electricity sources.

each model is unique in its approach to consistently describe our business activities by connecting data sources, logical interpretation in context, estimations, limitation and future development opportunities.

Because of recent technological developments, the amount of data captured in operations has increased, which opens new grounds for model development, measuring with higher granularity and improving assurance. Hence, we continuously improve our models and update historical data according to new development and business knowledge.

We use emission factors from publicly-available sources like DEFRA, Department for Environment, Food & Rural Affairs (2020) and IEA, International Energy Agency (2018), and from local electricity and heating 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_2e 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. Any exclusions are stated in the report.

Engaging with our stakeholders

Our key stakeholders include our co-workers, customers, people in communities where we operate, NGOs, academics, governments, partners and peers, who all challenge us to be our best.

Our critical friends and civil society experts, along with many external partners, help us to transform our business and achieve our vision to be a purpose-led company. Together, we sought to respond to acute social and planetary challenges during the global public health crisis. We joined our peers and civil society partners to call for gender-equal, equitable and green recovery measures by governments.

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).

We collaborated with stakeholders on a range of issues relevant to our sustainability strategy focus areas in FY20. These include the following:

- **Human rights, diversity and inclusion:** Equal Pay International Coalition (EPIC), the B Team, Global Deal for Decent Work and Inclusive Growth, Catalyst, Real Play Coalition, Business for Inclusive Growth Platform, Open for Business, Workplace Pride, Stonewall and The Conference Board.
- **Climate change and energy:** We Mean Business coalition, The Climate Group's renewable electricity (RE100) and electric vehicle (EV100) initiatives, RE-Source European Platform for corporate renewable energy sourcing, C40 Cities Climate Leadership Group, Uniting Business and Governments to Recover Better, the European Parliament green recovery alliance, SolarPower Europe and Corporate Leaders Group.
- **Circular economy:** Ellen MacArthur Foundation (CE100) and the Circular Economy 8 (CE8) – a group of companies committed to a circular economy.

Deciding what matters

The Ingka Group 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. We update our sustainability action plans each year to achieve our long-term strategy. We will be conducting a new materiality assessment in FY21.

The issues most critical to our business, and to our stakeholders, are listed below in alphabetical order. The IKEA People & Planet Positive 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:

Circular economy 36, 72
Community involvement 41
Co-worker well-being 46
Customer travel & deliveries 72, 74, 79
Diversity & inclusion 52, 84
Greenhouse gas emissions and air pollution 72
Human rights 86
Public policy & advocacy 116
Suppliers and their co-worker well-being 88
Sustainable & responsible sourcing of indirect materials and customer services 83
Water stewardship 82

By 2030, all materials used by IKEA will be renewable or recycled. Staking its claim in this sustainable movement is KNIXHULT, a family of handcrafted bamboo lamps.

Circular and climate positive data

This appendix contains complete and restated data as described in the section Circular and climate positive, pages 70-83.

Climate footprint (tonnes of CO_2e) Restatements and previous years' assured data

	FY16	FY17	FY18	FY19	FY20	FY20 SHARE %
Scope 1 (Previous years assured)	98,879	115,504	124,038	129,233		
Scope 2 (Previous years assured)	414,290	420,130	462,688	474,922		
Scope 3 (Previous years assured)	23,494,220	23,202,317	24,118,580	23,430,677		
Total (Previous years assured)	**24,007,389**	**23,737,951**	**24,705,306**	**24,034,832**		
Scope 1 **NEW**[1]	107,227	125,478	132,625	134,253	129,574*	0.6
Scope 2 **NEW**	355,503	346,601	346,123	332,346	311,895*	1.6
Scope 3 **NEW**	22,977,638	22,815,059	23,606,104	22,565,842	19,707,900**	97.8
Total NEW	**23,440,368**	**23,287,137**	**24,084,852**	**23,032,441**	**20,149,370**	

Scope 1 and 2 energy-related emissions from our buildings and vehicles in our own operations

(tonnes of CO_2e) Restatements and previous years' assured data

	FY16	FY17	FY18	FY19	FY20
IKEA Retail (previous years assured)	282,062	295,866	342,930	341,085	
IKEA Retail **NEW**	249,231	260,494	267,457	257,833	251,511*
Distribution centres (previous years assured)	23,482	33,016	36,170	36,614	
Distribution centres **NEW**	27,681	36,953	39,458	40,840	41,571*
Ingka Centres (common areas) (Previous years assured)	206,497	202,365	204,369	219,717	
Ingka Centres (common areas) **NEW**	185,817	174,280	171,363	167,369	147,967*
Offices (Previous years assured)	1,128	2,048	777	3,415	
Offices **NEW**	0	0	0	0	1*
Off-site wind & solar (previous years assured)	-	2,339	2,480	3,324	
Off-site wind & solar **NEW**	0	351	470	556	419*
Total (Previous years assured)	**513,169**	**535,634**	**586,726**	**604,155**	
Total NEW	**462,730**	**472,079**	**478,748**	**466,599**	**441,469**

Biogenic emissions (included in Scope 1 and 2) (tonnes CO_2e)

	FY16	FY17	FY18	FY19	FY20
Diesel bio-fuel blend (On-site use)	0	39	6	10	9*
Biogas (On-site use)	0	3,717	5,233	5,065	4,950*
Biomass, wood based (On-site use)	10,823	7,606	5,987	6,366	5,497*
Total	**10,823**	**11,362**	**11,226**	**11,441**	**10,457**

Detailed scope 3 (indirect) climate footprint across the value chain (tonnes CO_2e)

Restatements and previous years' assured data

Scope 3 GHG Protocol category number and name	FY16	FY17	FY18	FY19	FY20
1. Purchased goods and services (previous years assured)	11,353,156	11,684,306	12,386,743	12,432,641	
1. Purchased goods and services **NEW**[2]	12,224,245	12,583,425	13,228,638	12,899,651	11,459,381**
2. Capital goods (previous years assured)	184,306	195,148	260,197	292,722	
2. Capital goods **NEW**	184,307	195,148	260,197	295,978	172,858*
3. Fuel- and energy-related activities (not incl. in scope 1 or 2) (previous years assured)	238,214	237,097	305,213	217,683	
3. Fuel- and energy-related activities (not incl. in scope 1 or 2) **NEW**	238,214	237,097	305,213	217,683	213,221*
4. Upstream transportation and distribution (previous years assured)	1,003,741	1,040,075	1,085,839	1,019,830	
4. Upstream transportation and distribution **NEW**[2]	995,523	1,025,540	1,077,517	1,012,497	877,202
5. Waste generated in operations (previous years assured)	42,235	49,007	49,610	71,172	
5. Waste generated in operations **NEW**	49,276	54,676	93,083	79,154	50,279*
6. Business travel (previous years assured)	42,910	39,265	39,001	28,471	
6. Business travel **NEW**	42,910	39,265	39,258	29,872	18,096*
7. Employee commuting (previous years assured)	111,915	120,583	123,703	127,807	
7. Employee commuting **NEW**	101,358	109,042	110,698	115,550	88,381*
8. Upstream leased assets (previous years assured)					
9. Downstream transportation and distribution (previous years assured)	3,530,611	3,380,716	3,643,317	3,698,881	
9. Downstream transportation and distribution **NEW**[3]	2,213,159	2,167,796	2,239,480	2,305,447	1,803,125*
10. Processing of sold products					
11. Use of sold products (previous years assured)	5,896,892	5,376,241	5,152,069	4,492,640	
11. Use of sold products **NEW**[3]	5,941,390	5,411,744	5,266,739	4,636,166	4,129,838
12. End of life treatment of sold products (previous years assured)	832,423	832,723	829,592	810,570	
12. End of life treatment of sold products **NEW**[2]	788,440	792,182	794,489	782,100	728,564
13. Downstream leased assets (previous years assured)	257,817	247,157	243,296	238,260	
13. Downstream leased assets **NEW**[4]	198,818	199,143	190,791	191,744	166,954*
14. Franchises					
15. Investments					
Total (previous years assured)	**23,494,220**	**23,202,317**	**24,118,580**	**23,430,667**	
Total scope 3 emissions NEW	**22,977,638**	**22,815,059**	**23,606,104**	**22,565,842**	**19,707,900**

* Data included in the external assurance scope.

** External assurance only covers the scope 3 emissions within Ingka Group's operational control (categories 2, 3, 5, 6, 7, 9, 13 and category 1 for raw materials of products used for store operation, purchased by Ingka Group Procurement) which accounts for 2,548,269 of the 19,707,900 CO_2e tonnes.

[1] Refrigerants are not included. [2] Models are owned and updated by Inter IKEA Group, not externally assured by KPMG (excluding category 1 purchased goods and services used in our own operations). [3] Model for customer transportation has been updated and historical data has been restated. Model for last-mile deliveries has also been updated, but only for FY20, due to limited comparable historical data. [4] Changed due to data quality improvement.

Location-based and market-based emissions from consumed electricity
Restatements and previous years' assured data

	FY16	FY17	FY18	FY19	FY20
Consumed electricity (MWh) (previous years assured)		1,897,940	1,963,998	1,996,526	
Consumed electricity (MWh) **NEW**	1,913,155	1,879,928	1,955,355	1,958,937	1,808,145
Location-based emissions (tonnes of CO_2) (previous years assured)[1]		800,856	860,930	877,012	
Location-based emissions (tonnes of CO_2e) **NEW**	635,562	626,726	657,373	652,805	604,757*
Market-based emissions (tonnes of CO_2e) (Previous years assured)[1]		420,130	462,688	474,922	
Market-based emissions (tonnes of CO_2e) **NEW**	322,698	309,743	310,137	303,548	284,943*
Footprint reduction due to market-based emission factors (%) (previous years assured)		**47.5%**	**46.3%**	**45.8%**	
Footprint reduction due to market-based emission factors (%) NEW	**49.2%**	**50.6%**	**52.8%**	**53.5%**	**52.9%**

Total energy (electricity, heating, cooling and fuels used on-site) use and share of renewable energy in FY20

	Total energy use (MWh)	**Renewable energy use**[2] (MWh)	**Non-renewable energy use** (MWh)	**Share of renewable energy as % of total use**
Retail	1,734,981	1,033,534	701,447	59.6%
Distribution centres	246,555	132,213	114,342	53.6%
Ingka Centres (common areas)	549,851	96,778	453,073	17.6%
Offices	12,203	12,203	0	100.0%
Off-site wind & solar	15,944	14,815	1,129	92.9%
Total	**2,559,533**	**1,289,542**	**1,269,991**	**50.4%**

Renewable energy generation by type (GWh) Restatements and previous years' assured data

	FY17	FY18	FY19	FY20
Electricity from wind (previous years assured)	2,264	2,559	2,984	
Electricity from wind **NEW**	2,386	2,546	2,958	3,569
Electricity from photovoltaic (previous years assured)	124	155	167	
Electricity from photovoltaic **NEW**	128	156	169	366
Heat from renewable sources (biomass heat, solar water heating, geothermal) (previous years assured)	44	44	0	
Heat from renewable sources (biomass heat, solar water heating, geothermal) **NEW**	40	43	44	41
Total (previous years assured)	2,432	2,758	3,151	
Total NEW	**2,555**	**2,745**	**3,171**	**3,975**

Total waste produced (tonnes)
Restatements and previous years' assured data

	FY16	FY17	FY18	FY19	FY20
Retail (previously reported data)	432,835	462,564	504,274	475,966	
Retail **NEW**	445,445	477,149	504,673	476,519	421,813
Distribution centres (previously reported data)	50,594	55,641	69,626	68,412	
Distribution centres **NEW**	46,360	53,606	60,971	65,790	66,068
Ingka Centres (common areas) (previously reported data)	81,618	54,569	91,220	85,040	
Ingka Centres (common areas) **NEW**	81,618	54,569	91,237	85,046	67,142
Offices (previously reported data)				182	
Offices **NEW**	0	0	0	0	0
Total (previously reported data)	**565,047**	**572,774**	**665,119**	**629,600**	
Total NEW	**573,423**	**585,325**	**656,880**	**627,355**	**555,023**

Water use by business unit (m^3)
Restatements and previous years' assured data

	FY16	FY17	FY18	FY19	FY20
Retail (previously reported data)	5,178,449	5,346,839	6,009,125	5,862,693	
Retail **NEW**	5,337,810	4,899,550	5,998,061	5,886,648	5,025,601
Distribution centres (previously reported data)	196,922	264,567	270,602	270,729	
Distribution centres **NEW**	210,452	248,715	376,711	265,381	242,873
Ingka Centres (common areas) (previously reported data)	2,178,264	2,463,212	2,480,484	2,539,254	
Ingka Centres (common areas) **NEW**	2,146,903	2,274,337	2,448,795	2,192,283	1,845,433
Offices (previously reported data)	275,843	42,109	69,029	48,628	
Offices **NEW**	69,982	8,000	10,659	10,855	10,095
Total (previously reported data)	**7,829,478**	**8,116,728**	**8,829,240**	**8,721,304**	
Total NEW	**7,765,146**	**7,430,602**	**8,834,226**	**8,355,168**	**7,124,003**

* Data included in the external assurance scope.
[1] Our emissions were overstated in previous years as we included emissions from total energy use, not only electricity. This has been corrected in FY20.
[2] Purchased certified renewable electricity and district heating, cooling, fuels used on-site and renewable energy generated and used on-site.

Women's Empowerment Principles

We want to be transparent about our progress on gender equality 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 table summarises our approach to each of its seven principles:

WOMEN'S EMPOWERMENT PRINCIPLE	OUR APPROACH
Establish high-level corporate leadership for gender equality. See page 52	Our gender equality framework follows a systematic approach all the way from establishing the mindset for gender equality, to creating an inclusive work environment. We have an Equality, Diversity & Inclusion (ED&I) Leader in most countries, to co-create local initiatives with the global ED&I team. Our goal is to achieve gender balance across our business by 2022. Our CEO is active in our efforts to promote gender equality, see page 52.
Treat all women and men fairly at work – respect and support human rights and non-discrimination. See page 86	Our Policy on Human Rights and Equality states that co-workers must be treated fairly and provided with equal opportunities regardless of any dimension of their identity, including gender. Our Code of Conduct and our Standard on Equality ensure that our workplace is free of discrimination, harassment and hostility.
Ensure the health, safety and well-being of all female and male workers. See page 46	Our health, wellbeing and occupational safety systems, reduce workplace safety risks and help co-workers to improve their health, and to manage a healthy work-life balance. We introduced additional measures to support co-workers during the pandemic, and will be launching a global health and wellbeing framework in FY21.
Promote education, training and professional development for women. See pages 52 and 53	We invest in training and competence development, so every co-worker has the skills to deliver on our business goals today and in the future. We make sure that our leadership programmes and succession pipeline are gender balanced.
Implement enterprise development, supply chain and marketing practices that empower women. See page 88	Our IWAY Standards define the requirement for our suppliers to respect human rights. We encourage suppliers to achieve gender balance and to close the gender pay gap. We've built partnerships with social entrepreneurs and social businesses in 18 countries that support women and others facing inequality or poverty; see page 92.
Promote equality through community initiatives and advocacy. See page 41	We collaborate with NGOs and governmental agencies to advocate for a more equal society, including Catalyst, the B Team and EPIC. Our EU countries have signed their national Diversity Charter. We partner with local organisations connected to women's rights. For example, our Covid-19 Emergency Community Support fund supported organisations working with victims of domestic violence.
Measure and publicly report on progress to achieve gender equality.	We report progress through our Annual Summary and Sustainability Report. This includes data on gender balance and gender-equal pay. We also report and share our progress and challenges through our many partnerships relating to gender equality.

IKEA employment standards (IES)

We are a 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 employment contracts, scheduling, working hours, equality of treatment and open communication.

Building strong social relations

We are committed to providing a great place to work for all co-workers, 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 respecting the principle of freedom of association, and we recognise the right to collective bargaining, in compliance with local legislation.

During FY20, we launched our new Social Relations Framework, which includes principles to guide our collaboration with social partners. We train co-workers on the new Framework via online workshops.

Our new co-worker turnover definition

The business importance of measuring and acting on co-worker turnover is fundamental.

We changed the definition of co-worker turnover, as well as how we gather the data, and as a result, our co-worker turnover data for FY20 is not directly comparable with previous years.

Moving forward, we will be increasing our focus on this topic, including conducting a root cause analysis of the factors contributing to turnover. This will enable stronger action plans to deliver on our ambitions and goals for reducing our turnover rate.

KPMG

Assurance report of the independent auditor

To: the Board of Management and shareholders of Ingka Holding B.V. and its controlled entities

Our conclusion

We have reviewed the reporting for scope 1, 2 and 3 carbon emissions (categories 2,3,5,6,7,9,13 and category 1 for raw material of products used for store operation, purchased by Ingka Group Procurement) (hereafter: the 'Subject Matter information') in the 'Annual Summary & Sustainability Report FY20' (hereafter: the Annual Report) of Ingka Holding B.V. and its controlled entities (hereafter: 'Ingka Group') based in Leiden, the Netherlands, for the financial year ended 31 August 2020. A review is aimed at obtaining a limited level of assurance.

Based on the procedures performed nothing has come to our attention that causes us to believe that the Subject Matter information is not prepared, in all material respects, in accordance with the applicable criteria as described in the 'Reporting criteria' section of our report.

The Subject Matter information reporting is included in the section 'Circular and climate positive' commencing on page 70 (subsections 'Progress against targets in FY20', 'Tackling climate change' and 'Tackling emissions from travel and deliveries'), the appendix on pages 118-120 and the explanatory notes on pages 114-115 in the section 'About our sustainability reporting' of the Annual Report. The data for the indicators in the scope of our engagement are marked with asterisks (*,**) in the appendix on pages 118-120.

Basis for our conclusion

We performed our review 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'. This engagement is aimed to obtain limited assurance. Our responsibilities in this regard are further described in the 'Auditor's responsibilities' section of our report.

We are independent of Ingka Group 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). Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Reporting Criteria

The Subject Matter information 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 Subject Matter information 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 disclosed in section 'About our sustainability reporting' of the Annual Report.

Materiality

Based on our professional judgement we determined materiality levels for each relevant part of the Annual Report and for the Subject Matter information as a whole. When evaluating our materiality levels, we have taken into account quantitative and qualitative considerations as well as the relevance of information for both stakeholders and Ingka Group.

Scope of the group review

Ingka Group is the parent company of a group of entities. The Subject Matter information incorporates the consolidated information of this group of entities to the extent as specified in the section 'About our sustainability reporting' of the Annual 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.

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 Subject Matter information to provide a conclusion about the Subject Matter information.

The Board of Management and Supervisory Board's Responsibilities

The Board of Management of Ingka Group is responsible for the preparation of the Subject Matter information in accordance with the applicable criteria as described in the 'Reporting criteria' section of our report, including the identification of stakeholders and the definition of material matters. The choices made by the Board of Management regarding the scope of the Annual Report and the reporting policy are summarized in section 'About our sustainability reporting' of the Annual Report.

Furthermore, the Board of Management is responsible for such internal control as it determines is necessary to enable the preparation of the Subject Matter information that is free from material misstatement, whether due to fraud or error. The Board of Management is, amongst other things, responsible for overseeing Ingka Group's reporting process.

Auditor's responsibilities

Our responsibility is to plan and perform our 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 to determine the plausibility of information and vary in nature and timing, and are less in extent, compared to a reasonable assurance engagement. The level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

We apply the 'Nadere Voorschriften Kwaliteitssystemen' (NVKS, Regulations for 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 among others:

- Performing an analysis of the external environment and obtaining an understanding of relevant societal 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 Subject Matter information reporting. This includes the evaluation of the reasonableness of estimates made by the Board of Management;
- Obtaining an understanding of the reporting processes for the Subject Matter information, including obtaining a general understanding of internal control relevant to our review;
- Identifying areas of the Subject Matter information where a material misstatement, whether due to fraud or error, are most likely to occur, designing and performing assurance procedures responsive to these areas, and obtaining assurance information that is sufficient and appropriate to provide a basis for our conclusion. These procedures included, amongst others:
  - Interviewing management and relevant staff at corporate level responsible for the strategy, policy and results;
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures over, and consolidating the data in the Subject Matter information;
  - 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 Poland, Portugal and the United States 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 Subject Matter information reconciles with underlying records of Ingka Group;
  - Reviewing, on a limited test basis, relevant internal and external documentation;
  - Performing analytical reviews of the data and trends.
- Evaluating the consistency of the Subject Matter information with the information in the report which is not included in the scope of our review;
- Evaluating the presentation, structure and content of the Subject Matter information;
- Considering whether the Subject Matter information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We have communicated with the Board of Management regarding, among other matters, the planned scope and timing of the review and significant findings that we identify during our review.

Amstelveen, 28 January 2021
KPMG Sustainability Assurance
Part of KPMG Accountants N.V.

W.J. Bartels RA, Partner

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People and planet, thriving together

When the Covid-19 pandemic threatened families' health and incomes, the work of the IKEA Foundation's partners became more vital than ever.

Funded by Ingka Foundation, owner of the Ingka Group of companies. the IKEA Foundation is independent from the retail business, with a sole focus on creating brighter lives on a liveable planet through philanthropy and grantmaking, without pursuing profit for IKEA.

In a year where the global health crisis caused by the Covid-19 pandemic also became a socio-economic crisis, the IKEA Foundation responded in several ways. Its co-workers immediately contacted partners to see how long-term programmes might be affected and what support they needed to keep those programmes running or to adapt them to the new reality. The IKEA Foundation also launched the Covid-19 Emergency Relief Fund to provide donations to its partners who are supporting communities especially vulnerable to the virus. In 2020, the fund gave EUR 7 million to Covid-19 programmes. This is in addition to the more than EUR 1.2 billion it has granted to partners over the past 10 years.

Providing healthcare and fighting misinformation

Médecins Sans Frontières (MSF) is one of the partners that received a donation from the fund. MSF teams have been responding to the Covid-19 pandemic in more than 70 countries, providing care for patients affected by the disease, supporting health structures and offering training for health staff, while keeping essential medical services running.

Start Network also received a donation. Its members responded to Covid-19 in more than 20 countries. Many of its members have extensive expertise in working in remote, underserved communities to stop the spread of infectious diseases—such as cholera and Ebola—but they also work to prevent the spread of misinformation, which can be fatal in a health crisis.

The pandemic cast a stark light on the many intersecting inequalities - such as poverty, environmental devastation, and lack of decent healthcare and incomes - that affect families' abilities to create a better future for their children. These inequalities are issues the IKEA Foundation has been addressing through its partnerships for over a decade, but they became an even sharper focus when the Foundation launched its new strategy in 2019.

A vision for a better future

"We need to acknowledge that life should not return to the way it was," said Per Heggenes, IKEA Foundation CEO. "Instead, we should ask ourselves how we can do things differently so we can build a better future for generations to come."
The IKEA Foundation believes that the best future is one where people and planet thrive together. Writing on the World Economic Forum website, Per laid out five pathways to that better future:

1. Protect the planet.
2. Champion access to renewable energy for all.
3. Change our relationship to food production.
4. Support dignified work conditions and entrepreneurship.
5. Leave no one behind.

Per said: "We have a chance to do things better, a chance to get things right."

The IKEA Foundation supports partners who are at the forefront of creating that better future for families.

"We should ask ourselves how we can do things differently so we can build a better future for generations to come."

Per Heggenes,
CEO, IKEA Foundation

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Protect the planet from climate change

The world has fewer than 10 years left to dramatically decrease greenhouse-gas emissions and avoid the worst effects of climate change. Businesses and industries play a critical role, not just in reducing their own emissions, but also in influencing their governments' climate policies.

That's why the IKEA Foundation renewed its commitment to the We Mean Business coalition in 2020.

The We Mean Business coalition works with thousands of the world's leading businesses to encourage governments to meet their commitments under the Paris Climate Agreement.

By inspiring businesses to cut the emissions that cause climate change—for example by sourcing 100% renewable power—the We Mean Business coalition will help reduce the risks all communities face from a changing climate.

Listen to the latest podcast

The IKEA Foundation's second podcast season features fascinating interviews with experts on some of today's most urgent topics. From building planet-positive movements to powering businesses with renewable energy and being a leader in a time of uncertainty, the podcast inspires both thought and action.

Based on the IKEA Foundation's popular Ask an Expert series, the interviews give IKEA co-workers and customers a chance to hear directly from the IKEA Foundation's partners, who are all experts in their fields.

This season's guests include Jacqueline Novogratz from Acumen, Ola Rosling of Gapminder, and Jessie Macneil-Brown from Ingka Group's Campaign Unit.

Altaf Makhiawala, strategic communicator at the IKEA Foundation and podcast host, says: "This new season takes in the impact of the pandemic and looks beyond. It imagines what a better post-Covid-19 world could look like. We know there are problems—that's why we're talking to people working on solutions."

IKEAfoundation.org/podcast

© Diego Bianvelli / MSF

EUR 193 million granted in 2020

The IKEA Foundation gave EUR 193 million[1] in grants to its partners in 2020. Learn more at www.ikeafoundation.org.

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Refugees on the path to self-reliance

At the Global Refugee Forum in December 2019, IKEA Retail (Ingka Group), Inter IKEA Group and the IKEA Foundation each made commitments that will help refugees become part of their host communities in the coming years. Our common viewpoint is that refugees, with their skills and experience, bring value to business and society.

The IKEA Foundation committed EUR 100 million in grants over the next five years for programmes that help both refugees and people in their host communities improve their incomes and become more self-reliant.

The IKEA Foundation has a long history of supporting programmes that improve everyday life for people who have been forced to flee. One of its longest-running programmes is with the UN Refugee Agency, UNHCR, in Dollo Ado, Ethiopia. The project engages refugees and the host community to use their skills and knowledge to create new livelihood opportunities and increase their self-reliance.

In October, the Financial Times and the International Finance Corporation gave the Dollo Ado project their Special Award for Innovation for the Most Vulnerable and Disadvantaged.

[1] Preliminary numbers from 2020 pending final audit.

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