INGKA™

Annual & Sustainability Summary Report | FY18

INGKA HOLDING B.V. AND ITS CONTROLLED ENTITIES

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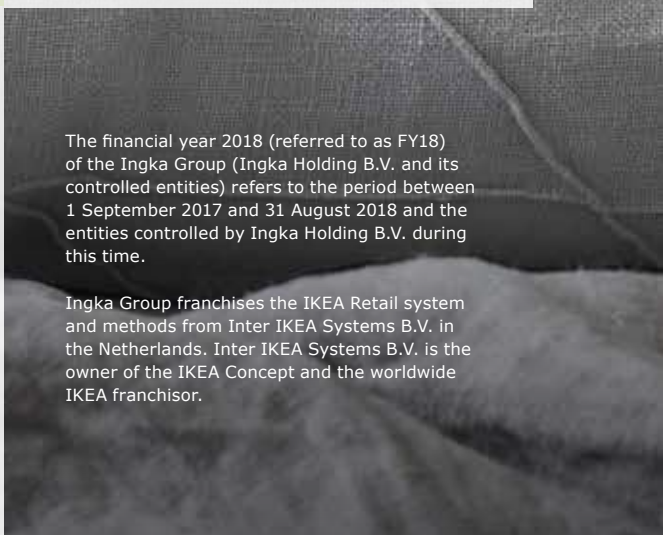


The financial year 2018 (referred to as FY18) of the Ingka Group (Ingka Holding B.V. and its controlled entities) refers to the period between 1 September 2017 and 31 August 2018 and the entities controlled by Ingka Holding B.V. during this time.

Ingka Group franchises the IKEA Retail system and methods from Inter IKEA Systems B.V. in the Netherlands. Inter IKEA Systems B.V. is the owner of the IKEA Concept and the worldwide IKEA franchisor.

North America
62 Stores
5 Pick-up and Order Points
8 Store Distribution sites
11 Customer Distribution sites

Europe
244 Stores
13 Pick-up and Order Points
28 Shopping Centres
16 Store Distribution sites
22 Customer Distribution sites

Russia
14 Stores
14 Shopping Centres
1 Store Distribution site
1 Customer Distribution site

Asia
37 Stores
2 Pick-up and Order Points
3 Shopping Centres
5 Store Distribution sites
1 Customer Distribution site

Australia
10 Stores
1 Store Distribution site
2 Customer Distribution site

Ingka Group is:

- **Part of the IKEA legacy.**
- **Responsible for representing the IKEA brand in 30 markets.**
- **A strategic business partner in the IKEA franchise system, representing 90% of total IKEA retail sales in FY18.**
- **The main partner in logistics and service operations and in providing digital developments and solutions to Inter IKEA Group.**
- **The main development and innovation partner to Inter IKEA Systems B.V., the owner of the IKEA Concept and worldwide IKEA franchisor.**

367

IKEA stores in 30 countries

In FY18 we had ecommerce in 29 of 30 markets and ecommerce sales grew by 45%

THIS IS INGKA GROUP

Who we are

We are Ingka Group and we're driven both by the vision to create a better everyday life for the many people, and by our strong values, which include togetherness, simplicity, leading by example and giving and taking responsibility. This unique foundation was laid many years ago, when Ingvar Kamprad founded Ingka to bring IKEA into people's lives – and it's what continues to unite our 158,400 colleagues and how we work today.

We've come a long way, and during our journey we have brought the IKEA Brand to 30 countries and into millions of homes. We play a key role in the strategic development of IKEA in areas such as logistics and digital, and our co-workers generate around 90% of the total IKEA sales. We operate that business in our retail markets as a franchisee of the IKEA franchise system, which has existed since the 1980s to support a strong and vital IKEA Concept. Our core business is IKEA, but we also operate two important businesses that complement what we do: Ingka Centres and Ingka Investments.

We operate 367 thriving IKEA stores that welcome over 830 million visits per year and receive 2.35 billion visits to IKEA.com. Together they generated EUR 34.8 billion in total retail sales in FY18. Ingka Centres owns and manages over 40 vibrant shopping centres across Europe, Russia and China, always anchored by an IKEA store. Ingka Investments helps to develop what we do today, and contributes to our financial freedom with a long-term perspective, by purposefully investing in our IKEA Retail business and helping us to become people and planet positive – again, in line with our key values.

We're curious about the world around us and want to make a positive difference in people's lives. Together with our customers, partners and others in society, we'll lead home furnishing into the future, creating a better everyday life for more of the many people by putting our customer's needs at the heart of all that we do. And as we embark on one of the biggest transformations in IKEA history, our belief that a better everyday life starts at home continues to drive us, and has never been more important in people's lives.

Ingka Group
At a glance FY18

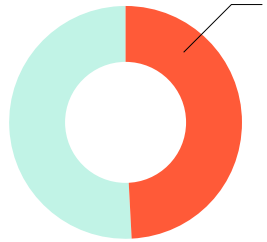
Ingka Holding B.V. and its controlled entities

2.35 billion
visits to IKEA.com

182 million
visits to the catalogue and store apps

158,400 co-workers

IKEA Retail **152,100** Ingka Centres **2,250**
Other **4,050**



49.4%
Female managers

Today, more than half of our co-workers are women, as are 49% of our managers and 44%* of Group Management.

*This number has changed for FY18 due to a new management structure.

367
IKEA stores in 30 countries

At the end of FY18 we also had:
45 Shopping Centres in **14** countries
20 Pick-up and Order Points in **11** countries
31 Store Distribution sites in **18** countries
37 Customer Distribution sites in **16** countries
29 out of **30** markets offering ecommerce

EUR
34.8
billion total retail sales
(EUR 34.1 billion in FY17)

Total retail sales translated into Euro increased by **1.9%**. Adjusted for currency impact, total retail sales increased by **4.7%**. Total revenue EUR **37.1** billion.

441

We own and operate **441** wind turbines in Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Lithuania, Poland, Portugal, Sweden, the UK and the USA. We also have **900,000** solar panels on the roofs of our stores and warehouses.

124 million IKEA Family members

Our most loyal customers are members of IKEA Family. And more than **38,000** new members join every day!

Refugees in 11 countries are receiving support to develop new skills for employment

EUR
1.5
billion net profit
(EUR 2.5 billion in FY17)

30%
corporate income tax

Corporate income tax amounted to EUR **0.6** billion globally, which equals an effective corporate tax rate of **30%** (24,9% in FY17). Our total tax bill, including other taxes and duties, amounted to approx. EUR **1.1** billion.

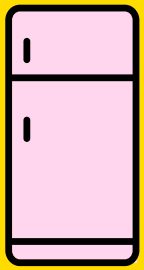
We have partnerships with 58 social entrepreneurs and social businesses in 14 countries

838 million IKEA store visits

475 million Shopping Centre visits

Over 437,500 kg of food was saved

Our food waste initiative saved nearly 865,000 meals from going to waste in our kitchens



230%
growth in Home Solar

The number of Home Solar customers grew by **230%**, and each customer saved or will save on average EUR **400** per year on their energy bill.

We own approx. 180,000 hectares of responsibly managed forests

The forests we own are in Estonia, Latvia, Lithuania, Romania and the USA.

A MESSAGE FROM JESPER BRODIN

We're excited about creating our future

This is the year that's seen us open in new markets, achieve solid sales and take the first steps on our transformation journey to becoming more accessible, convenient and people and planet positive. We're in an exciting moment!

It's been a year of successes and challenges. Now it's time to build on 75 years in the business of home furnishing and our deep knowledge of life at home, retail and logistics, to welcome the future's challenges and opportunities. This pairs with doing our part to address climate change and become people and planet positive. We've supported people to realise their dreams and needs at home, but in reality, we've only just begun our journey.

We live in fast-changing times. We know the world's population is growing and more people will move to big cities. This creates a big need for better small-space solutions. We're seeing changes in people's attitudes towards consumption – that they want to save both money and time. This means they're more demanding of us, and rightly so. We want to be there for them, because few can offer the inspiring customer experience that we do. Few can deliver a sofa the same day, or next. And few can offer a well-designed range of such value for money.

Our vision remains, always, to create a better everyday life for the many people. So, after many good years in kitchens and bedrooms, we've boosted our offer in living rooms with more comfortable, lower priced sofas and fresh solutions for organising and storage. In all our markets – including India, where we embarked on a new adventure by opening a store in Hyderabad – our IKEA stores are reflecting this new, modern approach.

Climate change is no longer a distant threat, but a visible reality, affecting the lives of many millions of people around the world. Disruption caused by climate change – already affecting our business today - will continue to increase business costs and harm the health and wellbeing of our customers and co-workers everywhere, undermining the foundations of our success.

...

... **We want to lead change in the critical topics facing society.** We do this to live up to our vision and contribute to the safeguarding of communities and ecosystems that sustain our business. In 2018, we have taken the first steps in contributing to the IKEA ambition to become climate positive by 2030 and fulfilling our commitment to the Paris Agreement.

Our goals are ambitious, but we know that challenges can become opportunities and lead to amazing innovations. They will challenge us to work in new ways, and will drive innovation and renewal in our business. Good intentions are important. Words give them power. But to spark real change, it's action that speaks loudest of all.

Now there are more invitations to discover IKEA, with Ingka Centres creating shopping centres that are even better experiences for a great day out for the whole family.

We're fast-tracking what we know and are developing new opportunities, as Ingka Investments ensures the financial stability of our company – just as we did this year with the acquisition of TaskRabbit.

But still, the most important focus for us are our stores, which will be digitally enriched festivals of inspiration, offering food and interaction with our many knowledgeable, enthusiastic home furnishing coworkers.

Democratic Design continues to be what makes IKEA unique. Every IKEA product is designed to match a challenging-but-important formula that optimises form, function, quality and sustainability at a low price. Because, combined with our knowledge of life at home, our range is how we make people's everyday life better.

Our plan: 10 jobs in three years. We've ignited the biggest transformation of our business in modern times. With our existing and new store formats, more delivery options, assembly and installation services and unique digital solutions, we're becoming more accessible to people wherever they are, whenever they want. This journey is also about being more affordable and more sustainable, because it's by transforming in all these ways that we'll meet the needs of the many people.

We're led by a people movement! We believe in the nearly-160,000 talented people in Ingka Group and our future holds more opportunities to create even better places to work and develop. We also believe in our customers, and listening to and learning from them shows us the trends and shifts that lie ahead of us.

Our values are at the heart of what we do. Simplicity, cost consciousness, entrepreneurship and togetherness are important to us. With humbleness, we want to lead by example and contribute to a better tomorrow for our customers, our business and ourselves.

Most things remain to be done. There's so much potential, and that's what I'm excited about. Because the future we face is a glorious one.

Jesper Brodin
President and CEO, Ingka Group

A MESSAGE FROM PIA HEIDENMARK COOK

Working towards a sustainable future

Our commitment to becoming people and planet positive is at the heart of our business transformation as we develop to meet customer needs and grow our business sustainably. The ambitious sustainability strategy we've set for 2030 will challenge us, but I'm confident that we are laying the right foundations now to make it happen.

Climate change is impacting the lives of people everywhere. Extreme weather events, such as heatwaves in Japan and Europe, and the catastrophic wildfires in the US, Greece and even the Arctic Circle, have made more people realise that there's no time to waste. The recent Intergovernmental Panel on Climate Change report leaves us in no doubt that the next 12 years will determine the world we will pass on to future generations.

While the urgency is clear, there are many reasons to be optimistic. I'm inspired by the grassroots movements we see growing around the world on issues like climate change, plastic pollution, human rights and inequality. This sends a clear signal to governments and businesses that people expect transparency and leadership on these issues. In our Climate Action Starts at Home research study, we learned that more than 90% of the people want to change their behaviour to reduce their impact on the climate. Being able to support them is a huge opportunity for us.

We updated the Ingka Group Sustainability Strategy in FY18 in response to the challenges of climate change, unsustainable consumption and inequality[1]. We focus on three areas where we can make the biggest difference: promoting healthy and sustainable living, becoming a circular and climate positive business and becoming a more fair and inclusive company and employer.

We want to inspire and enable 1 billion people to live better lives within the limits of the planet by 2030. It's a huge, ambitious target. But it's possible because we are part of the everyday lives of so many people around the world through the home furnishing solutions and services we offer, and through the communities where our co-workers live and work.

The benefits to our business are clear. By expanding our home solar offer and rolling out zero emissions home deliveries to all markets by 2025, and by developing new circular services, we're showing our commitment to sustainable innovation and growth. We're also able to develop and grow our business by working with social entrepreneurs and expanding our refugee employment programmes. We're contributing to the economic empowerment of people and communities, while making our business more diverse and inclusive, which makes us better decision makers.

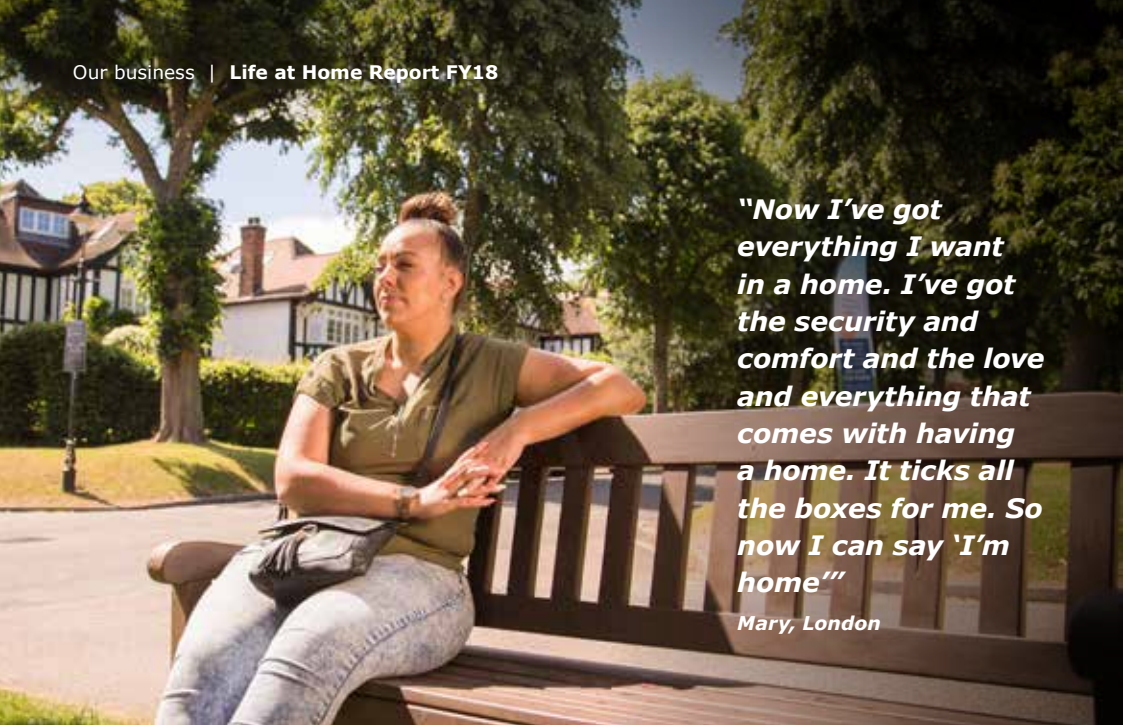
Consumers are more demanding than ever in expecting brands to do the right thing for people and the planet. Our co-workers are deeply committed to achieving our goals. They're proud of what we've done so far, and challenge us to go further and faster.

I'm excited to see what we can and will achieve. We don't underestimate the work to be done, but with nearly 160,000 co-workers across 30 countries, together with our customers and communities, we know we can make a positive impact. And there's never been a better time to act than now.

Pia Heidenmark Cook
Chief Sustainability Officer, Ingka Group

[1]In Spring, Inter IKEA Systems B.V. will publish the IKEA Sustainability Report, which reports on all companies in the IKEA franchise system and value chain.

OUR BUSINESS



LIFE AT HOME

Life is on the move – it's time for home to catch up

When Mary wants to get some privacy, she heads outside. She lives with her young family in London and it can be difficult for her to get that elusive 'me time' at home. Instead, she heads to a park bench with views of the city, and takes the time to disconnect and reflect. These moments help her feel more at home.

Mary is one of an increasing number of people who feel at home in places beyond their own four walls. In fact, one in three people all over the world say that there are places where they feel more at home than they do in the space where they actually live. So what does this mean for life at home, and why is it important for IKEA? We explored these questions with more than 22,000 people in 22 markets, and published our findings in the 2018 Life at Home Report. The many things we learned will help us design better solutions to meet people's needs and dreams. Here are three ways we're talking about life at home today:

The way people think about life at home is changing profoundly

1 **OUR PHYSICAL HOMES** are getting smaller, smarter, busier and noisier, so it's no wonder that life at home is changing too. Lots of people find themselves battling between available space and optimal location, particularly as our cities continue to grow. Time matters as well, so when forced to choose, 64% of people say they would rather live in a small home in a great location than a big home in a less convenient one.

Change also offers up new opportunities, and the majority of people say that they're ready to create a home that's different from the one they grew up in. Here Ingka Group can really help, by providing knowledge, inspiration and services that reflect our changing world, make the connection to solutions within the IKEA range and help people create the home they need and want.

Doing it differently with the IKEA Catalogue

Thanks to a new-look layout, the 2019 IKEA Catalogue shows a more holistic view of life at home through our range. Tanja Dolphin, Global Catalogue Manager, IKEA Communications AB, Inter IKEA Group, explains: "We want to relate to what customers find challenging in their own lives, and using insights from the Life at Home Report gave us the freshest view on what matters most to people." In particular, Tanja and her team were struck by how relatable the insights from the 2017 Life at Home Report were, because they showed real frustrations. Tanja continues: "Some of these insights helped us show homes in a way that is not typically expected from IKEA. We loved playing with the Myth of Minimalism – one of the five major findings from the 2017 Report – to show that you can be bold and display your cherished items and memories, and still be happy in a space that feels full. We wanted to show that we can do it differently."

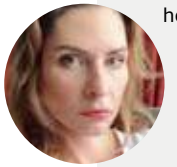
There are five emotional needs which give us the ‘feeling of home’

2 EVERYONE NEEDS SECURITY, privacy, ownership, comfort and belonging to feel at home. Most people believe it’s important that their own home gives them these needs, but for many the reality falls short. Nine in 10 people want their home to give them the feeling of comfort, for example, but less than half of those who live with friends say they get this feeling where they live. As a result, people head to places outside their home to give them the feelings they lack where they live, just like Mary does with her ongoing search for privacy.

We believe that IKEA can help bridge the gap, by demonstrating how our products can meet both people’s functional and emotional needs. For many people, the solution could be simple, like a playful FJANTIG hook – it provides somewhere to hang their coat, but it also fosters a feeling of ownership of their space when they come through the door and know where to put their things.

Creating a home furnishing movement in India

When IKEA Hyderabad opened its doors in July 2018, it marked the beginning of a home furnishing movement in India. Not long after, Melani Schultz, Team Leader, Com&In, IKEA Retail India, joined the IKEA Retail India team in Bangalore, and one of her most important tasks is to help drive that movement. “Indians are extremely proud of their homes” Melani explains, “but they have a different view of home furnishing than we, at IKEA, do. We asked: ‘How can we better connect with people?’. We realised it starts with us – each and every co-worker.” Melani and her colleague Hetty Lavrijsen, Competence Developer, Com&In, IKEA Retail India, were so inspired by the report, they started organising workshops to get co-workers thinking about their own life at home. “We began with the interactive quiz from the 2018 report; it’s such an interesting and simple tool because it starts with you as an individual. Then connecting to the idea of home furnishing creating a better everyday life becomes more tangible.” Melani hopes this ‘starting with ourselves approach’ creates deeper understanding and encourages colleagues to share their knowledge and inspiration with their nearest and dearest. “We see a lot of potential to use the Life at Home Report in our daily work.”



Melani Schultz

“I think no matter if it’s in a house or in a flat, or if it’s a place I bought or a place I rented, as long as the person I love is there, that is my home.”

Tang, Shanghai

Home is a network of places and spaces

3 THE FEELING OF HOME can exist in multiple places, all at the same time. For lots of people, life beyond four walls can offer up richer experiences that meet their emotional needs and help them feel more content when they think about home. Almost half of people who say they love where they live also feel that community is an extension of home.

We also see how online communities, like social media, help enhance a feeling of belonging, even amongst those who live with people they know and love.

Thinking of home as a network of spaces and places with emotional needs at their heart helps IKEA explore solutions within and beyond four walls.

Home continues to be the most important place in the world, which is why we’re committed to helping everyone find that feeling of home, no matter where or how they live.

"We know that our co-workers are energised by our vision, by our belief in people and by the way we behave towards each other. Other sources of inspiration include our culture, the possibilities to grow and the opportunities to learn."

Ulrika Biesèrt, People & Culture Manager, Ingka Group

Creating a people movement

OUR INGKA GROUP PEOPLE STRATEGY puts the focus on our co-workers, and provides a framework and guidance for our priorities. It's there to ensure we stay close to our vision and culture and get even closer to our customers. Attracting and retaining the right competence and talent is essential for us to reach our growth ambitions and new digital competence is in focus for the coming years.

We want to be an IKEA where customers meet passionate, knowledgeable and service-minded co-workers, who understand life at home and help make dreams a reality. As customers' demands are changing, we are changing too. As we create a new and better IKEA – one that's more equipped for the future – we find ourselves in an interesting phase. We're creating innovative solutions, focusing on competence and new capabilities and investing in digitalisation. We're letting go of old ways of doing things, replacing them with improved ones.

Within the People strategy are three central pillars that are key to meeting our ambitious goals within the 30 markets in which we operate:

- People choose IKEA for what we stand for
- Engaged IKEA people with customers at heart
- Creating a modern, lean and agile IKEA fit for growth

People choose IKEA for what we stand for

We want to be a company that people want to be a part of. Our values are at the heart of everything we do – and we're proud of that. We believe its those values make us stand out, and we continue to emphasise and show how we live them in our daily reality.

We aim to attract competent and talented people who share our values, by improving how we reach out to potential co-workers. We continue to develop and integrate more digital functionality into our recruitment process – functionality such as our job portal and our new digital recruitment solution. This makes it easier to connect with and identify the great talent we need, because this is what will result in a better customer experience. During FY18, we welcomed 40,368 new co-workers to help us meet our goals and add to our in-house competences.

Building competence within IKEA remains an important focus area. To encourage development across functions, units and countries, we organise global initiatives to bring out the best in our people. One such activity is our Talent Focus Week, which in FY18 saw over 63,000 co-workers participating in different development activities around the theme 'Let us use our talents'. During that week we called on our co-workers to join us in making IKEA even better, and in the coming spring we are launching our third edition of the week, with the theme 'Think beyond. Dare to try. Keep on growing'.

We are committed to going all-in on equality. Equality is a fundamental human right and it's reflected in our values. To reach true equality, we focus both on the …

… diversity of our workforce and on fostering a culture of inclusion in our work environment. Our goal is to create an inclusive culture where everyone is valued for their unique contribution, and where they can be themselves. By making equality one of our competitive advantages, we increase our ability to serve a diverse customer base and contribute to positive change in all areas of our business and society.

Our goal is to achieve gender balance in all leadership positions by 2020. Today 49.4% of our leaders and 54% of our co-workers are women. However, achieving gender balance is only the beginning. We also focus on integrating diversity in all areas of our work processes and business practices. …

In FY18 we signed a number of commitments:

1 In October, we joined Stonewall, a non-profit organisation dedicated to improving the lives in workplaces all over the world, of people who are lesbian, gay, bisexual, transgender, plus people of all sexual orientations and gender identities (LGBT+).

2 In February, Jesper Brodin, President and CEO, Ingka Group, signed the Women's Empowerment Principles (WEPs). The WEPs provide a framework for businesses on how to empower women in the workplace, marketplace and community. By signing the WEPs, we strengthen our commitment to equality and show consistency in our cooperation with the United Nations (UN).

3 In September, Sari Brody, Equality, Diversity & Inclusion Manager, Ingka Group, signed the EPIC Pledge (Equal Pay International Coalition). This is a part of the UN Sustainable Development Goals, and is an important step in ensuring that women and men receive equal pay for work of equal value. We are developing a framework and approach to equal pay, and in signing the pledge, we're also committed to rolling out this framework during 2019, to the 30 markets in which we operate.

4 To reinforce Equality, Diversity & Inclusion in our markets, we collaborated with the European Commission. In 2018, all 18 Ingka Group markets in the European Union signed their national Diversity Charter, making a commitment to promote equal opportunities in the workplace and in society.

Engaged IKEA people with customers at heart

We know how important the interaction between our customers and co-workers is, so having engaged, happy co-workers is not only better for our work environment, but it's also better for our customers and our business. We therefore strive to empower our co-workers, recognising them and providing the right work environment for them to flourish.

To develop and retain our co-workers, we aim to give them the right preconditions to succeed. We'll provide the right tools for them to perform brilliantly in a multi-channel landscape, and to continuously develop themselves and the business, because when our people grow, our business grows too.

As our business changes, it's critical that everyone knows how to lead in transformation, with speed and agility – both in terms of self-leadership and leading others. We have introduced a new approach for leadership in the new era, focusing on entrepreneurship of the many, performance with a meaning and working together in a much more profound way.

IKEA is built on an entrepreneurial spirit, which is an essential part of leading in a changing business. Unleashing the entrepreneur in everyone creates a better, more innovative IKEA; therefore, we encourage this approach to bring out the best in every one of our co-workers.

Staying close to our people is an important part of delivering to the customer, and listening to our co-workers plays an essential role in understanding how well we, as a company, are delivering on our goals and ambitions. By launching a new, more dynamic and simpler way of conducting co-worker surveys, we create a platform for even better sharing and dialogues.

An additional component for engaging and retaining our co-workers is rewarding their efforts, and this can come in many different forms. For example, during 2018, the Ingka Group programme Tack! ('Thank you' in Swedish) shared EUR 103 million with co-workers worldwide, as a way of saying thank you for their commitment and contribution. The total global funding since the introduction of Tack! in FY14, is EUR 612 million.

We are also working to develop an approach to fair pay for everyone within the Ingka Group. We support the principle of equal pay for work of equal value, independent of life situation – and we are working to achieve this by developing an approach to close the gender pay gap.

People in the workplace should be able to work reasonable hours under good conditions. The Ingka Group Approach to Employment Standards ensures we apply consistent principles to employment relationships and contracts, scheduling, working hours, equality of treatment and open communication. We respect the rights of our colleagues to form and to join or not to join a co-worker association of their choice.

Our units have developed a range of offerings for co-workers at different life stages, including shared or equal parental leave, job sharing, remote working, childcare provision and providing equal hourly pay and benefits for full and part-time co-workers doing the same job.

A modern, lean and agile Ingka fit for growth

In FY18 we started to transform our business to be ready for the future, and over the next three years we will make the changes needed to be in an even better position

… for our long-term growth. This means that we're assessing all parts of our organisation in order to simplify how we lead, work and organise and, at the same time, acquire new capabilities.

During the year we increased our efforts and investments in becoming more affordable, convenient and sustainable. While this has had an impact on our results, it was a conscious decision for us to start this three-year period of transformation. We are also developing how we are organised to ensure we can better meet the needs of our customers in the future. As a result, in the coming years 11,500 new jobs will be created, but at the same time approximately 7,500 may be made redundant, mainly focusing on global functions and offices in 30 markets.

Throughout this period of change, we realise that we will face exciting opportunities, but also some challenging dilemmas. To guide us, we will continue to focus on our culture and values, and have an open dialogue with our co-workers on any changes we make so that we do this together. We're clear on where we want to go and how we will get there; and know that it will be only possible if we stay true to who we are and continue to deliver to our vision of creating a better everyday life for the many people.

Health and wellbeing in the workplace

A SAFE, ERGONOMIC and inclusive work environment is the standard in any of our units. We want to be an attractive, modern and inclusive workplace, where co-workers are physically and mentally healthy, satisfied with their work and have the energy to engage with and inspire customers. We closely monitor the health and safety of our co-workers, and have noticed a slight increase of accidents in our workplaces over the past three years. This partly reflects our efforts to encourage reporting of incidents by co-workers, but also highlights the need for us to take even more action.

DESPITE PREVENTATIVE MEASURES, accidents and incidents are occuring mainly in the logistics and food areas of our retail stores, as well as in the customer fulfilment distribution units. The majority occur when using hand tools or in material handling in general, and are often down to human error. We we plan to update our training programmes to try and reduce the number of incidents in the future.

EACH BUSINESS UNIT IS RESPONSIBLE for its own working methods, but we will proactively provide support with a new set of training solutions. We'll update and provide global tools and processes including better incident reporting, training packages and benchmarking.

OCCUPATIONAL HEALTH AND SAFETY GUIDELINES, where standardised risk assessment methods for individual working positions need to be implemented, is another area to develop. Also, the reorganisation of our incident reporting system will support a more focused analysis and, indirectly, better safety management. There were no on-site fatalities involving Ingka Group co-workers in FY18.

WE HAVE NOW STARTED the work to build a Health and Wellbeing framework in Ingka to look beyond just safety and focus on more dimensions of wellbeing"

Ingka Group Occupational Accidents:
RETAIL AND CUSTOMER FULFILMENT

	FY16	FY17	FY18
Severe accidents (reported as medium or high severity)	736	821	931
Severe accidents/million hours worked	5.3	5.6	6.2

Business ethics

Ethical conduct and misconduct
In Ingka Group, we act based on our strong culture and values and with our vision to create a better everyday life for the many people as our foundation. Our values guide everything we do. We strive to be honest, respectful and fair, and expect this of our co-workers. This is why our values form an important part of our recruitment process.

All of our co-workers and partners are expected to comply with our Code of Conduct – Good Business with Common Sense, the Ingka Group policies on Anti-Bribery and Corruption, and Human Rights and Equality. Business ethics is incorporated into our IWAY Code of Conduct for suppliers, and for more information see page 62. The Ingka Group is committed to do business in an honest way and has zero tolerance towards bribery or corruption in any form.

All co-workers receive training on our Code of Conduct, which includes elements on anti-bribery and corruption. Additional anti-bribery and corruption training is provided to co-workers in specific functions, such as Real Estate. We offer clear guidance on how to manage situations of misconduct and undertake regular risk assessments, both at a regional and national level. If any policy breaches do occur, we investigate quickly and carefully, using our Rule of Investigation to ensure consistency and accountability.

Anti-bribery and corruption
Corruption is not tolerated in any form. It prevents us from doing good business, and damages our reputation with co-workers, suppliers, customers and other stakeholders. Anyone acting on behalf of Ingka Group must not engage in corrupt practices, which includes accepting or offering kickbacks or loans. Anti-bribery and corruption is integrated into our risk management approach, and we periodically perform anti-bribery and corruption risk assessments. The Risk & Compliance Committee oversees this topic.

Raising concerns
We promote an open culture of trust and honest communication. All co-workers are encouraged, and should feel empowered, to raise any work-related concerns they have. Concerns are normally raised with the co-workers involved. But if this is not appropriate, they are raised with the respective manager, senior management, human resources or worker representatives. Where co-workers do not feel able to raise concerns with managers, they can report any concerns of misconduct through our Trust line. The Trust line is available 24/7 online and by phone in local languages across across all of our markets except for Austria. When an issue is raised, Trust line managers evaluate it and report to Human Resources or Risk Managers where appropriate. The Trust line is provided by a third party which enables co-workers to raise concerns anonymously. In FY18, the Trust line received 165 reported concerns. Every concern was evaluated to ensure that it was handled in an appropriate way.

Data privacy, one of our priorities

Whenever our customers shop with Ingka Group, we want them to feel certain that their personal data is secure with us and handled correctly. It's one of our highest priorities to be compliant with data privacy legislation such as GDPR, and to safeguard personal data of our customers, co-workers and business partners. We have initiated and implemented multiple activities to assure that we have the right competences and knowledge in place to protect personal data and we aim for a privacy-by-design culture, where data privacy and security are two of the first aspects to be considered when developing new business and IT solutions.

FAIR AND INCLUSIVE

Equality works better

Gender equality is about creating an inclusive culture where both women and men are valued for their unique contributions. Our ambition is to reach gender equality at Ingka Group that goes beyond a 50/50 gender balance in all levels and positions.

Over the past year, addressing gender equality and making the workplace better for people of all genders has been a priority, particularly for our IKEA Retail South Eastern Europe region. To put focus on how companies can work together to better contribute to promoting gender equality in society, IKEA Retail SEE organised three conferences in three of the capital cities, launched a communication campaign and promoted messages on equality in IKEA stores for International Women's Day.

Violeta Nenita

UNDER THE UMBRELLA OF "Equality works better", we brought together stakeholders from governments, civil society and other businesses to discuss the challenges that are still present, especially in this region, to close the gender gap. Violeta Nenita, Store Manager, IKEA Bucharest, explains: "Equality contributes to positive change in our business and in society. By celebrating our co-workers' differences, we not only encourage diversity, but we can also attract a wider range of talent. It helps us to create a better IKEA."

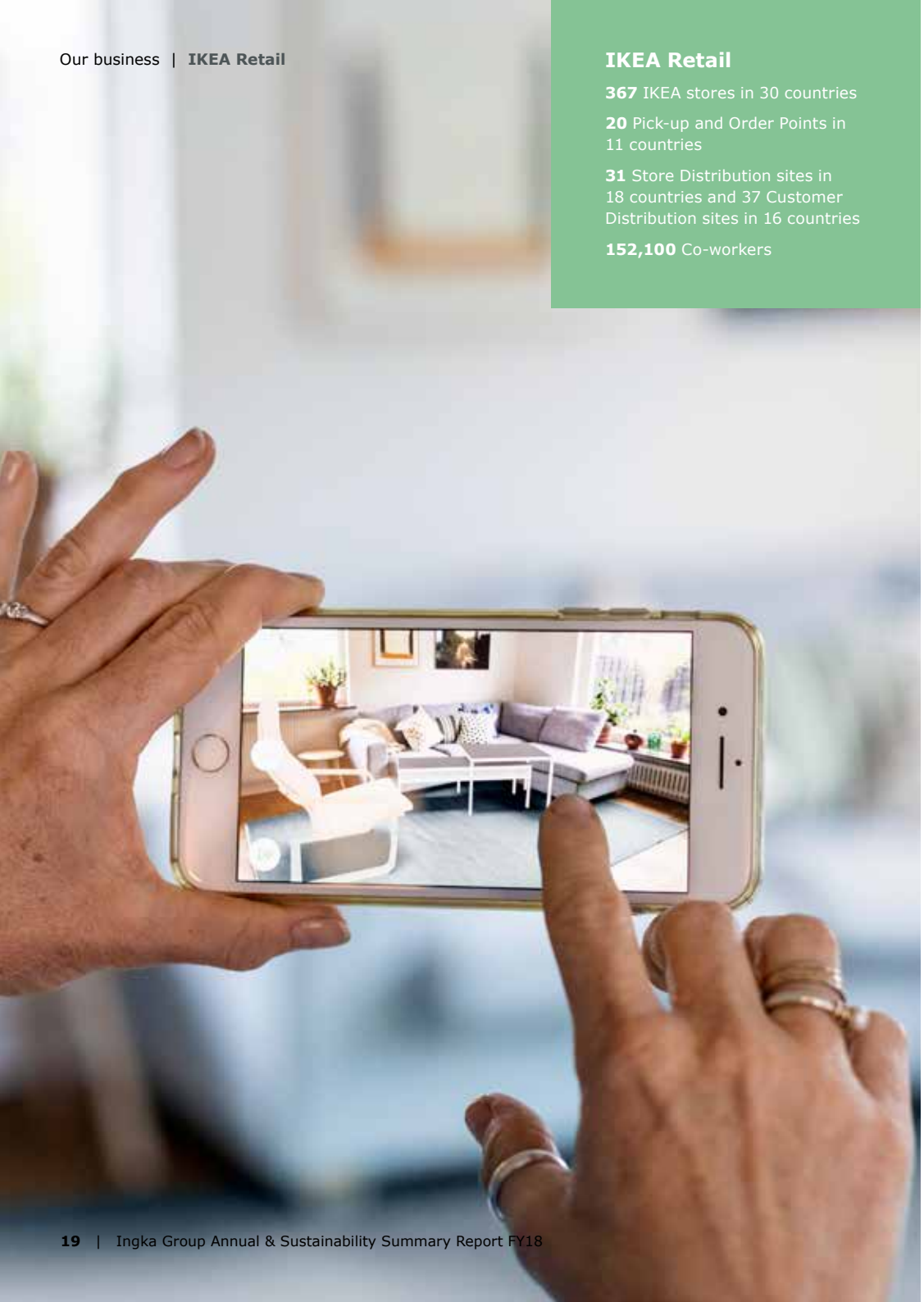
WE BELIEVE THAT BY joining forces, we can achieve more and have greater impact on society. This gender equality forum was a great opportunity to share best practices with other companies and to learn how businesses and policy makers can work more dynamically together on this topic. One concrete output from the event was a better understanding of the needs of women in the workplace and society at large. Another outcome was the conclusion that we need to cooperate more with other companies to close the gender gap.

WE WANT TO BE AN EXAMPLE in these markets by underlining our gender balance goals, but also by how we provide equal growth opportunities and equal pay. To raise more awareness on the topic, we launched an integrated campaign with the aim of reaching co-workers, customers, the media and representatives from the public and the private sector.

THE INTERNATIONAL WOMEN'S DAY campaign was an important way of bringing these issues into focus, but gender equality is something that needs to be pushed all year round. In some regions and markets, equality has already come a long way, but in others we still need to raise awareness and address the wider issues. Over the past few years, however, we've seen great progress and positive change.

"A strong commitment to gender equality from all leaders in South Eastern Europe is required to drive positive change in our society. Studies have clearly shown that gender-balanced teams have superior results, but we need to continue working much more in partnership with other businesses and organisations. This is the only way to create meaningful, long-lasting change for the many men and women."

Stefan Vanoverbeke, Retail Manager, IKEA South Eastern Europe (Croatia, Romania, Serbia, Slovenia and the Ukraine)



IKEA Retail

367 IKEA stores in 30 countries

20 Pick-up and Order Points in 11 countries

31 Store Distribution sites in 18 countries and 37 Customer Distribution sites in 16 countries

152,100 Co-workers

INGKA GROUP RETAIL DIRECTION

Creating a new IKEA in three years

We are on a transformation journey and are changing our business model to become more convenient, affordable and sustainable. This journey is guided by our Retail Direction: 10 jobs in three years. In this direction, we have identified the 10 most important jobs that we need to do within three years to create a new IKEA. It guides our IKEA Retail business and is our response to the IKEA Direction, which is set out by the franchisor.

IKEA is an idea of something better – a vision to create a better everyday life for the many people – in life at home and beyond. It's a movement that stands on the side of the many people with big dreams and thin wallets. And, it's a commitment to create a better world for people and the planet.

With a unique business idea, concept, values and vision, IKEA has grown over the years. People the world over have fallen in love with our offer and ideas for making life at home better over the past 75 years. But the world is changing, fast. More and more people are moving into the big cities and living in smaller spaces. The impact of climate change and resource scarcity affects us all. Technology and digitalisation are changing many things for the better. At the same time, traditional businesses, including retail, are being disrupted. For Ingka Group, this means many challenges and new opportunities.

To be able to meet the needs of our customers today and tomorrow, we are undertaking the biggest transformation in the IKEA history. We are simplifying what we do and how we do it. We are examining every aspect of our business, from retail experience to how we are structured as a company. In recent years we have taken good steps towards the future, and now it's time take a bigger next step.

The big problems we love

We are 158,400 problem solvers and we love problems as that's part of our entrepreneurial spirit. In our daily work, when things don't go exactly as planned, we find a way. But there are some big problems facing all of us – dilemmas that we cannot solve …

... on our own. We will act on them boldly and together turn our most challenging problems into our biggest opportunities. The big problems we love will also help us to prioritise what we do.

- How can we help many more of the many people have an affordable and better everyday life at home? In many more places, many more people are entering the middle class and have a chance at a better life. Most people lack the time and knowledge for creating a better home, and here we can make a big difference. We will reach many more people with the products and services they want, at prices they can afford.

- How can we be more convenient and serve more of the many where they are? Everyday life happens at home, at work, at school and in people's social life. But time and money are limited. More people are moving into cities. Some lack a car or simply don't want one. Our existing stores are the core of our business and with the development of digital innovation and new physical formats, we see new opportunities opening up. People look for instant gratification, and our focus will be to make the store visit more sustainable and convenient. We will also develop our fulfilment network to bring products to more people's homes, whenever and wherever they want them – with quality throughout.

How can we become truly people and planet positive?
Climate change, unsustainable consumption and inequality are the key challenges facing society today. For us, being big is both a responsibility and an opportunity to make a positive impact. Our vision, values, competence, reach and financial strength give us an opportunity to lead. We want to grow our business, offering services and home furnishing solutions that inspire and enable more people to live better everyday lives within the limits of the planet.

Change everything (almost!)
To undertake one of the biggest transformations in our history, and to lead home-furnishing retail into the future, we will become quicker and leaner. We will develop new capabilities with a growth mind-set that is agile and innovative, guided by our culture and humanistic values. Our backbone is the IKEA brand and unique range, passionate and performance-driven people, and deep knowledge of sustainability and life at home.

01 Create a strong position leading from our purpose

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 city centres

06 Create the IKEA store of tomorrow

07 Create a people and planet positive IKEA

08 Create an "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

Our 10 jobs in three years

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

Everything we do positions IKEA – from how we meet customers to how we connect to the world around us. In order to reach the many people in the future we will create a positioning movement like never before.

2 Create a home furnishing movement – to make homes better.

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

3 Create a simple and unique digital customer meeting – search, find, choose and buy in minutes.

We see untapped potential when it comes to bringing out the uniqueness of IKEA in digital ways. We will expand our business digitally and transform what we do by developing high-quality customer interfaces that make it simple for customers to search, find, choose and buy in just a few clicks, in all of our markets on whichever device they choose.

...

Our 10 jobs in three years (cont.)

...

4 Create and offer affordable services to make IKEA convenient – delivered to your home when you want it.

The future of home furnishing, and almost every other business, is about instant gratification. Our focus will be on expanding our fulfilment network to bring products to more people's homes however they choose in a sustainable way. By delivering products and services to customers whenever they want them at a price the many people can afford, we will better meet people's expectations on convenience and customer experience.

5 Create a new world of IKEA in city centres – going into the city.

Urbanisation is on the rise and people are moving into cities like never before. Value for time is more and more important, and we need to be where the many people live, work and socialise. With a digital and fulfilment backbone we can find new ways to meet more people in the city centres, enabling them to conveniently access our total offer close to where they are. We will discover new and unique formats that allow people to reach us more easily, including working with our Ingka Centres colleagues to create meeting places of the future.

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

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

7 Create a people and planet positive movement – enabling people to live a healthier and more sustainable life at home.

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

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

We need to ensure that every one of us works closely to achieve healthy and sustainable growth. To do so we will have an 'always on' mind-set for growth and provide the many people with many more reasons to visit IKEA, through our stores and digital experiences, 365 days a year. We will be more responsive and provide customers with more personalised offers, rewards, support or solutions, whenever they have a need for it, in the channels they choose.

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

A low-price company must also be a low-cost company and cost-consciousness is part of who we are. We will work with a holistic cost performance approach to reduce unnecessary costs and build the prerequisites to make investments that create profitable growth as well as reducing costs. Cost performance will focus on small and big initiatives. We will build scale and efficiency in customer fulfilment flows, simplify and automate on a global scale, accelerate digital delivery and ensure our strong retail foundations. To enable investments in creating a new IKEA, we will use our resources in a responsible way with a long-term perspective.

10 Create a people movement and make our culture and values a living reality – Unleashing the potential of our colleagues.

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

A MESSAGE FROM TOLGA ÖNCU

Coming closer to our customers

Every year, we meet millions of people around the world in our retail locations and for 75 years, IKEA has been serving the many with home furnishing knowledge, our unique IKEA range and the IKEA experience in our stores. But we know that customer expectations of us are changing. And to continue to make life better for more people, we are changing too.

The Ingka Group Retail Direction is a way for us to take a total look at our business opportunities, but also challenges, and will help us prioritise. We are excited and ready to identify and create a movement where, over the next three years, all of us 158,400 co-workers are getting ready to pull in the same direction. It's our culture of togetherness, simplicity and giving as well as taking responsibility that drives us to constantly improve our way of working. In everything we do, we focus on achieving our vision: to create a better everyday life for the many people.

Historically, we have made ten-year plans for IKEA, which later have become five-year plans - and now we're down to three. With the pace of change that is happening around the world, ten-year plans are no longer realistic. Until today it has been natural for our customers to go to our IKEA stores, walk around and have something to eat and then pick up their products from the self-serve area and drive home. We know that many people will continue to do so and we will make that experience even better, but more and more people have the need for new types of services to be able to shop at IKEA. Whether that's how to choose their furniture, how to get it home, or how to get it assembled, our customers' expectations are constantly changing.

IKEA is changing, too. We don't want to replace anything, but we are exploring new ways and looking at new opportunities for customers to interact with IKEA. So if we are determined to come closer to where the customer is, complementing the IKEA experience with new formats and channels, it's clear that our plans also need to be updated. …

"Our co-workers are, and always will be our biggest assets. They are the ones serving the many people, sharing home furnishing knowledge to improve people's lives."

... **Creating the IKEA store of tomorrow will be one of the most business critical jobs.** We're going to reinvent our stores so that they become more like experience centers for life at home than pure destinations for purchase. Another key development is how we will integrate our stores as part of our fulfilment and distribution network. So far we have been very good at handling incoming logistics to our stores and then our customers have managed the outgoing. Going forward, we will be equally good at managing outgoing logistics, which is what will make the difference. In many places, we are already finding ways to utilise existing space in a more efficient way. Using our stores as fulfilment units will enable and facilitate faster, more convenient distribution to our customers – however they choose to shop.

The plan is to be wherever the customer needs us to be. Whether that's in the form of a city centre location, or by offering a great experience online, we are becoming more accessible and available. We are also making furniture assembly easier through TaskRabbit, the home services business we acquired last year, in the USA, Canada and the UK, with more markets to follow in 2019.

Digital transformation is also changing the way we see our stores and provides us with great opportunities. Online functions will complement the store experience, but the stores will also drive the online business. At the moment, we display our entire range in store for people to see the measurements, and see how each piece of furniture would fit in their homes. But we know that 80% of customers begin their journeys with IKEA online, enabling them to research the many options we offer. This creates a great opportunity for us to interact with customers in even better ways, spending more time on inspiring and providing home furnishing advice.

Our co-workers are, and always will be our biggest assets. They are the ones serving the many people, sharing home furnishing knowledge to improve people's lives. They are also the core of the IKEA experience, whether that's in the city centre or in our big stores. When you think about your best, most recent experience in retail, it's almost always related to a human being going above and beyond. Also when more and more becomes digital, the value of the human interaction increases. We see the desire from our co-workers to offer this experience to every customer, whatever it's in the stores, in a video meeting or on the phone.

We're not replacing anything, but we are looking to complement the existing IKEA experience. The more we can add, and the more we can offer to our customers, and continue to creating a better everyday life for the many people over the next 75 years.

Tolga Öncu
Retail Operations Manager, Ingka Group

ZERO EMISSIONS DELIVERIES

Drivers for change

With demand for home delivery increasing around the world, air and noise pollution in our cities is a growing concern. At the same time, we want to make the shopping experience as convenient as possible for our customers. That's why we are committed to zero-emission home deliveries in all our markets by 2025.

"We need to find new ways to be part of the solution, not the problem," says Angela Hultberg, Sustainable Mobility leader, Ingka Group.

We want our home delivery service to meet our customers' expectations on accessibility and convenience in a sustainable way. We are already seeing low-emission zones, road tolls for fossil fuel vehicles and diesel bans, as well as incentive programmes for zero-emission vehicles. So switching to zero-emission home deliveries is crucial for our business.

"People's expectations are changing. We are no longer prepared to wait a week or two for the things we order, and because we are ordering online that means smaller loads and more vehicles on the roads."

While there are some obstacles on the road towards electromobility – cost, infrastructure and availability of vehicles among them – Angela says the technology available today is good enough to start the transformation to a more sustainable way of delivering goods.

"People's expectations are changing. We are no longer prepared to wait a week or two for the things we order, and because we are ordering online that means smaller loads and more vehicles on the roads. But if we double or triple deliveries, transport emissions will increase accordingly. We are faced with the risk of becoming a major polluter in our cities and that is not who we are as a company," Angela says.

Full speed ahead

In June 2018, we set ourselves some ambitious targets, going all-in to secure 100% zero-emission home deliveries in all of our markets by 2025. We also want to get a head start and get there even faster in major cities like Amsterdam, Los Angeles, New York, Paris and Shanghai by 2020.

And we are already making progress. We have deployed electric vehicles in Australia, China, France and India to name a few, and more zero emission vehicles are on the way in many markets. However, we still have a lot to do and it will require strong collaboration to make it happen – both internally and externally.

"We can only do this together with our partners," says Marcus Baumgartner, Customer Fulfilment Manager, Ingka Group. "It will require all of us – within our company, transport companies, manufacturers, energy companies and others – to work together to find new solutions. And not just with existing partners, but new partners as well, such as new platforms for sharing vehicles and infrastructure, start-ups of different kinds, charging experts, everyone passionate about making last-mile delivery better for both people and planet. This is not as simple as replacing a combustion engine truck with an electric truck, we need to find new ways of working, too. Zero-emission deliveries are an essential part of our transformation – and I'm excited to be along for the ride!"

IKEA RETAIL UK & IRELAND

London calling

To be much more accessible to people living or working in cities, we are taking a different approach than we do with the well-known, more traditional IKEA store. To thrive in these bright and bustling spaces, we need to adapt to meet the needs of the city and the communities within them.

In today's retail environment, people want to shop in a number of different ways and expect brands to offer them services that reflect the way they live. By bringing the IKEA brand into cities we can be even closer to our customers and make our affordable offer even more accessible to the many people.

A new city approach

Going into cities represents a new era for us. We will open new city formats in 30 prioritised cities around the world over the next three years. By building insights on market potential, we will invest the time and effort to develop a deep understanding of life at home in every individual city. The key driver is for us to understand how to reach more of the many people in an affordable, accessible and sustainable way.

Cities are living, breathing spaces that can change in a single day, so it's essential for us to develop a deeper understanding. "When we talk about an increased presence in cities, we're not just talking about the city centre, we mean in the totality", says Jette Jørgensen, Expansion Manager, Ingka Group, "We want to be more accessible to the many, so we need to be where people live, work and socialise. Of course, having central locations will help us with this, but we will offer even more than that."

One city where these plans are well underway is London, England.

Different formats

The UK is one of Ingka Group's biggest markets, and London is one of the most populated cities in Europe, so it makes sense that this is one of our top 30 cities. Previously, we had two traditional IKEA stores, but these were located on the outer limits of the city and we wanted to find a way to be more accessible to the eight million people who live there.

Now, we have an order and collection point in a large shopping mall, and a brand-new store planned in Greenwich to be opened in the beginning of February 2019. We also have a new format that is now …

… open in the very center of London on Tottenham Court Road – the IKEA Planning Studio.

Some purchases and projects are more complicated than others. When people want a new kitchen or bedroom, it's a process that takes time and dedication. With our planning studio, people can book times with co-workers to talk about their ideas, needs and dreams. This allows us to inspire our customers, and show them how our solutions can work for them.

Janie Bisset

"This is a kitchen planning studio, which means that people can meet IKEA in the very centre of London, and get the inspiration and assistance they need," says Janie Bisset, City Development Manager, London, IKEA Retail UK&IE. "However, you can also purchase the entire range in-store using our digital services. You can then choose to have everything delivered home, or to one of our pick-up points."

So far, the location at Tottenham Court Road has been a success, and there are two other planning studios scheduled to open in different parts of London. The new IKEA store in Greenwich, which will be the more traditional IKEA store, will have a big focus on sustainability. When it's operational, it will be one of our leading sustainable stores.

Options and opportunities

We've tried a number of different initiatives so far. The long term goal is to have different proven and scalable formats that we can choose from, based on our knowledge of a city. We will then be more relevant in each new city.

"We need to identify the needs of each place, as there are so many variables," Jette concludes. "It could be the people that live there, what they want from home furnishing, or whether it's mainly a business to business area. It could be somewhere where there's a bigger focus on sustainability. We really need to meet the people where they are, and integrate in the communities around us. That way, we can become an important part of people's everyday lives."

"The IKEA Planning Studio on Tottenham Court Road is the first step in our new city approach, as we respond to exciting new opportunities, such as the growth of city living and changing consumer needs and lifestyles. Our new city centre Planning Studios will give customers an easy and convenient way to get the advice and inspiration they need to browse, plan and order large scale projects, with specialist one-on-one support from our co-workers."

Janie Bisset, City Development Manager, London, IKEA Retail UK&IE

IKEA RETAIL SWEDEN

Evolution at home

Over 75 years ago, IKEA was born in Älmhult, Sweden. Today, IKEA Retail Sweden operates 20 stores throughout the country which serve millions of customers every year. Sweden is home of the traditional IKEA concept and almost every Swede has had an IKEA store nearby for many decades, but it's also where we're seeing some of our latest innovations.

In FY18, IKEA Retail Sweden increased its ecommerce sales by 46 percent compared to the previous year. Contributing to this was a stronger digital experience with easy checkouts, a new ecommerce distribution centre outside of Stockholm, and the fact that all twenty IKEA stores in Sweden offered 'click and collect' as well as home delivery within 24 hours.

In-store sales are stable and building on our strengths as we transform we want to offer new, innovative and exciting ways for the customers meet us. That way, we can build on our growth for an even stronger FY19 and years to come.

Building a new store experience in Kållered

Construction is underway for our new IKEA Kållered store, located just outside of Gothenburg, and it will offer a new customer experience. The store is being built next to the 46 year-old existing one, but with a new, modern design which will allow for more daylight through large glass window sections, easy access with multiple entrances and a new food experience. Anna Bryngelsson, Store Manager, IKEA Kållered:

"The idea is to make it more convenient and inspiring to visit, and we will do that by revitalising the traditional IKEA experience. We will offer new and improved ways of navigating the store and rather than having to follow a single path through, we will make it easier for customers by using more of a shop layout, increasing the customers' possibility to choose what they see. This means our range and home furnishing expertise can better shine through."

Convenience and accessibility are really at the heart of this project, so the store needs to be easy to get to, but we also need to offer the right services to make getting furniture home as simple as possible. To encourage people to use their cars less, we will have direct links to public transport, which can also contribute to our goals of reducing environmental impact. In addition, it will also be a more sustainable store thanks to a more modern construction in line with BREEAM[1] certifications.

The IKEA Kållered store will also …

[1]BREEAM is a world leading sustainability assessment method for master planning projects, infrastructure and buildings. It recognises and reflects the value in higher performing assets across the built environment lifecycle, from new construction to in-use and refurbishment. Source: https://www.breeam.com

... be a fulfilment store, meaning we are optimising our traditional IKEA stores to support with last mile delivery. The traditional customer self-serve areas will be made smaller, and will be replaced by a distribution space that in turn will allow for faster and more affordable home deliveries to the Gothenburg region. For customers looking to pick up their orders outside of opening hours, lockers will be available where they can collect their purchases when it suits them.

The ambition is to integrate the new store with a new Ingka Centres meeting place, as the current Kållered retail area will be rebuilt. For Ingka Centers it is early days in the planning stage, but there is a common vision about this area in cooperation with the municipality.

A kitchen success

The kitchen shop in central Stockholm, IKEA Kök, started as a test. The plan was to have it open for a 6-month period to see what insights could be gained, and how the customers would respond to this new way of meeting IKEA. However, it was so popular that we decided to keep it open.

Our IKEA kitchen specialists are in demand and have really contributed to the success of this format. We show the greatest of our kitchen range and related accessories in the street-facing windows, which inspires passers-by and demonstrates our deep knowledge of this important part of the home.

"IKEA Kök combines our wide kitchen range with the service offer, and the expertise of our competent co-workers," says Miriam Swärdh, Store Manager at IKEA Kungens Kurva. "Our co-workers are doing a fantastic job of making this unit a success. Customers appreciate the design and quality of the kitchens, some have even asked if we sell a special range and are surprised when we say that it's IKEA's regular range. Many customers did not have IKEA on their shopping list before we opened this unit. This shows that IKEA Kök, being where it is, has real value for us and demonstrates our home furnishing expertise."

Meeting customers anywhere

Sometimes, customer service works better face-to-face, but it's not always as easy for people to get to one of our stores to meet a co-worker. To be able to meet them where they are, we needed a new approach. We decided to combine the personal touch with the digital experience, which has resulted in the development of the IKEA Samsyn app. This offers customers in Sweden support in five key areas: troubleshooting, interior design help, kitchen follow-up, support for smart home solutions and language support.

"We need to be where the customer needs us. Through IKEA Samsyn we can provide support in a completely different way, while at the same time gaining a better understanding of the customer and their daily life. Our co-workers are also given the opportunity to grow by testing new things," says Rickard Månsson, Business Developer at IKEA Retail Sweden.

The ambition is to digitally pair customers' needs with co-workers who have the right competence to solve their problems. Thanks to this digital solution, we can develop a stronger relationship with our customers by being able to offer individual help at the right time, in the right place.

Facts IKEA Retail Sweden

Total retail sales:
1.8
billion Euro

Visits to IKEA stores:
38
million

2.9
million
IKEA Family members

Visits online:
just over
98
million
(10 percent increase compared with last year)

IKEA Food sales
0.1
billion Euro

Kitchen, living room and storage
make record listings and are the best-selling product categories during the year

DIGITAL SERVICES

The task at hand

During 2017, Ingka Group acquired TaskRabbit, an online, on-demand task management network that helps people manage their everyday lives at home by connecting them to trusted Taskers who can help get it done. It's a business that's closely aligned with our vision of the future – more convenient, more digital, and more innovative.

TaskRabbit exists to make life easier for its users, but it's also about giving anyone the opportunity to be able to do the work that suits them, whenever they want. Taskers choose their own schedules, and can work around whatever else they have planned. For some it can be a full-time job, and for others it can be a way of earning money whilst studying.

"I'm an independent financial advisor for my day job," says Brandi Milton, a Tasker in Houston, Texas, "So if I have a lot of spare time in between clients, or a free day, I have my schedule open on TaskRabbit so I can make some extra money."

Casey Thomas, a Tasker in New York City agrees, saying, "I originally started tasking to supplement my income, but it ended up being a really good source of income for me, especially when the IKEA programme launched, so now I task full-time."

Our work with TaskRabbit allows people in the USA, UK and Canada to not only purchase their furniture from IKEA, but get it assembled by a Tasker through TaskRabbit. We wanted to improve our service offering, and TaskRabbit wanted to expand its reach so it was the perfect fit.

"As Taskers can work more, IKEA can sell more furniture, and customers get the convenience."

Casey Thomas

"I think it's a win all round," Casey adds. "As Taskers can work more, IKEA can sell more furniture, and customers get the convenience. For me personally, I love that I can cross-sell my skills to IKEA customers, as I also do painting, moving and delivery."

Ingka Group and TaskRabbit will continue to grow together during FY19, looking at opportunities for expanding into more markets. Following a successful launch in Canada, there is a blueprint for quicker, more efficient roll-outs, and the future of the partnership looks bright.

We can help generate business for TaskRabbit and Taskers, and TaskRabbit offers a great service which makes IKEA more accessible. For the Taskers, it provides a different way of working, as Brandi says, "I love the freedom and autonomy of it all. I can set my hours, work when I want to work, and do the kind of jobs I want to do."

IKEA RETAIL INDIA

Bringing affordable home furnishing to India

In August 2018, we opened our first IKEA store in Hyderabad, India. Spread over 13 acres in the heart of Hyderabad's tech hub HITEC City, the store is expected to welcome more than seven million visits annually. It employs 982 co-workers, of which 43% are female, in line with our commitment to have 50% female co-workers at all levels and in all areas of our retail operations in India.

We have a long term commitment to India and we plan to open several stores and multiple touch points across the main cities over the coming years. The next Indian cities to welcome IKEA stores will be Navi Mumbai in 2019, followed by Bangalore, Gurgaon and Delhi NCR. Ecommerce will also be launched in 2019 and India's 400 million smartphone users will offer huge opportunities for us to meet new customers online and for us to be accessible for many more of the many.

The IKEA Hyderabad store spans 40,000 m2 and includes the world's largest IKEA restaurant with space for 1,000 guests. Hyderabad, a city of ten million people, is one of the fastest growing markets in India, and more than 10,000 new homes are expected to be built in the vicinity of the store over the next two to three years.

We expect around seven million visitors in the first year. The perception of foreign companies in India is that they charge high prices, so to make our products both affordable and available to the many people, we have worked hard on an affordability strategy in India where more than 1 000 articles are sold for just under 200 rupees (EUR 2). In addition to offering services like home delivery and kitchen installations, IKEA Retail India also offers furniture assembly for as little as EUR 6,00.

Assembly service – an essential tool for IKEA in India

India is a unique market in many ways especially when it comes to high service expectations. Many Indians are not yet used to the concept of do-it-yourself (DIY) which is why it's even more important for us to be able to provide efficient and affordable assembly support and services. …

"At IKEA Retail India, we aim to create a workplace where equality thrives and we will always strive for a 50/50 gender balance at all levels".

Anna-Carin Månsson, Country People and Culture Manager, IKEA Retail India

Max Hedberg

... "In Hyderabad, we are training more than 150 IKEA co-workers in furniture assembly and installations, which has never been done on this scale before. This is very special and unique even in IKEA terms, and our aim was to deliver quality to customers from day one," says Max Hedberg, Competence Development Specialist (People and Culture), IKEA Retail India.

The co-workers in the in-house service business team are a diverse group consisting of men and women from various backgrounds. They have been recruited from both the Hyderabad society and the DISHA[1] skill development programme, and the aim is that 50% of this team will consist of women. "The team today is equipped with the knowledge, skills and overall competence to deliver a high result. They are ready to contribute to the store build up and to visit customers' homes and create a better everyday life".

In addition to the in-house team, we work with an external partner to provide IKEA assembly services to customers who book via their services platform. For this initiative, local carpenters have been trained by IKEA Retail India to assemble IKEA products.

Equality is on the way

Staying true to our commitments of gender balance in all levels of leadership, functions, and positions by 2020, IKEA Retail India has also employed and trained female forklift drivers for its logistics operations.

"Our female forklift drivers are a great example of how women are as capable as men when it comes to taking on different roles within IKEA," says Anna-Carin Månsson, Country People and Culture Manager, IKEA Retail India. In a country where not many women are seen driving vehicles, the IKEA Hyderabad store has eight women forklift drivers, and another ten in its Pune distribution center. "These women are forklift drivers in what is traditionally a male-dominated field, by holding this role and performing it with competence and ease, they shatter the myth that women should shy away from roles that are 'meant' for men. At IKEA Retail India, we aim to create a workplace where equality thrives and we will always strive for a 50/50 gender balance at all levels".

Because of a combination of socio-economical structures, culture and traditions, empowering women through work is easier said than done. Even though half of the university graduates are female, fewer educated women participate in the labour market. "The local legislation prohibited women from working night shifts and each state in India had a different time period during which the prohibition applied. In order to facilitate more female inclusion in the workplace, we approached the local government and complied with all conditions stipulated," says Amita Thomas, Co-worker Relations Manager, IKEA Retail India. IKEA Retail India created a Transportation Rule that included door-to-door pick-up and drop-off for anyone working between 6 PM to 6 AM, one of the conditions for allowing women to work night shifts. "As all our Rules are gender neutral this benefit was even extended to male colleagues and third party consultants thus consolidating our position of being an equal opportunity provider".

[1]Disha is a partnership between the India Development Foundation and UNDP, supported by IKEA Foundation, that aims to support one million underprivileged women in India learn marketable skills and connect with income opportunities.

Source: www.ikeafoundation.org and www.in.undp.org

Santosh Sayari, Services Manager, IKEA Hyderabad:

"IKEA matches my values"

– During my interview IKEA talked about work-life balance, values and culture. I immediately felt that IKEA values such as humbleness, simplicity and leading by example, really matched my own values. IKEA products will improve so many peoples' lives in India. Multifunctional products for small spaces – like my personal favourite, FRIHETEN sofa – will make a big change. It's been my dream since childhood to have a beautiful, colourful, luxurious home. Thanks to IKEA I can now make it all come true.

Laxmi Pallapothu Dhana, Sales Manager Market Hall, IKEA Hyderabad:

"IKEA will make Indian lives easier"

– For me, it's not all about money. It's about being independent and having influence and creating a positive impact for other women in society. As soon as I visited IKEA and saw the range, I felt a connection. It was my chance to touch the lives of the many people, to provide them with solutions to make their lives easier. Indian people need better solutions in their homes.

A MESSAGE FROM BARBARA MARTIN COPPOLA

Embracing the digital opportunity

Consumer needs and expectations are changing, which means Ingka Group needs to change too. We're developing our capabilities to better meet our customers in a digital world.

We are on a journey to transform IKEA and reimagine our future, expanding beyond our current reality with new touchpoints and evolving our existing ones. From better digital services and new store formats to enhancing our traditional stores, we are creating an even better IKEA to serve more of the many people.

We have countless opportunities to realise the potential of IKEA digitally, and everything we do starts with the customer, and their dreams and needs. By being more digital, we will create seamless, personalised customer journeys, and make IKEA available in whatever form they want, whether that's in the city centre, online or in the store. We will create unique IKEA experiences and services online in the next three years.

We are modernising the way we work. We will use data and automation in smart and responsible ways which will allow our co-workers to spend more time on creative and value-adding activities. It is about getting accurate, high quality, timely and accessible data and self-serve digital tools in the hands of our co-workers anywhere, at any time. We believe this will unlock the real potential in all of our co-workers. We will also provide tailored workplace experiences supported by high-performing and flexible digital tools that support co-workers in their daily work. This will enable all of us to better meet our customers.

For our digital transformation to be successful, it will be at the core of everything we do, and embedded in every unit. I see many opportunities. We are putting a team in place to support the movement towards digitalisation, as it's so important that we involve the many co-workers in this transformation.

We're working on three important initiatives. First, there's a new app, which is all about giving the customer a great mobile experience. We're at an exciting phase of exploration and will share more details in the year ahead. Second, we are redesigning our web interfaces to offer the customer a great, personalised experience. Third, we will enable our stores to be fulfilment centers allowing fast and cost efficient deliveries through digital architecture and solutions.

Convenience has to be at the core of our offer, as this is what the customer expects. In the future, I think we will also offer more services. We already have initiatives around assembly and delivery, and we will expand our offer to a wider set of solutions that will make our customers' lives at home that little bit better.

We will tap into the rich knowledge of life at home that we have after our 75 years and put it in the hands of the customers. There is a real wealth of information, so imagine the magic we can create by using this knowledge to meet customers on an individual basis. We want to create truly relevant, personalised experiences for the customer when they engage with us, however they choose to do that.

People are at the heart of this digital transformation. Our customers and co-workers will play a big part in realising these plans, as we co-create the new IKEA together. We will change for the better in the next three years, and we are all really excited to take the next step on this digital journey!

Barbara Martin Coppola
Digital Manager, Ingka Group

INGKA CENTRES IN CHINA

Re-inventing the meeting place idea

As our shopping centres become living, breathing hubs in some of the world's largest cities, Ingka Centres is finding new ways to engage with our communities.

Ingka Centres is on a journey to create new kinds of meeting places, where people can gather, socialise and have unique experiences. We plan to do this by changing the perception of what a shopping centre has the potential to be. Whether through building parks, hosting festivals or providing workspace for start-ups, we want our meeting places to have a positive impact on their local communities.

One of the main drivers in our strategy at Ingka Centres is also to make IKEA more accessible for the many. So we work closely with IKEA Retail to identify the best opportunities for making this happen. We will increase our presence in cities, for ...

Ingka Centres

45 meeting places
14 markets
480 million visitors/year
7,000 shops
1,600 brands
2,250 co-workers

"Public spaces, public access and communication are so important for this project."

... example, and one way to do this is to build meeting places in city centres and near transport hubs.

As our plans to open a new LIVAT meeting place in Shanghai, China, in 2022 become more concrete, a good example emerges of how these strategies are coming together to create a modern, multi-functional meeting place.

The LIVAT Linkong project

"In the hub of West Shanghai, Linkong is the perfect location for the development of a new shopping centre," says Elise Clinet, Project Manager, LIVAT Linkong. "Thanks to a vast transportation network that includes a metro situated just 200 metres from the plot, it has really good accessibility. And, in 2020, there will be about 100,000 office workers within walking distance, representing a huge number of people who can visit easily."

This shopping centre is set to be home to around 300 shops, five office towers and, of course, a new IKEA store. We estimate that around 15,000 jobs will be created in the surroundings as a result of the project, too. We also want to make sure we're providing more than just functionality. Amy Yu, Country Communication Manager, Ingka Centres China explains: "We talk a lot about community strategy, so that's why public spaces, public access and communication are so important for this project. We're going to have a variety of places to meet, including a public plaza, a roof garden and a Scandinavian-styled street."

Elise adds: "We're also looking to implement some exciting tech solutions, which will include automatic bike parking for our visitors. We know this will be popular, as Shanghai is such a big cycling city."

Green space

Sustainability is a core part of this project. Using available green technology, we'll provide people visiting or working in LIVAT Linkong with improved air quality, water quality, lighting and noise reduction.

"We're working to achieve two major certifications: WELL and LEED[1]," explains Angel Liu, Country Sustainability Manager, Ingka Centres China. "LEED provides the framework to encourage a cost-saving and sustainable building, and it's something we're very proud to work towards. WELL is more about peoples' health and wellbeing, and the certification guarantees that all offices will have higher air quality, which is really important in a major city like Shanghai."

This is the first project of its kind for Ingka Centres, and its mix of meeting places, accessibility and thriving city location will stand as a strong statement of our plans for the future. Urban concepts like this will, after all, keep us relevant in times where more people are moving into cities.

As Ding Hui, Country Manager, Ingka Centres China, says: "This project is exciting, and it's also a big sign of commitment. Because we'll deliver more on two fronts: more than an IKEA store, and more than a shopping centre. We'll deliver a meeting place for the people of Shanghai."

[1]LEED: The LEED green building system, launched in 2003, is used world-wide to rate buildings performance on energy, water and resource saving, waste generation and human health support.
WELL: The WELL Building Standard, launched in 2014, is the premier standard for buildings, interior spaces and communities seeking to implement, validate and measure features that support and advance human health and wellness.

INGKA CENTRES IN RUSSIA

A MEGA milestone moment for Centres

When our Ingka Centres team in Russia started evolving the MEGA Park concept, the idea was simple: build something that will make life better, both for the people visiting the shopping centre and for the local community. But when these concepts became a reality, it was clear that the MEGA Dybenko centre offered even more. Where else could you find music festivals, summer cinemas and skate parks – and all in one space?

MEGA Dybenko is an Ingka Centres-owned shopping centre and park located in the south eastern part of the city of St. Petersburg. Home to more than 180 stores, it's also a prime example of how our shopping centres are becoming meeting places through our MEGA Park concept.

Natalia Petelina, Meeting Place Manager, MEGA Dybenko, provides some background: "St. Petersburg is the most northern big city in Russia, with a population of over 5 million. We wanted to explore how to make life better for those living here, so we asked ourselves the question: 'What does this urban area really need?'. One obvious answer was more green spaces."

On the back of this, the decision was made to use the land beside the shopping centre to create a multi-functional leisure space. So MEGA Dybenko now has 90,000 square metres of landscaped parkland that's home to many different activities. Nothing like it has ever been done at any of our shopping centres around the world, so it represents a milestone moment for Ingka Centres.

Social success

The goal of the MEGA Park is not only to make the area around it more liveable, but also to increase the number of people visiting the shopping centre and its attached IKEA store. Vyacheslav Stepakhin, Community Relations Manager, MEGA Dybenko, shares his insights: "Right now we have 80,000 people living adjacent to the park and shopping centre, and that number is predicted to rise to 160,000 by 2025. This is a local community that's big and getting bigger, so we want to be good neighbours to them.

Natalia Petelina

"We also recognise that not everything we do can appeal to every single person," continues Vyacheslav, "So instead of trying to do that, we've created a variety of initiatives tailored to smaller groups. Now we have children's play areas, a dog park, a skate park, running clubs and yoga classes. Many of these are organised by people in the community, or co-created with the tenants of the shopping centre, which is great to see."

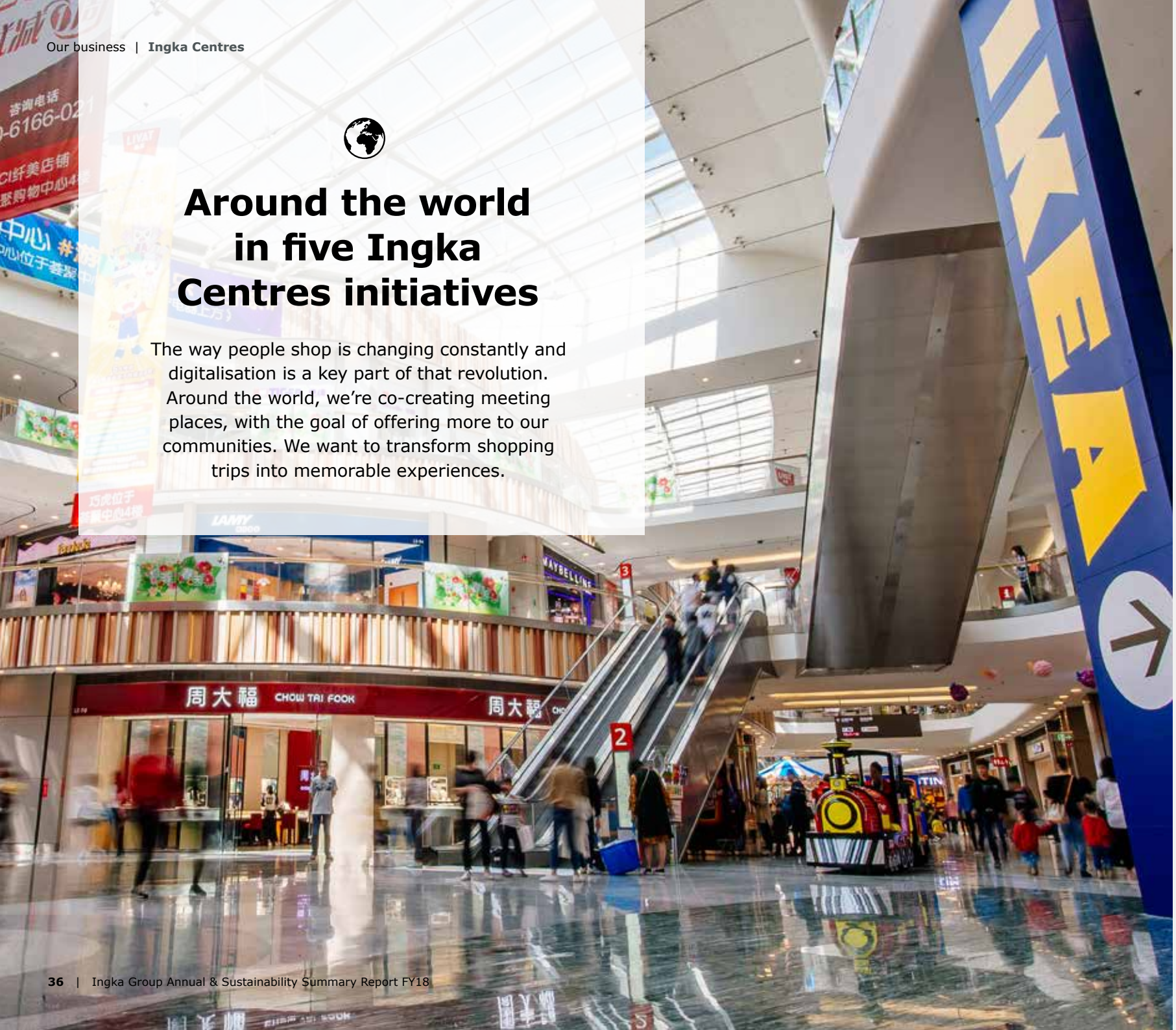
Through crowdsourcing initiatives and interactive stands where people voted on what they wanted from the park, those working on developing MEGA Dybenko were able to give the community a voice in its creation. "People voted for many different options," says Vyacheslav. "Some wanted skate parks, others wanted workout zones, but the two most popular choices were more music festivals and a summer cinema."

Fortunately, this MEGA Park was able to deliver on both, last year hosting 77 festivals in total, and together with partners, screening movies in the park over the entire summer. The skate park proved to be very popular too, with people coming from all over the country to visit. It's the first in Russia to include a bowl – like an empty swimming pool designed for skating – and it was built to match the features of skate parks in California.

More than 100,000 people visit the park at MEGA Dybenko each month, which has had a positive effect on visitation to the shopping centre and its IKEA store. Not only are the initiatives good for people, they're good for our business. In terms of making life better for the many, Vyacheslav has observed that people take pride in everything around the park. "It's a real community feeling," he says, "and everyone plays a part in looking after it."

Around the world in five Ingka Centres initiatives

The way people shop is changing constantly and digitalisation is a key part of that revolution. Around the world, we're co-creating meeting places, with the goal of offering more to our communities. We want to transform shopping trips into memorable experiences.



1

DIGITAL MALL

Wuxi, China

Based on WeChat, China's largest social media platform, Digital Mall works as a loyalty programme. Visitors to our shopping centre in Wuxi can become Family Members, giving them access to special offers, navigation tools and a number of other features. We worked together with tenants to create the best possible offer for this, and as it's a digital platform, we can really personalise our relationships with customers.

We've already seen that this creates a sense of belonging and importance, and we have over 100,000 members. We'll continue to work with our tenants to get to know our customers better, so that Digital Mall will constantly evolve.

SOCIAL GARDENS

Wola Park, Poland

2 This is a co-creation project that also contributes to becoming more sustainable, an important part of the Ingka Centre's Meeting Place strategy. This garden is a place where our local community can grow and take care of plants, herbs and vegetables, as well as share inspiration and ideas with each other.

We teamed up with three social activists in Poland, and this collaboration helped provide the best possible space from a community and environmental perspective. The 200 m2 social garden is used by people of all ages, and there's a relaxation zone in addition to the space reserved for plant life.

SINERGIUM SPACE

LUZ Shopping, Jerez, Spain

3 Sinergium is a co-working space created by our shopping centre and its IKEA store, to stimulate employment and entrepreneurship in Cádiz. Together we teamed up to take on the goal of 'Local Impact with Global Strength', against a backdrop of high unemployment levels in Cádiz.

We wanted to help stimulate employment and entrepreneurship in the area, so we organised a competition for young companies and entrepreneurs. Those chosen were paired-up based on their similarities, to help create synergies that could benefit from shared knowledge and experience. We now have ten start-ups based here, and hope to inspire more in the future.

HANDS-FREE SHOPPING SERVICE

MEGA Nizhny Novgorod, Teply Stan and Ekaterinburg, Russia

4 Customer satisfaction is essential to the ongoing success of Ingka Centres, and the hands-free shopping service is a good example of how we're using digitalisation to improve customer experience in some of our Russian shopping centres.

Using the MEGA app, our customers no longer need to take everything they buy with them as they shop, instead making purchases in each store and having them delivered to a chosen pickup point, or even to their parking spot or bus stop. At MEGA Nizhniy Novgorod alone, we have 4,000 monthly users of the service.

UNDERLINE SPACE

MEGA Teply Stan, Moscow, Russia

5 A 6,000 m2 space dedicated to fashion and lifestyle, Underline is a place where online brands can establish a physical presence. Within it we've provided places for pop-ups, and areas where people can go to work, drink coffee, practice yoga or listen to lectures.

With its three main retail zones of fashion, lifestyle and wellness & beauty, over one million guests have visited Underline since it opened, giving these digital brands valuable physical exposure.

Ingka Investments

441 Wind turbines

180,000 Hectares of responsibly managed forests

INGKA INVESTMENTS

Investing for our future

In a fast-changing world, we at Ingka Investments continue to explore how investments and acquisitions help our business, while at the same time supporting innovation that makes a positive difference to people and the planet.

We come from a strong position of liquidity at Ingka Group, with a traditional financial asset management approach. This has evolved towards a much more dynamic business-driven approach, aiming to support core business development and to secure liquidity for the future.

Our role at Ingka Investments is to ensure the long-term financial strength of Ingka Group through conservative treasury asset management. In addition, through four other investment portfolios, we invest in minority and majority shareholding in order to support our retail business, including digital and customer fulfilment. We also invest in circular economy companies, renewable energy and forests. We align our investments with our business needs and want to make a positive difference in the societies where we invest.

"Take, for instance, our investments in renewable energy and forests," says Krister Mattsson, Head of Ingka Investments. "Here we're not only supporting the clean energy transition and responsible forest management, we also balance our financial exposure. Energy and wood are very important resources to us, and our product margins go down if the prices for either increase, so our investments provide us with some protection. We think of it as long-term macro-hedging, as well as sustainable investments."

Supporting our IKEA business

To keep up with market demands around convenience and innovation, and as a way to access new technology and business models, we will continue to invest in fast-moving, entrepreneurial companies focusing on retail development, customer fulfilment, digitalisation, innovation and circular economy.

We believe that acquisitions will help us to strengthen the IKEA service offer for our customers. An example of this kind of acquisition of TaskRabbit, as Krister explains: "This was a way for us to take a quick step into the sharing economy and an on-demand services ...

... platform. If we had developed a similar platform, it would probably have taken much longer considering our scale and size, and we felt this was a better way to access new technology and a new business model supporting services."

Looking for synergies

Ingka Investments also invests in companies that we don't aim to integrate into our business. Instead, as we make minority shareholding investments, we look for synergies, which means we can help them with our financial strength, our home furnishing and retail knowledge and our network of invested companies. At the same time, they can also help us. It's essential to gain new insights in consumer and shopping behaviours, and we're eager and determined to cooperate with these fast-paced innovators and entrepreneurs to better understand this new landscape.

We view increased digitalisation and sustainability as two major trends that go hand-in-hand. For example, when more sharing platforms come to market, they increase the opportunity to extend the life of IKEA products, or introduce new services that speak to our common values.

"We will make more investments and acquisitions in FY19 and beyond," concludes Krister, "and in doing so, we'll always look for new opportunities that are linked to our core business and that add value for our customers."

Investing to enable development of sustainable technologies

Founded in 2009, XL is a US-based developer and provider of simple and sustainable fleet electrification solutions for the commercial vehicle market. The company's electrification solutions are cost-effective solutions that enable commercial and municipal fleets to quickly and efficiently reduce transportation fuel consumption, lower operating costs, and measure performance to meet corporate sustainability goals. XL's systems deliver up to 25–50% improvement in fuel efficiency, CO_2 emissions savings, and 99.9+% fleet uptime on major OEM (Original Equipment Manufacturer) vehicle platforms[1]. XL's solutions are compatible with new and existing ranges of commercial fleet vehicles and can be installed by certified installers with no impact on fleet operations and no driver training or infrastructure requirements.

[1]Source: www.xlfleet.com

Matt Stanley

"At Ingka Group, we want to support innovative companies that are developing new technologies, solutions, and business models to help accelerate the transition toward sustainable transport. Through the investment in XL, we want to enable the company to become a leading provider of electrification solutions for commercial vehicle fleets."

Matt Stanley, Investment Manager Venture and Growth Capital, Ingka Investment

Ingka Investments portfolios

1 Business development investments

The primary aim of this portfolio is to invest in and acquire companies that will benefit our core IKEA Retail business, usually through adding a competence or a service that complements our own offer. Our acquisition of TaskRabbit is the clearest signifier of this strategy, as it can offer IKEA customers additional ways to access flexible and affordable service solutions.

2 Venture and growth capital investments

In this portfolio, we make late-stage venture and growth capital minority shareholding investments in innovative companies. This allows us to broaden our investment landscape and diversify our financial risk and return profile. These investments also help us learn from the world around us, and can guide us on how to invest in a more sustainable future. In FY18 we invested in the Swedish company Matsmart, the Estonian company Click & Grow and the UK-based company Homewings.

3 Renewable energy investments

We support our target to produce as much renewable energy as we consume with this portfolio. We invested in new wind farms in Europe in FY18 – including in Portugal and Finland – and own and operate 441 wind turbines in 13 countries. And in FY18 we produced renewable energy equivalent to 81% of the energy used in our global operations.

4 Forestry investments

During FY18 we have further invested in forests. In the IKEA home furnishing supply chain, wood material is, in terms of cost, the second largest resource after energy. So far we've invested in forests in the Baltic States, Romania and the USA. As per year-end FY18, we own 182,000 hectares of forest.

5 Treasury asset management (Financial markets investments)

Under this portfolio we invest most of our liquidity. We have four sub-portfolios: a bond portfolio, an equity portfolio, a portfolio with non-investment-grade bonds and an alternative investments portfolio.

INGKA INVESTMENTS

Buying into plastic recycling

Morssinkhof Rymoplast, a plastics recycling company based in the Netherlands, is a family-run business that has been operating for over 50 years. In February 2017, Ingka Investments made a minority shareholding investment and took the opportunity to invest in its future. But the resulting partnership benefits more than just our business.

When we start planning to invest in a business, many aspects contribute to the decision-making process. While we need to be confident of growth, it's just as important that the businesses we invest in operate in a way that contributes to our vision and aligns with our own core values.

Awareness is growing around single-use plastic waste, with many Ingka Group co-workers sharing these concerns. With that in mind, Ingka Investments explored the opportunity of investing in a plastics recycling business. This is a growing industry, so investing here makes financial sense, but promoting growth in this sector also contributes to building a more sustainable future.

Lukas Visser

"We looked at several companies, and saw that Morssinkhof is one that's leading in the industry, with operations in several countries in Europe and a long track record. They use this knowledge to develop in a really great way," says Lukas Visser, Portfolio Manager Recycling, Ingka Investments. "We invested with the main goal of growth, and by the time we signed the agreement, plans for construction of a new plastics recycling plant had already been put in place. The new plant is due to open in 2019."

Morssinkhof already produces over 250,000 tons of recycled plastic raw materials every year, and this new plant will increase that figure, initially by around 10%. This improved capacity means that Morssinkhof will be in a better position to meet the increasing global demand for recycled plastic products.

Positive partnership

This partnership wasn't just about a cash contribution. It was the start of what is set to be a long-term working partnership between Ingka and Morssinkhof.

"We are in contact on a weekly basis," says Lukas. "Where we can and where they appreciate it, we try to support the company in many ways. Whether that's in strategy discussions, development plans or financing arrangements, we're available to help our investee companies out where they need us most."

Eric Morssinkhof, Managing Director, Morssinkhof Rymoplast, adds: "There's an increasing demand for the recycled plastics that we'll be producing in the new plant, so we're confident in the opportunity we have. The fact that Ingka supports this development underlines the growing awareness for using post-consumer recycled raw plastic materials."

The mutually beneficial relationship may be in the relatively early stages, but it's already paying off for both partners. For us, it's about seeing an already-successful company grow and improve, whilst also serving a positive purpose in the environment by increasing the amount of recycled plastic products available. For Morssinkhof, it's about being able to increase supply to fit the needs of the customer, whilst also offering improved end products.

A new recycling concept

"Our plans are to expand our production of recycled raw materials," says Eric, "and our new facility will upgrade plastics to a raw material form, allowing the customer to use them for a wider range of products."

The new plant will be able to sort plastics by colour in a more accurate and efficient way, solving one of the biggest problems in plastics recycling, where most of the output has been black or grey. "The new plant is a combination of conventional and new technologies mutually developed by Morssinkhof and its equipment suppliers," explains Lukas. "The combined set-up of these technologies is highly innovative, and customers will be able to buy clear or coloured recycled plastics."

Eric Morssinkhof

This innovation will benefit customers, but it could mean more than that. If it's as successful as envisaged, it could be introduced elsewhere, as Eric explains: "This is a new recycling concept, so if it works here we can copy and paste this approach to other regions around the world."

Forward thinking

"When you look at the last 15 years, demand has grown significantly," Eric says, "and that's more from an environmental perspective. In the past it was an economic decision, but now it's about making a statement around not using the resources of our planet; it's about becoming a more sustainable organisation."

With the *European Strategy for Plastics in a Circular Economy* in place, it's likely recycled plastic products will become even more desirable. "The EU plastics strategy is promoting the better collection of post-consumer plastics, making sure they're recycled in Europe rather than elsewhere," says Eric. "From our perspective this will create a greater availability of plastics to recycle, and also a greater need for recycled plastic products in Europe."

The fact that Morssinkhof takes these wider factors into consideration makes the partnership with Ingka an ideal fit, as sustainability is such an important driver for both businesses.

"Plastic recycling is an essential focus area for us, and even more so looking into the future," confirms Lukas. "We really trust this company to gain more market share and continue to innovate. Their in-house knowledge is really impressive, and is something they should be proud of."

INGKA INVESTMENTS

Protecting the source of the resource

Wood is one of the most important renewable resources in today's world. It goes into around two-thirds of IKEA products, so it's important for us to have a positive influence on its future as a valuable organic material.

Since 2014, Ingka Group has bought forest land in various parts of the world, and by the close of FY18, we owned around 182,000 hectares in total, made up of areas in Romania, the Baltic States and the USA. This is all managed and maintained by 130 co-workers, with our forest in the USA being overseen by an external contractor.

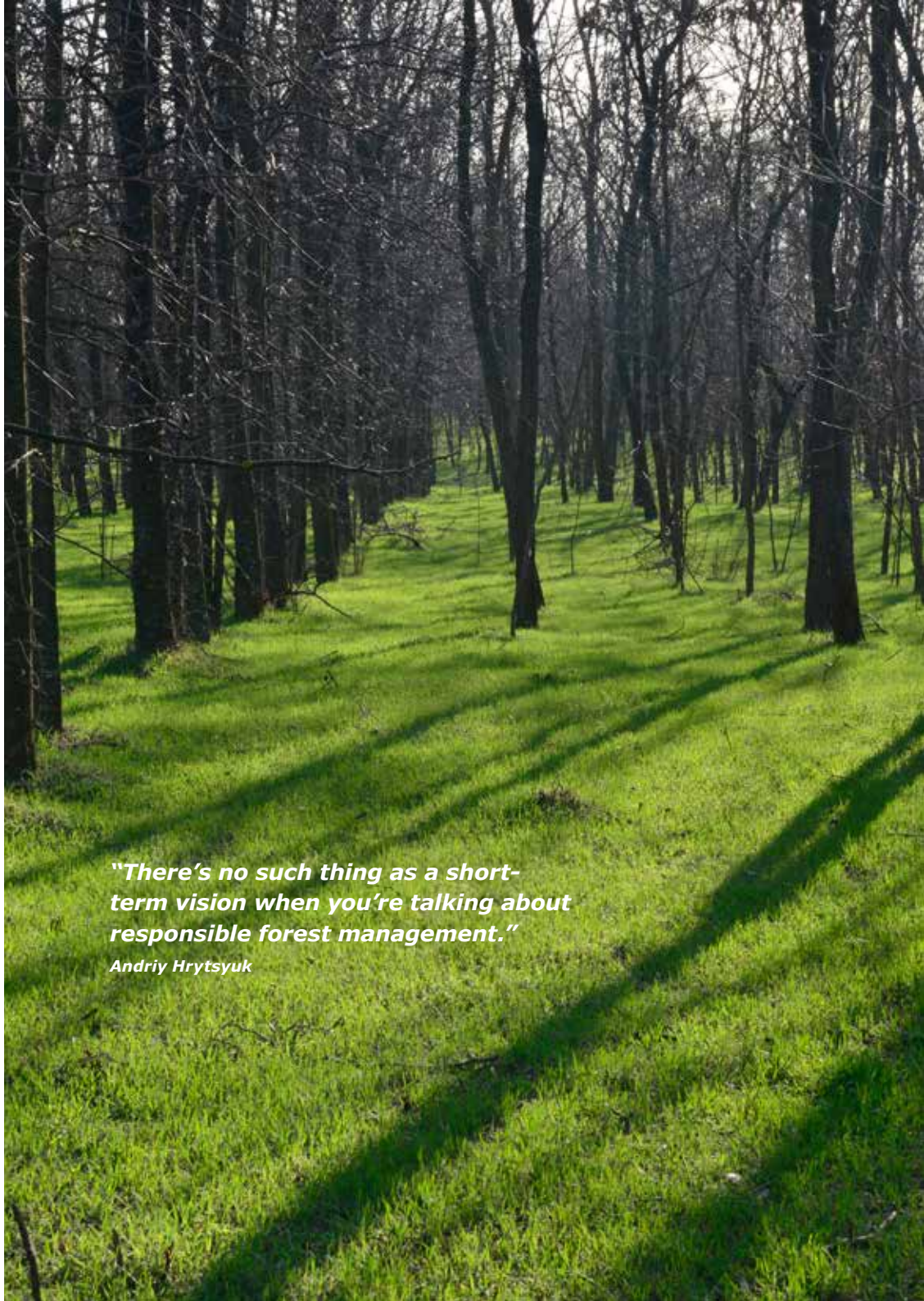
As we plan to continue to expand our portfolio of forests, our priority is to do so in a responsible way. This is why, when managing new forests, we first apply to it our high internal standards for sustainable forest management, which include becoming certified by the Forest Stewardship Council (FSC®).

In practise, this means that our forests are inspected annually, and that we need to follow the internationally agreed principles of good, careful and long-term forest management.

Andriy Hrytsyuk

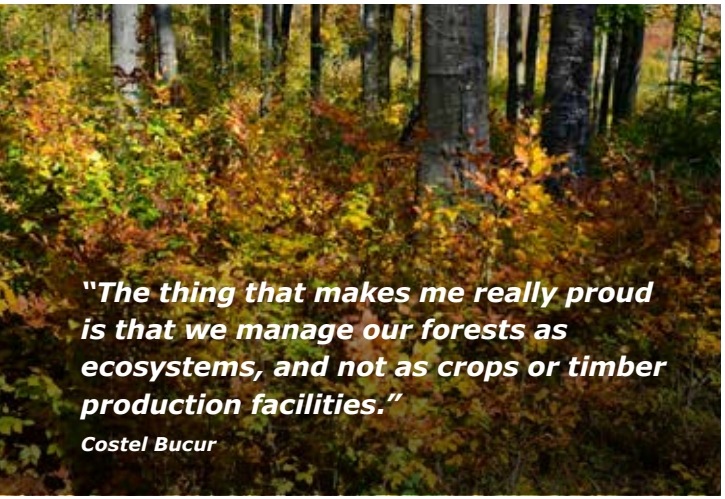
Costel Bucur, Compliance and Sustainability Manager Forestry Portfolio, Ingka Investments, explains: "With all of our forests, we work from day one on sustainable forest management and FSC certification – in our opinion, currently the most credible scheme that applies on a global scale. This requires that we engage with all relevant stakeholders for transparency and improved management, balancing economic, social and environmental values and making all three of them thrive."

We also see that a large part of our responsibility towards the land we own – and by extension the planet – is to restore forests and plant more than we harvest. "Quite often we buy land that is either heavily harvested, or well-stocked but not well managed," says Andriy Hrytsyuk, Forestry Portfolio Manager, Ingka Investments. "To remedy this requires a great deal of effort, time and money, but it also creates …



"There's no such thing as a short-term vision when you're talking about responsible forest management."

Andriy Hrytsyuk



Costel Bucur

... opportunities for a long-term owner like Ingka Group."

"There's no such thing as a short-term vision when you're talking about responsible forest management," Andriy continues, "because you have to allow for 10-to-20 years to see improvements in the forest – and up to 140 years to realise the income. Of course, we harvest the property – that's how we get a return on the investment – but we do it responsibly, taking all social and environmental aspects into account. We also invest significant amounts in management and regeneration. During FY18, for example, we harvested around 700,000 trees and planted 3.6 million."

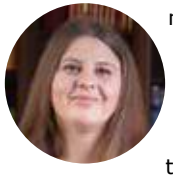
An integrated approach

Regeneration is just one part of responsible forest management. The land we own is also home to many different species, of which some are protected, and the water courses of the forests can contribute to water supplies, so it's vital these are kept clean. There are also social considerations, as we need to ensure local communities and bordering businesses are heard when it comes to planning investments and harvesting timber.

"We identify the areas important to biodiversity prior to any operations," says Costel. "We carry out an assessment to discern the impact of our actions. Depending on the size and scale, we come up with measures to minimise the impact. The thing that makes me really proud is that we manage our forests as ecosystems, and not as crops or timber production facilities."

These aspects are all part of our way of working and are what contribute to the FSC certification. To be successful in sustainable forest management, it's vital to see the certification more as a support for our way of working, rather than a checklist of tasks. Part of this also means looking for input from all stakeholders – anyone from the people working in the forest itself, to its local institutions and communities.

"Having this integrated approach to management is vital," adds Costel. "Because we're providing more than just trustworthy sources of timber. We're providing other services and products to society: well-regulated water courses, the right level of biodiversity and good protection of the agricultural lands bordering our forests."



Claudia Blagu

Forward-thinking forestry

As with any other industry, modern technology is starting to have a positive influence on forest management. Claudia Blagu, Digitalisation Project Leader, Forestry Portfolio, Ingka Investments, has seen how technology can facilitate more effective forest management: "Part of our vision is to combine the use of technology with efficiency and sustainability goals," she says. "We started by adopting GIS (Geographical Information System), designed to capture, store, analyse, manage and present spatial or geographic data. This helps us to map all of our property and collect information in real-time, and makes it easier to understand the impact of several forest-related decisions. It also helps us create transparency towards stakeholders, as we can present our information in an understandable way to both the authorities and the general public. Digitalisation can really help improve industry standards."

That the industry in general is improving and adapting to changes that will have a positive impact in the future, is good news for Ingka Group. This is because we're in this business for the long term. "A lot of the forests we buy have great potential for improvement, and we try to do this over a longer period," says Andriy. "We tend to invest significantly in forest improvement, as we want to see the results not just over the next ten years, but over the next 100."

PEOPLE AND PLANET POSITIVE

Healthy and sustainable living

The Ingka Group ambition is to inspire and enable one billion people to live better lives within the limits of our planet.

We want to show that living more sustainably makes life better and that it's possible to take simple and affordable steps that make a real difference.

In FY18, we:

- Asked 14,000 people what they think about climate change to help us inspire more everyday climate action
- Sold products worth EUR 2.1 billion that enable customers to save water and energy and reduce waste
- Increased the number of home solar customers by 230%

WHY IS THIS IMPORTANT?

Today the world's natural resources are being used at an unsustainable rate, and this increasingly impacts people, communities, ecosystems and our business.

Our homes and the choices we make in our day-to-day lives have a big impact on the planet, and on our health and well-being.

Like most people, our customers want to enjoy a decent quality of life without negatively impacting the environment. But not at the expense of price, quality or convenience.

We know our IKEA customers want us to play an active role in helping them live more sustainably. They also want us to be more transparent and open to dialogue, as well as play our part in tackling global challenges.

We have a great opportunity to use our scale and influence to make healthy and sustainable living a desirable choice that is affordable, attractive and accessible. With our knowledge of life at home, and the hundreds of millions of interactions we have with people in our IKEA stores, Ingka Centres meeting places and online, we can help to make this possible. This will be good for our business, good for the planet and good for the many people.

WHAT WE DO

We all want to make life better through our everyday actions. But many people worry that sustainable choices require extra time, money or effort and that individual efforts won't make a difference. So, it's easy to get overwhelmed, feel frustrated and do nothing.

At IKEA, we want to make healthy and sustainable living desirable and empower more people to act by showing how it's possible to make your life better with simple and affordable changes. At Ingka Group, we are focusing on three areas.

Listening to customers

The IKEA vision is to create a better everyday life for the many people. Understanding our customers' lives through research and home visits is an established part of how we work. Now we want to go even further to get a deeper understanding of customers' everyday needs, dreams and challenges in relation to sustainable living.

Offering products, services and solutions

IKEA is making it easier to live more sustainably through affordable and more sustainable home furnishings and products. A lot of care goes into making IKEA products – from selecting and sourcing materials that are better for people and the planet, to securing good conditions for the people who make them. Many IKEA products also help our customers generate clean energy, save energy and water, reduce waste and grow their own food. We're exploring services to encourage customers to reuse and recycle products and we are working to offer and promote healthier and more sustainable food options in our restaurants and cafes.

The products in our stores are supplied by Inter IKEA Group. You can read more about responsible sourcing, home furnishing suppliers, product design, product safety and other related topics on the Inter IKEA Group website[1].

Building desire and demand

We aim to inspire and motivate customers and co-workers by sharing the benefits of healthy and sustainable living through communication and marketing in our IKEA stores, Ingka Centres meeting places, and all our communication channels. We enable co-workers and customers, in particular our IKEA Family members, to experience IKEA products and solutions that support healthy and sustainable living through our engagement projects. …

[1]https://newsroom.inter.ikea.com/

ACTIONS AND RESULTS

Climate action starts at home

In FY18, we surveyed 14,000 people across 14 countries to better understand attitudes to climate change and what motivates or prevents people from taking action.

We found that 90% of people were willing to change their behaviour to reduce their climate impact. However, many don't act because they're not sure what to do, don't know if they can make a difference or believe it will be too difficult or expensive. Only 3% of people mentioned positive solutions to climate change – for many it's a problem without a solution. Our research identified ways we can enable our customers to overcome these challenges by helping them to:

- Imagine a positive climate friendly future that inspires optimism and action
- Identify practical, easy and affordable steps they can take in their everyday lives
- Feel inspired by innovative climate friendly products
- Feel a sense of shared purpose by seeing other people get involved

We've shared the findings of our research with other businesses, governments and policymakers and we'll be launching a campaign to celebrate people's everyday climate actions during 2019.

Offering products for sustainable living

There are over 500 products that enable sustainable living in the IKEA home furnishing range, which is developed and supplied by Inter IKEA Group. Whether it's saving or generating clean energy, cutting water use, reducing waste or living more healthily – these products make it easy, affordable and attractive for customers to make sustainable choices.

Across all 30 Ingka Group retail markets, we communicate and engage with our customers to demonstrate how these products can enable them to live more sustainably, and to show how small changes can add up to make a big difference. In FY18, sales of the more than 500 products in the 'sustainable life at home' range – including our LED bulbs, induction hobs, water efficient taps and waste sorting bins – grew to EUR 2.1 billion.. These products enable customers to make direct savings on energy and water, reducing waste and improving their energy efficiency.

We sold 82.4 million LED bulbs in FY18, compared to 85 million in FY17. This takes us to a cumulative total of 294 million bulbs since FY15, meaning we are around 60% of the way towards achieving our ambition to sell 500 million LED bulbs between 2015 and the end of 2020.

We trebled the number of IKEA Home Solar customers in six markets in FY18 (compared with FY17), enabling even more people to generate their own renewable energy. Find out more on page 50.

… **Engaging and inspiring people through our stores and campaigns**

We're using our IKEA stores, and all our communication channels to promote sustainable choices to our customers and co-workers. We want to inspire positive action, demonstrate the many benefits of living more sustainably and share and celebrate achievements.

- In Spring 2018, IKEA Retail Switzerland ran a campaign across paid, owned and earned communication channels to encourage people to take climate action in their everyday lives, by sharing tips and ideas for climate friendly living, supported by relevant IKEA products, such as water saving taps, laundry drying racks and waste sorting bins.
- In March and April 2018, the IKEA store and shopping centre in Wuxi, China created a sustainable community installation to showcase IKEA products and solutions that support more sustainable living, an app-based game to encourage people to sort their waste, as well as some ideas about what sustainable lifestyles could look like in the future.
- In Russia and in China, we held workshops for tenants and partners connected to our Ingka Centres meeting places to raise awareness and interest in the business case for sustainability, specifically addressing topics such as energy efficiency and offering more sustainable products to our customers.

We know that people are more likely to act when they're motivated by personal experience or a recommendation from a peer. We increased the number of customers participating in our engagement activities significantly during FY18 (62,600 customers) compared to FY17 (3,200 customers) due to improvements in measurement, and greater focus on this topic across our markets. This means that since 2014, our sustainable living projects have given over 70,000 customers and co-workers the chance to try products that enable healthier and more sustainable living. We use their experiences and insights to inspire others and to inform how we develop our offer. We also run IKEA FAMILY Mega Events to inspire the 123 million members of our free-to-join global membership club to explore better living within one planet limits. For example, in FY18, many IKEA Centres and 144 stores ran IKEA FAMILY Mega Events, providing opportunities for customers to take part in sustainable living activities. All 48 of our stores in the US hosted an IKEA Family Mega Event focused on sustainable living.

In FY18, our co-worker survey (VOICE) results showed that 86% of co-workers are proud of the way IKEA works with sustainability and 81% of co-workers feel that sustainability is a natural part of their everyday work. …

In August 2018, IKEA Retail Canada ran its 4 Degrees campaign to highlight the impact of climate change. It raised the temperature 4 degrees in the IKEA Vaughan store by turning off the air conditioning – giving people the chance to experience how this change in temperature can make a big difference. Throughout the store it featured tips for cutting your climate footprint and shared a video of people's reactions to the event on social media to raise awareness with a wider audience.

… **Promoting circular consumption**
People's attitudes to their possessions are changing. They have less space and more knowledge about the impacts of consumption on the planet. We're developing new business models that meet their needs in circular ways, and you can read more on page 48.

We're also trialling different approaches to help customers repair, reuse and recycle, and to give products a second life through reselling. IKEA Retail Japan, for example, offers a buy-back service for IKEA furniture that's still in good condition but no longer needed. Customers can exchange their unwanted furniture for a voucher to spend in store. The furniture is then refurbished and sold at a reduced rate to a new customer. Over 3,400 items were sold back to IKEA Retail Japan during FY18. A buy-back scheme specifically for new parents, which enabled them to buy baby furniture with a set buy-back price, was launched in June 2018. Many other markets, including Australia, Canada, Norway, Sweden and Switzerland tested similar buy-back schemes during FY18.

Healthier and more sustainable food
IKEA wants to help customers make sustainable and healthy food choices – from sustainably sourced ingredients, to more meat-free options and locally grown produce. We aim to give our customers good information and promote the benefits of food that tastes great and is better for the planet too.

In FY18, nearly two thirds of the food sold and served in our IKEA stores was sourced by Ingka Group, mainly from local suppliers in each country. This allows us to cater for local tastes, reduce food miles and source the freshest produce at affordable prices. The remainder – more than one third of the food products we offer – were sourced by Inter IKEA Group including products sold in our IKEA Restaurants, Bistros and Swedish Food Markets.

During FY18 we developed a sustainability roadmap for our locally purchased food. It will help us work with suppliers to apply our standards in areas such as animal welfare, responsible sourcing of palm oil and soy, sustainable packaging, traceability and food safety. We also introduced a new monitoring process to help us track progress.

Eating less meat can be good for our health. It's better for the planet too because meat production is a major source of greenhouse gas emissions. We're developing new recipes that replace meat with plant-based proteins, read more on page 49.

We tested small-scale urban farms in three of our locations in FY18 in Sweden, Switzerland and Spain, producing our own salad greens and herbs. These units enable us to grow vegetables indoors in a small space with a low environmental footprint. There are no emissions from transporting the food, we use less water and no pesticides, and less food is wasted as we only grow what we need. Because the food is used straight away, it is fresher and has a better nutritional content. We'll be rolling urban farms out to more of our locations in FY19.

Ingka Centres also partners with tenants to promote sustainable food to customers through events and festivals. In FY18 we opened farmers' markets selling locally sourced food in five shopping centres in Russia and we plan to expand this in FY19.

CIRCULAR INNOVATION

Listening and learning

Over many years we have learned so much about what people love about their home life, their aspirations to make it better, as well as their frustrations. The more we listen and understand, the more we can fulfil our vision, to create a better everyday life for the many. So that's where our journey to develop new circular business models began – by talking to people.

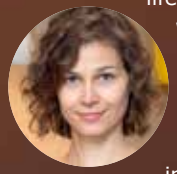
"WE STARTED IN STOCKHOLM, Malmö, Oslo, Hamburg and Barcelona. We knew success would only come if we really understood people's needs and designed our offers around them. So with open minds, we just listened to people talk about how textiles like bed sheets and towels come into the home, what they do with them in everyday life, and then what happens when they don't need or want them anymore," explains Lisa Henriksson, Business Designer, Ingka Group, who has been on this journey from the very start.

"We started to see patterns in what we heard, so we visited five more cities to talk about other types of home furnishings, and then another five after that."

SOON, THE COMMON THEMES were clear. In all the places we visited, we learned that people don't want to waste things. And we could see that offering a good and convenient way to do the right thing like repair or upcycle, or pass on to someone else, has huge potential.

USING THESE INSIGHTS, WE are developing scalable, commercially viable business models in the areas of how people acquire or access the things they want, how they care for things, and how they pass on the things they no longer need.

EXPLORATIONS ARE UNDERWAY IN Belgium, India, Poland, Sweden, Switzerland and the UK to focus in on specific customer problems we can solve, where we will design relevant offers and then test them with customers. Our tests will help us decide what to develop further, and they're creating a lot of excitement across IKEA.



Paulina Nesteruk

"WE'VE BEEN LISTENING TO people's real life stories and ideating fast to respond to what we've learned. It's given me so much energy. I know the offer we're developing will make our customers' lives better, make our business stronger and more relevant, and all in ways that make a positive impact on the planet. I really feel we will be living up to our vision!" says Paulina Nesteruk, Information & Communication Manager, IKEA Retail Poland, who has been working on the exploration in Poland.

In FY19 we aim to provide new customer offers based on the learning from this innovation work.

"We started to see patterns in what we heard, so we visited five more cities to talk about other types of home furnishings, and then another five after that."

The new IKEA veggie hot dog

In 2015, IKEA launched a veggie ball, as an alternative to the iconic Swedish meatball, developed as part of the global food range by Inter IKEA Group. Now customers looking for a quick, tasty bite can enjoy a new twist on another classic: a plant-based veggie hot dog made with kale, red lentils, carrots, ginger, quinoa, onion, potatoes, and various spices served with mustard, red cabbage and roasted onion. As well as being delicious, it has a carbon footprint seven times smaller than the original hot dog. Some 1 million veggie dogs were sold in Ingka Group markets across Europe and the US during August and September 2018, the first two months since its launch. Soon, this new addition to our menu will be available in all 30 Ingka Group markets.

IKEA Retail Norway encouraged customers to make the healthier and planet-friendly choice with an even lower price.

PLANT-BASED PROTEINS

Meat-free movement

We are contributing to the IKEA efforts to make it easier for people to choose new meat-free options by offering nutritious and delicious local dishes made from plant-based proteins at a low price.

Healthier (and tastier) options

"Our first priority is to make the plant-based options tasty," says Catarina Englund, Sustainability Innovation and Development Leader, Ingka Group, part of the team working to put more meat alternatives on the menu in our IKEA stores.

"The plant-based options we provide aren't just for vegetarians – we want everyone to love them. And because millions of IKEA customers around the world enjoy the food in our restaurants, we can play a part in more people experiencing delicious, satisfying, healthy and affordable planet-friendly food."

Food for thought

This innovation is about more than expanding our menu offer. Agriculture and food production account for at least 25% of global greenhouse gas emissions, with livestock rearing alone contributing 14%[1]. And diets high in meat and dairy have also been linked to obesity, heart disease and colon cancer[2]. As the world's population grows, we need to find new ways to meet the demand for food that is better for people and the planet.

Our IKEA stores in Finland, Germany, the Netherlands, Poland, Portugal, Sweden and Switzerland have already tested dishes made with plant-based proteins in co-worker restaurants. And now IKEA Retail Sweden has taken the next step, offering customers a vegetarian herb lasagne and pesto rosso based on yellow peas and oats, which are a great source of protein and fibre.

Plant-based dishes are becoming a regular fixture on local Swedish menus, with new dishes being added and special promotions to highlight them to customers, such as discounts for IKEA Family members.

Soon, all our IKEA stores will follow their lead, and chefs in our customer restaurants will be able to draw inspiration from a recipe bank that includes taco green, chili sin carne, Japanese teriyaki, Bolognese and Thai curry.

[1] Source: IPCC (2014) Exit based on global emissions from 2010. Details about the sources included in these estimates can be found in the Contribution of Working Group III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change.
[2] RISE Research Institutes of Sweden, the future 9+ billion – Literature review survey, August 2015 . Food, Nutrition, Physical Activity, and the Prevention of Cancer. World Cancer Research Fund and American Institute for Cancer Research, 1-517, 2007.

HOME SOLAR

Clean energy for all

Beyond our own operations, we are helping to accelerate the much-needed transition to clean energy by making it possible for many more people to harness the power of the sun and take positive action for the planet and their wallets.

Golden opportunity

"From the moment we get up to the moment we go to sleep we use electricity without even thinking about it. But when you stop to consider that most of that energy comes from fossil fuels and the effect that it is having on our planet and health, one of the most impactful things we can all do is switch to clean energy," says Alejandro Castro Pérez, IKEA Home Solar & Energy Service Business Leader, Ingka Group.

Electricity and heat production contributes a quarter of greenhouse gas emissions globally[1], which has a significant impact on climate change. With global energy demand set to keep on rising, we have to take action now to change the way we produce, distribute and use energy.

We are on the way to generating as much clean energy as we consume, read more on page 54. And through IKEA Home Solar, we are now helping many more people to do the same in their homes.

Simply does it

In 2015 we launched IKEA Home Solar with the aim of making it easy for people to turn their rooftops into micro power stations. Today, we offer Home Solar to customers in six markets, and by 2025, we aim to make it available across all 30 Ingka Group markets.

The number of Home Solar customers trebled in FY18 alone, and Alejandro says that this success comes as a result of bringing a new level of transparency and simplicity to the market.

"We have kept things simple, so you don't have to be an engineer to work out which package is right for you. What makes our system stand out is how easy it is to buy, install and use. We select the best partners to do that for you, so you get the fairest price and guarantees, and we do our best to make the installation process as quick and easy as possible."

In FY18, we expanded the clean energy offer by adding services like battery storage, which allows homeowners to use more of the electricity generated by the solar panels. By storing their excess power rather than exporting it to the grid, our customers can save even more money on their energy bills.

We are also testing combined systems for solar panels and heat pumps in Switzerland, and making it possible for people in the UK who don't have home solar to switch to a 100% renewable electricity tariff with the Big Clean Switch.

In the future, we hope to broaden this offer so that as many people as possible can join the clean energy movement, with a little help from IKEA.

[1] Source: United States Environmental Protection Agency

EUR

400

The average IKEA Home Solar customer saves around EUR 400 a year by consuming their own electricity generated by their solar panels instead of buying it, selling their excess electricity back to the grid, and through other incentives.

Our solar calculator makes it simple for our customers to work out which option is right for them and gives them a rough estimate of how much they can save.

United Kingdom

UK homeowner sees sunny side of battery storage

Darren Widdowson is delighted with his home solar system, particularly his new battery. This means that he is now "off-grid" – even overnight – during the spring and summer months. Darren can use the web portal for his smart meter to see what his system is producing and whether it's being used in house or going to the battery. He is now thinking of adding another battery next year, to store and use even more of his own electricity. After having his IKEA Home Solar system installed, his bill was so low his energy provider didn't believe the readings and sent out someone to check he had got them right. His electric car now charges entirely from solar and working in the home office uses no electricity from the grid either.

Darren Widdowson is a freelance business systems consultant who lives in Northamptonshire.

Circular and climate positive

CLIMATE CHANGE IS NO longer a distant threat, but a visible reality. This is a critical moment to take climate action. According to the latest Intergovernmental Panel on Climate Change (IPCC) report published in 2018, we have just 12 years to limit catastrophic climate change. The solutions already exist, but to limit the effects of climate change we need drastic changes to how we live and how society consumes resources.

IKEA has an ambition to become climate positive, reducing more greenhouse gas emissions than the IKEA value chain emits. For us in Ingka Group this means generating renewable energy, consuming and purchasing renewable electricity while increasing energy efficiency and working to halve emissions from customer and co-worker travel. We go beyond our own operations by inspiring and enabling people to live in a more climate friendly way, for example, through the IKEA Home Solar offer, read more on page 50. We also strive for zero waste in our own operations and develop services that support circular resource flows and more sustainable consumption.

During FY18, while we continued to make progress towards our goals, we did not make as much progress as we had hoped in all areas - we still have a lot to do and we must redouble our efforts to achieve our ambitions. We know that taking climate action and working towards zero waste makes good business sense – and our research tells us it's what our customers expect from us too.

In FY18, we:

- Generated renewable energy equivalent to 81% of the energy used in our operations
- Repacked 8.7 million IKEA products to be re-sold instead of going to waste
- Saved 437,500 kg of food from being wasted in IKEA restaurants

WHY IS THIS IMPORTANT?

Since the industrial revolution, humankind has warmed the planet by an additional 1°C and current use of resources requires the equivalent of around 1.7 Earths[1]. At risk are changes in weather patterns, more frequent extreme weather events, food and water crises and dramatically rising sea levels.

The risks, and potential costs, to our business are significant – our operations could be affected by extreme weather, by resources becoming scarce, and by damage to the ecosystems we rely on. The changing climate is disrupting the communities where we operate and impacting our co-workers and customers.

The long-term prosperity of communities depends on our common efforts to tackle climate change, for example, by generating and using more renewable energy and contributing to a circular society. With global greenhouse gas emissions needing to peak by 2020 and be reduced to near zero by 2050, and with pressure on natural resources increasing, we must work together and act fast.

It will take all parts of society to build the low-carbon economy. Ingka Group is determined to be part of the solution, to lead by example and inspire others. Addressing climate change offers huge opportunities, including job creation, innovation, economic growth and lower energy dependency.

WHAT WE DO

At Ingka Group we're focusing on:

Cutting greenhouse gas emissions
We've set challenging science-based targets to reduce our greenhouse gas emissions in absolute terms. This means we're doing our part in the global effort to keep earth's temperature increase to maximum 2°C over preindustrial levels, and aiming for 1.5°C.

- **Investing in renewable energy**
  We're growing the amount of renewable electricity in the grid by generating wind and solar power, and our aim is to be powered by 100% renewable electricity. We also aim to have 100% renewable heating and cooling technologies in all our buildings. Our commitment to renewable energy means we can grow our business while significantly reducing our greenhouse gas emissions and eliminating the use of fossil fuels, read more on page 54.
- **Improving energy efficiency**
  We design new buildings and retrofit existing ones with the features needed to be energy efficient and use as few resources as possible. This reduces our impact on the planet and cuts our costs.
- **Tackling emissions from travel and deliveries**
  Halving emissions from customer and co-worker travel by 2030 is an important step towards achieving our science-based targets. We're also aiming for zero emission home deliveries, supporting the use of electric vehicles and rolling out our city strategy, making our stores more accessible by public transport, read more on page 56.

...

[1] Source: Earth Overshoot Day: www.overshootday.org

… **Striving for zero waste and circular resource flows**
We believe all resources are too valuable to be wasted. By adopting a circular economy approach we can help conserve precious resources, generate less waste, and reduce costs. Using fewer resources helps us to cut emissions and is essential to making progress towards the IKEA climate positive ambition. We are striving for zero waste in our operations and looking for new ways to reduce, reuse and recycle, read more on page 57.

ACTIONS AND RESULTS

CUTTING GREENHOUSE GAS EMISSIONS
In FY18, Ingka Group set ambitious science based targets. This will help us to play our role in reducing greenhouse gas emissions in absolute terms and contributing to limiting global temperature increase to well below 2°C, aiming towards 1.5°C, by the end of the century.

Our targets for 2030 approved by the Science Based Targets Initiative include:
- Reduce the greenhouse gas emissions from across all Ingka Group operations by 80% in absolute terms, compared to 2016. This covers our direct and indirect energy-related emissions (scope 1 and 2), read more on page 53.
- Reduce greenhouse gas emissions from Ingka Group customer and co-worker travel and customer deliveries by 50% in relative terms[2], compared to 2016 (scope 3), read more on page 56.
- Inter IKEA Group, the worldwide IKEA franchisor and responsible for the IKEA range and supply chain, has committed to reduce the greenhouse gas emissions from the IKEA value chain[3] by at least 15% in absolute terms by 2030, compared to 2016. Accounting for expected growth in this period, this translates to a 70% reduced climate footprint on average per IKEA product. To read more, go to the Inter IKEA Group website[4].

We believe that it is possible to tackle climate change if everyone gets involved and takes action. We are members of two initiatives led by The Climate Group that bring together businesses committed to renewable energy (RE100) and electric vehicles (EV100). We are also working with the World Business Council for Sustainable Development, We Mean Business coalition, Solar Power Europe and other organisations to accelerate climate action. In FY18, we were involved in key events including Climate Week NYC and COP23. We also advocated for collective action on climate change through the UN Talanoa Dialogue.

How are we performing?
In FY18 our scope 1 and 2 greenhouse gas emissions increased by 2.8% in absolute terms compared to our FY16 baseline. It's challenging to reduce emissions in absolute terms and we are continuing to focus on improving energy efficiency, generating and buying renewable electricity and retrofitting our buildings with renewable heating and cooling technologies. We are starting to make progress in decoupling our emissions from business growth, meaning growing our business without growing emissions. Our retail business grew by around 8.5% in FY18, compared with FY16.

In FY18 our total carbon efficiency improved by 6.5% against our FY16 baseline. This was due to Ingka Centres locations in Europe switching to renewable electricity, and energy efficiency improvements at our buildings in Russia. However, carbon efficiency (compared to FY16 baselines) decreased at our distribution centres due to co-workers operating more shifts, and at our offices due to changes in company structure and reporting procedures since FY16, as well as expansion in Russia where we have significantly higher energy usage and carbon emissions per m^2 of GBA (gross building area).

In this report, energy consumption figures include IKEA stores (and other sales points) operated by Ingka Group, as our distribution centres, Ingka Centres meeting places (common areas and shared services), and offices.

[2] By 2030 we aim to halve emissions relative to the number of co-workers and number of visitors to our stores, compared to the FY16 baseline.
[3] The scope includes the footprints of materials, food ingredients, product transport (excluding customer deliveries), the production at suppliers, and the use of products in people's homes.
[4] https://newsroom.inter.ikea.com/

Ingka Group carbon footprint (tonnes CO_2e)

	FY16	FY17	FY18	Percentage change compared to FY16	Percentage of total emissions in FY18
Scope 1	127,033	134,464	142,098	11.9%	0.6 %
Scope 2	492,617	488,761	495,006	0.5%	2.0 %
Scope 3	22,676,691	23,523,641	23,958,027	5.7 %	97.4 %
Total	**23,296,341**	**24,146,865**	**24,595,131**	**5.6 %**	**n/a**

Scope 1 and 2 energy-related emissions from buildings (tonnes CO_2e)

	FY16	FY17	FY18
IKEA Retail	291,440	292,186	315,051
IKEA Distribution Centres	28,025	37,746	43,146
Ingka Centres locations (Shopping Centres)[5]	296,923	281,292	267,067
Offices	8,272	9,197	10,962
Other units[6]	1,519	2,804	878

Carbon efficiency (% improvement against FY16 baseline)

Kg CO_2e per m^2 GBA (gross building area)	FY16 Kg/m^2	FY17 Kg/m^2	FY18 Kg/m^2	Improvement %
IKEA Retail	27.7	26.9	26.3	5.0
IKEA Distribution centres	7.1	9.4	10.3	-45
Ingka Centres locations (Shopping Centres)	65.1	60.7	56.7	13.0
Offices	32.7	37.3	44.5	-36.0
Total	**32.3**	**31.5**	**30.2**	**6.5**

[5] Scope 1 and 2 emissions relate to energy used in landlord common parts and shared services. Scope 3 down-stream leased assets relate to landlord-obtained energy sub-metered and used in rented tenant areas. Emissions from refrigerant gases (Scope 1) at Ingka Centres locations are included in FY17 and FY18.
[6] Other units refers to off-site energy investments such as wind farms.

Scope 3 (indirect) Ingka Group emissions at each stage of our value chain (tonnes CO_2e)

	FY16	FY17	FY18
1. Purchased good and services	11,669,035	11,921,564	12,318,991
2. Capital goods	140,940	162,623	140,940
3. Fuel-and-energy-related activities (not included in Scope 1 or 2)	238,214	237,097	305,213
4. Upstream transportation and distribution	944,086	879,376	957,356
5. Waste generated in operations	42,235	49,007	49,610
6. Business travel	42,910	39,265	39,001
7. Employee commuting	111,915	120,583	123,703
8. Upstream leased assets[7]	N/A	N/A	N/A
9. Downstream transportation and distribution[8]	3,563,086	3,615,095	3,754,328
10. Processing of sold products	N/A	N/A	N/A
11. Use of sold products	4,982,167	5,506,868	5,259,304
12. End of life treatment of sold products	786,233	803,707	847,873
13. Downstream leased assets	155,869	188,456	161,707
14. Franchises	N/A	N/A	N/A
15. Investments	N/A	N/A	N/A
Total	**22,676,691**	**23,523,641**	**23,958,027**

Ingka Group location/market based emissions from consumed electricity in FY18[9]

	FY17	FY18
Consumed electricity (MWh)	2,089,644	2,112,256
Location based emissions (tonnes CO_2e)	800,677	813,160
Market based emissions (tonnes CO_2e)	453,326	456,051
Footprint reduction from using electricity from renewable sources (%)	-43.4	-43.9

[7] Categories in the GHG protocol Scope 3 inventory marked N/A are not relevant for our operations.
[8] Includes customer travel to and from our stores, and home deliveries.
[9] In FY18 we are applying IEA 2018 emissions factors from Sustain for carbon emissions calculations. In previous years we used Defra 2015 emissions factors.

INVESTING IN RENEWABLE ENERGY

Renewable electricity generation

We believe that the future of energy is renewable. In FY18, we generated renewable energy equivalent to 81%[10] of the energy we used across our operations, and by 2020 we aim to reach 100%[11]. In FY18, we generated 2,714 GWh of renewable electricity[12] from wind and solar PV (photovoltaic), enough to meet the annual needs of around 529 IKEA stores. We now have 900,000 solar modules on our sites and we own and operate 441 wind turbines in 13 countries.

Renewable electricity consumption

Almost three quarters of the solar electricity we generate on our Ingka Group sites is used in our buildings, and just over a quarter is sold to the grid. In some markets where we own and operate wind farms, we use the renewable electricity credits for our own operations. In markets where we cannot use credits from our own generation, we purchase credits from others, helping to further increase demand for renewable electricity.

We also purchase renewable electricity from energy suppliers for many of our sites. Nearly 80% of our buildings worldwide run entirely on renewable electricity. This reduces our greenhouse gas emissions from electricity consumption by nearly 360,000 tonnes CO_2e, and is equal to a 44% reduction compared with the average carbon footprint of electricity available from the grid.

Renewable heating and cooling

With 367 IKEA stores in 30 countries and 45 Ingka Centres locations in 14 countries, it takes a lot of energy to keep our co-workers and customers cool in summer and warm in winter.

We're investing in renewable technology for heating and cooling such as ground and air source heat pumps and biogas and biomass boilers. We're aiming for 100% renewable heating and cooling, and all building projects that are approved from 2020 onwards will include renewable heating and cooling systems, read more on page 59.

Renewable energy generation by type

	FY16	FY17	FY18
Electricity from wind (GWh)	1,789	2,264	2,559
Electricity from solar PV (GWh)	124	124	155
Heat from renewable sources (biomass heat, solar water heating, geothermal) (GWh)	34	44	44
Total renewable energy generation (GWh)	**1,947**	**2,432**	**2,758**

Renewable energy investments in wind power, owned and operated by Ingka Group

Country	No of Turbines in FY18	Capacity (MW) in FY18	Electricity generated in FY17 (GWh)	Electricity generated in FY18 (GWh)	Equivalent to the electricity needs of households
France	43	83.05	117	151	41,794
Germany	23	45.05	50	61	16,726
Sweden	46	131.7	378	307	84,781
Denmark	1	0.85	1	1	311
UK	7	12.25	22	22	5,988
Ireland	4	8.0	22	23	6,320
Poland	80	179.85	456	438	121,086
Canada	75	134	278	432	119,346
USA	104	263	889	809	223,409
Finland	13	42.4	0	107	29,512
Belgium	1	2	0	3	937
Lithuania	19	45	51	136	37,669
Portugal	25	50	n/a	69	19,017
Total	**441**	**997**	**2,264**	**2,559**	**706,896**

[10] If sub-metered tenant consumption was not included, generated renewable energy would be equivalent to 93.5% of consumption.
[11] Our renewable energy generation target includes landlord-obtained energy which is purchased by Ingka Centres locations and passed through to tenants for use in their rented areas.
[12] Wind and solar PV.

Solar

EUR
320m
investment commitment since 2009

900,000
solar modules installed across 21 countries

157 MWp
total capacity

In FY18

18 MWp
additional capacity installed in 8 countries

155 GWh
of renewable electricity generated

Wind

EUR
1.7bn
invested since 2009

441
wind turbines across 13 countries including two on-site turbines in Belgium and Denmark

997 MWp
total capacity

In FY18

1
new wind farm acquisition in Portugal

2,559 GWh
of renewable electricity generated

Total energy usage and share of renewable energy for FY18

	Total energy consumption (MWh)	Renewable energy[13] (MWh)	Share of renewable energy used[14] as % of total usage
IKEA Retail	1,891,656	1,246,878	65.9
IKEA Distribution centres	248,022	139,310	56.2
Ingka Centres locations (Shopping centres)[15]	1,311,489	214,611	16.4
Offices[16]	53,669	27,721	51.7
Total	**3,386,653**	**1,628,520**	**48.1**

Improvement in energy efficiency (Energy use per m² GBA) (%)

	FY16	FY17	FY18
IKEA Retail (baseline FY10)	19.5	17.2	19.4
IKEA Distribution centres (baseline FY10)	7.9	0.9	-4.2
Ingka Centres locations (Shopping centres[17] baseline FY16)	n/a	4.4	6.6

IMPROVING ENERGY EFFICIENCY

We're improving energy efficiency across our IKEA stores, distribution centres, pick-up points and Ingka Centres locations. Our energy efficiency within IKEA Retail operations improved by 19.4% in FY18 compared to the FY10 baseline. We also made progress in Ingka Centres locations in FY18 compared to FY16 baselines. In IKEA Distribution Centres, energy efficiency dropped due to more shifts and higher intensity work patterns at our sites.

To improve energy performance and support our facility management teams to identify the best solutions, in FY18 we introduced an 'energy staircase' that prioritises options to save energy in new and existing buildings. The solutions used to improve energy efficiency in all our buildings include:

- **Smart energy management:** automated building management systems to make sure technologies like fans, pumps and chillers operate efficiently and real-time energy monitoring systems to feedback on energy use
- **Heating and cooling:** energy recovery from heating, cooling and ventilation and reducing drafts
- **Smart lighting:** LED lights and greater use of daylight. Since FY12, we've installed LED or other energy efficient lighting at 265 IKEA stores, Ingka Centres locations and other facilities.
- **Equipment:** using the most energy efficient equipment we can for heating, cooling, water and in kitchens.

We showcase energy efficiency technologies in our leading sustainable stores, such as IKEA Kaarst, Germany, which opened in October 2017 and IKEA Greenwich in the UK which will open in 2019.

TACKLING EMISSIONS FROM TRAVEL AND DELIVERIES

Customer and co-worker travel to and from our stores and other buildings and home deliveries account for around 16% of our indirect (Scope 3) carbon emissions.

Low carbon travel for customers and co-workers

Today, most customers and co-workers reach our IKEA stores and Ingka Centres locations by car. We want to make low-carbon transport easier. Our goal is to halve relative emissions[18] from co-workers and customers travelling to our IKEA stores, Ingka Centres locations and other sites by 2030.

We promote sustainable transport and partner with others to inspire people to take low-carbon journeys such as by bike, bus, car sharing, running and public transport. Where we locate our IKEA stores has a big impact on people's transport choices. Our plan to open more IKEA stores in cities and to try new formats like pop-ups and 'pick-up and order points' will enable more low-carbon travel, see page 24. We encourage customers to visit with their electric cars and in FY18, 75% of our stores and 50% of our Ingka Centres locations had electric vehicle charging points.

We have more than 100 low-emission transport projects on the go around the world. New projects in FY18 included:

- IKEA Retail Germany trialled new trailers that customers can pull by bike or by hand to take products home from 12 stores. They loved it – 93% of customers that used it were happy.
- IKEA Retail UK ran a sustainable travel campaign to inspire co-workers to try new green friendly travel options to get to and from work at our Nottingham store.

At work, we can also make sustainable choices by avoiding unnecessary business travel and holding virtual meetings. In FY18 we launched an internal 'travel responsibly' campaign which resulted in 3% fewer trips than in FY17 – this is a significant decrease as trips usually increase by around 15% a year due to more co-workers joining Ingka Group and expansion into new markets or cities. Co-workers used many more virtual meetings instead, with over 73,000 web meetings a month, an increase of 54% since FY17.

Towards zero emission home deliveries

Our goal is to make 100% of customer deliveries and transport for services zero emission by 2025. To meet our goal, we're working with our delivery partners to switch …

[13] Purchased certified renewable electricity and district heating, and renewable energy generated and used on-site.
[14] Purchased certified renewable electricity and district heating, and renewable energy generated and used on-site.
[15] Excluding submetered tenant consumption.
[16] Includes a small amount of energy used at our windfarms.
[17] In FY15 we had significant changes in our shopping centres portfolio so the baseline was reset TO FY16.
[18] By 2030 we aim to halve emissions relative to the number of Ingka Group co-workers and number of visitors to IKEA stores operated by Ingka Group, and Ingka Centres locations, compared to the FY16 baseline.

… to electric vehicles (EVs) and other zero-emission solutions, and we're investing in commercial EV charging infrastructure to facilitate this transition. We want to be at the forefront of electrification and in September 2017 we became a founding member of EV100 – a global initiative committed to accelerating the conversion to 100% electric vehicles, read more on page 24.

STRIVING FOR ZERO WASTE AND USING RESOURCES IN A CIRCULAR WAY

In our operations we minimise waste as much as possible and turn unavoidable waste into resources. A waste hierarchy guides our approach to prevent, reduce, reuse and recycle waste. Some of the non-recyclable waste is incinerated with energy recovery where possible, and sending waste to landfill is always the last resort.

Creating a circular economy requires change on a large scale so we work with and engage policy-makers, NGOs and other businesses to build momentum. In FY18, we contributed to the *Renewable Materials for a Low-Carbon and Circular Future Report* by the Circular Economy 100 (CE100) project led by the Ellen MacArthur Foundation.

We also contributed to circular economy thinking through our work with organisations including the Ellen MacArthur Foundation CE100 and the Circular Economy 8 (CE8) – a group of companies committed to a circular economy.

Recycling and reusing waste

We are working to improve our recycling processes and partner with waste management suppliers to find new recycling solutions at our stores.

In FY18 IKEA stores across IKEA Retail Russia competed to increase recycling, growing their collective recycling rate to 63%, up from 52% in FY17. The winning teams were rewarded with a trip to IKEA Kaarst in Germany, to be inspired and learn from best practice at our newest sustainable store.

Despite our efforts, reported waste generated grew by 12% in FY18, compared to FY17. We're analysing the data so we can identify how we can better manage waste to reverse this trend. During FY17 we changed our waste reporting system so that we can analyse waste trends in more detail each month and improve our results. We started to benchmark stores on a bimonthly basis to help us learn faster and find new ways to manage waste year-round.

However, the change of system has identified some data quality challenges in particular in IKEA Retail and Distribution Centres where we identified gaps in several countries' waste disposal methods data[19]. As a precaution, we reported this waste as "sent to landfill". Together with limited availability of recycling infrastructure at our sites in Russia and China, this accounts for higher reported waste to landfill in FY18. We're focusing on improving the quality of reported data and regularly checking the quality of data for all business units in FY19.

Preventing product, food and plastic waste

In FY18 we at Ingka Group focused on minimising waste in three areas: products, food and plastic.

Some of our products are returned by customers or get damaged in transit before they reach the IKEA store, but that doesn't mean they have to be wasted.

Our dedicated 'Recovery' teams in each of our IKEA stores repair and re-pack damaged products to go back on the shelf. In FY18 we repacked 8.7 million IKEA products, …

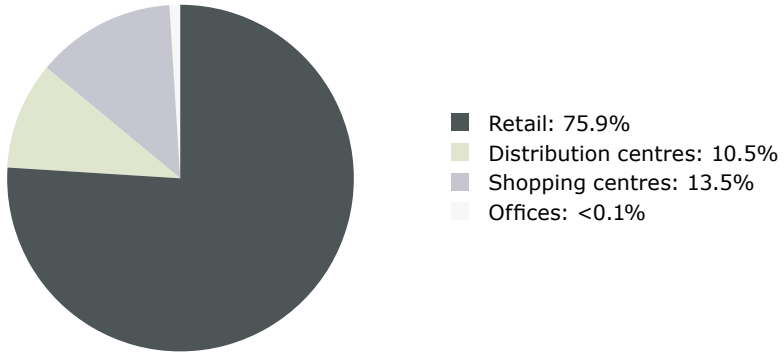
Waste disposal rates in FY18 (% per business unit)

	Recycled	Incinerated for energy recovery	Sent to land-fill	Incinerated without energy recovery
IKEA Retail	73.2	13.0	13.3	0.5
IKEA Distribution centres	79.2	11.7	9.1	0.0
Ingka Centres locations (Shopping Centres)	20.4	3.0	76.3	0.3
Offices	36.0	11.0	53.0	0.0
Total (average)	**66.7**	**11.5**	**21.4**	**0.4**

Waste produced (tonnes) and % recycled or incinerated for energy recovery

	FY16	FY17	FY18
IKEA Retail	432,835 (91.6%)	462,564 (91.4%)	504,274 (86.2%)
IKEA Distribution centres	50,594 (95.4%)	55,641 (97.7%)	69,626 (90.9%)
Ingka Centres locations (Shopping Centres)	65,739 (17.8%)	71,902 (21.5%)	89,829 (23.4%)
Offices	165 (69.8%)	151 (69.7%)	n/a[20]
Total (average)	**549,334 (83.1)**	**590,258 (83.4)**	**663,965 (78.2%)**

Waste generation % of total by unit



[19] For example, data from the IKEA Strasbourg store has been excluded from the FY18 reported figures due to inconsistencies.

[20] Challenges with waste reporting in our offices during have meant we cannot report data for FY18. We are improving how we manage waste reporting to ensure accurate data for FY19.

… a million more than last year – enabling us to sell more products that would otherwise be wasted. We also sell refurbished products with a big discount in our 'As-Is' area in stores. In FY18 we gave 35 million products a new home with a customer through As-Is – that's two million more products saved from being wasted than in FY17. During the year, more than 200 stores benefitted from a better system for co-workers and customers to find spare parts more easily and quickly, enabling them to repair products.

We're targeting food waste at our IKEA Restaurants, Cafés and Bistros. Our aim is to halve our food waste by the end of August 2020[1]. We're weighing every bit of food that is thrown away in our kitchens. This helps us understand when food is wasted and why – so we can make improvements, like cooking the right amount of food. It's helped to change co-worker behaviour and we saved 437,500 kg of food in FY18, saving nearly 1,900 tonnes of carbon emissions.

We're also concerned about the impact of single-use plastic items like straws, cups, plates and cutlery used to serve food and drinks. In June 2018, we committed to phase out single-use plastic from customer and co-worker restaurants, cafes and bistros at our IKEA stores by 2020. During FY18, we started mapping items that will be phased out. Inter IKEA Group, the developer and supplier of the IKEA range we sell, is also phasing out single-use plastic from the IKEA home furnishing range by 2020 and is working to find more sustainable options. For more information visit the Inter IKEA Group website[2].

Managing water resources

We aim to use water efficiently and inspire our co-workers to use water responsibly too. This is particularly important as one-third of our IKEA stores and distribution centres and Ingka Group suppliers are located in water-scarce areas.

In FY18 we continued our efforts to use harvested, reused or recycled water wherever possible, prioritising our sites in current and future water-stressed areas, using best available techniques and technologies. Water use increased in absolute and relative terms, due to adding new buildings, including expansion in countries with higher water consumption, better data reporting as well as external factors such as higher temperatures in the northern hemisphere.

Water use by unit (m³)

	FY16	FY17	FY18
IKEA Retail	5,178,449	5,346,839	6,009,125
IKEA Distribution centres	196,922	264,567	380,132
Ingka Centres locations (Shopping centres)	3,467,597	3,577,280	3,812,010
Other units	275,843	42,109	69,029
Total	**9,118,811**	**9,230,796**	**10,270,296**

BEING A RESPONSIBLE BUYER

We purchase home furnishing products from our franchisor, Inter IKEA Group, to sell to customers. In addition, we buy goods and services from thousands of suppliers to support our operations – from the contractors that build and maintain our stores to providers of last mile delivery services and the racks we use to display our products. We aim to create a common approach to procurement, applying the same high standards to everything we source. This includes:

- exploring circular procurement models to improve resource efficiency
- increasing the share of renewable, recyclable or recycled materials in our non-home furnishing items such as co-worker uniforms, office equipment and cleaning services
- working with suppliers to ensure compliance with our supplier code of conduct, IWAY, see page 62.
- developing a sustainable approach for food, including standards on animal welfare, see page 47.

In FY18, we continued to use our scale as a purchaser to secure more sustainable sources for non-home furnishing items and materials. For example, we made progress with buying more sustainable materials for wood and paper-based items (such as office supplies), we began work to phase out single-use plastic in our IKEA restaurants, and we sourced more renewable energy in our Ingka Group operations.

For more information on responsible sourcing related to IKEA home furnishing products, visit the Inter IKEA Group website.

[1] Stores have joined the food waste reduction programme at different times so baselines vary.
[2] https://newsroom.inter.ikea.com/

RENEWABLE HEATING AND COOLING

Eliminating emissions

It is a critical time for climate action – global temperatures are rising, and it's essential for us all to work together to dramatically reduce emissions that cause climate change.

One way we can reduce our direct greenhouse gas emissions and local pollution is in the way we heat and cool our buildings, so we have committed to replace fossil fuel technologies with 100% renewable technologies in all our buildings, including our IKEA stores, distribution centres and warehouses, our Ingka Centres locations and all Ingka Group offices by 2030. All new buildings approved after 2020 will also need to use 100% renewable heating and cooling technologies.

Karol Gobczynski, Climate & Energy Leader, Ingka Group, believes we all have a role to play in making this transition away from fossil fuels. "Every one of us can contribute towards the IKEA ambition to become climate positive. Switching to renewable heating and cooling across our hundreds of buildings across 30 Ingka Group markets is one of the ways we can show our commitment to tackling climate change."

The road ahead

Two types of heat pumps – ground source and air source – will play the main role in the elimination of fossil fuels-based energy consumption from our buildings. Nearly one fifth of our stores are using ground source heat pumps and almost a third are using air source heat pumps. These systems are already at least partially covering our stores' heating and cooling needs without direct greenhouse gas emissions, so we know it's a solution that works. The next step is to scale-up implementation across all Ingka Group buildings.

"Based on geographical location, local legislation or other restrictions, we might need to look for different solutions. This can be because the technology isn't available in some markets, so we need to import it, or it can be because lower local fossil fuel prices make the initial investment seem more expensive," says Richard Lundgren, Technical Manager, Group Property Facility Management, Ingka Group, "so we held workshops with our co-workers around the world to find the best way forward in each region."

The dedicated and engaged co-workers participating in these workshops created roadmaps for implementation in each of our 30 markets. The plans, when finished, will cover everything from the type of systems we will need to install, to the challenges we're likely to face on the way.

A safe bet

Retrofitting this technology to all buildings that don't have it at the moment will require investment and training, but we've already seen that with new technologies we can reduce operational costs and avoid the risks related to stricter emissions regulations and carbon pricing. This will benefit the business and the planet. Karol explains,

"Considering lifecycle costs helps take overall cost reduction into account, not only the initial investment.

"Renewable heating and cooling technologies can be used in the home too, so we are trialling a few initiatives to show how renewable heating and cooling systems can benefit the many in a more direct way."

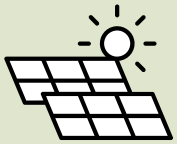
The Helsinki solution

In March 2018, we retrofitted a ground source heat pump that will heat and cool the IKEA Helsinki store using 100% renewable energy. This highly efficient technology can convert a 2°C temperature difference between above ground and below into 20°C of heating, using a system of pumps and compressors. It's projected to save us EUR 95,000 each year on our energy bills. These same solutions are already being used in some of our IKEA buildings across northern and central Europe, Canada and China.

Ingka Group in Portugal

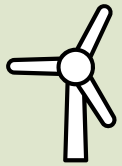
– towards people and planet positive

In Portugal, we are making a strong contribution towards the IKEA ambition to be climate positive. Through a number of different initiatives, we're saving energy and water, generating renewable energy and supporting zero emissions travel.



Solar panels

Almost all electricity generated by our solar panels is consumed directly in stores, cutting electricity costs by 25% each year with no greenhouse gas emissions. We have 11,300 panels installed on IKEA stores in Portugal.



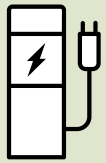
Wind Farm

Our wind turbines in Portugal generate more renewable electricity than we consume in our IKEA stores and Ingka Centres meeting places.

Lightbulb + skylight

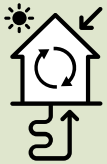
In all five IKEA retail stores in Portugal, we installed even more efficient LED bulbs which use 25% less electricity than the previous LED bulbs. Lower costs, lower energy consumption, and better for the planet.

We've also installed skylights and smoke hatches which can be used to cool our stores overnight. This halves the energy used for store ventilation at night.



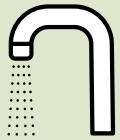
EV Chargers

IKEA stores in Portugal provide 16 charging points which can power 32 electric vehicles at once, helping co-workers and customers travel to us in a more sustainable way.



Renewable heating and cooling

Air source heat pumps provide renewable heating and cooling to our IKEA stores, which reduces local pollution and means we are less dependent on fossil fuels.



Water tap

By installing water taps with efficient nozzles and sensors in our IKEA stores, we estimate that we have reduced water consumption by 60% compared to previous taps. And this also means we are saving on energy needed to heat it up.

Fair and inclusive

WE ARE COMMITTED IN Ingka Group to being an inclusive business. This means to grow our business by providing opportunities for the many and contributing to positive change in the communities where we are present.

Our ambition for 2030 is to improve the well-being of millions of people by becoming a truly inclusive and people-centred company and employer. In this way, Ingka Group can actively contribute to the wider IKEA ambition to play its part in creating a fairer and more equal society.

We're focusing on providing and supporting decent and meaningful employment for our co-workers and people in our supply chain. We're helping people far away from the labour market to improve their employment skills, and we're creating income opportunities for vulnerable people by integrating social entrepreneurs in our supply chain. And we're co-creating sustainable, child-friendly and connected neighbourhoods and cities by working with relevant partners to tackle societal challenges.

In FY18, we:

- Continued partnerships with 58 social entrepreneurs and social businesses across 14 countries
- Supported refugees in 11 countries to improve their skills through work experience at our IKEA stores or locations
- Invested EUR 11.6 million in community engagement projects across IKEA Retail and Ingka Centres

WHY IS THIS IMPORTANT FOR INGKA?

Every year large numbers of people move out of poverty but at the same time, many parts of the world are seeing increasing inequality. We recognise the challenges people are facing such as unemployment and lack of affordable housing, where access to rights and opportunities are far from equal.

We are present in many communities. When those communities thrive, we thrive too. Guided by our values, we have always sought to create lasting positive change in communities. We not only believe it's the right thing to do, we also know it strengthens our business.

Fair and inclusive growth leads to motivated co-workers, vibrant and innovative meeting places and resilient and empowered communities. It is our mission to ensure we put people at the heart of the development of our business.

Read more on our commitment to gender equality and diversity in the workplace on page 14.

WHAT WE DO

Respecting human rights

No matter where we operate in the world, we will respect human rights. We have a responsibility to uphold the rights of all people impacted by our business: our co-workers, customers, workers in our supply chain, and the communities around us. We are committed to implementing the UN Guiding Principles on Business and Human Rights as the basis for our responsibility to respect human rights. We address human rights in many of our strategies, policies and processes including the Ingka Group Policy on Human Rights and Equality, and update these regularly in line with emerging risks and expectations.

Our approach starts with our co-workers. We are committed to providing decent, meaningful and engaging employment for every co-worker. Everyone at Ingka Group should be treated fairly and we expect our co-workers to always uphold our company values. Read more about our approach to co-workers, see page 13, and our approach to business ethics, see page 17.

We have tens of thousands of suppliers providing products and services from construction, security and cleaning to delivery drivers, product assemblers, and food for our customer and co-worker restaurants. We expect our suppliers to treat their co-workers fairly and to adopt standards consistent with our own. We never tolerate child labour or any form of modern slavery. We support decent and meaningful work for everyone in our supply chain, including vulnerable groups like young workers and migrant workers.

Social and environmental requirements for IKEA Retail suppliers are set out in IWAY – the IKEA supplier code of conduct. We partner with suppliers to help them meet our standards, but if we find they won't improve over time, we will stop working with them. IWAY also applies to the home furnishing suppliers who supply products to Inter IKEA Group. …

… **Respecting and supporting children's rights**

Everything we do as a business and as individuals can impact children's lives. That's why we work continuously to integrate the Children's Rights and Business Principles (the Principles) into our daily work. The Principles were launched jointly by Save the Children, the UN Global Compact and UNICEF in 2012. They offer a comprehensive approach to look at every part of our business from a child rights perspective. For us, the Principles mean:

- supporting decent work for young workers, parents and caregivers, while eliminating child labour from our Ingka Group supply chain
- ensuring our IKEA stores and Ingka Centres meeting places are playful and safe spaces for children – for example by providing Småland crèches at our stores and kid's centres, playgrounds and activity areas at our meeting places
- offering products for children that are safe, and marketing these appropriately
- contributing to a healthy environment for children to live in, both now and in the future through our climate initiatives
- reinforcing community and government efforts to respect children's rights.

Contributing to thriving communities

We aim to have a positive impact on the communities where we work, raising our voice on important issues and contributing to thriving and inclusive local economies. We partner with community organisations to find solutions to tackle social and environmental challenges. We're creating income opportunities for vulnerable people by working with social enterprises, and we're investing in skills and providing work experience for refugees, migrants, people with disabilities, young people and women far away from the labour market.

ACTIONS AND RESULTS

SUPPORTING DECENT WORK IN OUR SUPPLY CHAIN

The IKEA Way on Purchasing Products, Materials and Services – IWAY – is the IKEA supplier code of conduct. It sets out minimum requirements on environmental, social and working conditions and is updated regularly. It's based on the Universal Declaration of Human Rights, the United Nations Convention on the Rights of the Child, 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 IKEA home furnishing product supply chain that is operated by Inter IKEA Group. For more information about the IKEA home furnishing supply chain, visit the Inter IKEA Group website[1].

At Ingka Group, the size and complexity of our supply chain means we take a risk-based approach to embedding IWAY, using internal and external data to assess risks relating to countries of operation and supplier type. New suppliers are evaluated against IWAY and given a risk rating, which is regularly updated. Sustainability specialists in our procurement team build relationships with suppliers and offer training to help them understand and apply IWAY.

For the highest risk suppliers, we conduct IWAY audits to check compliance with our standards. We expanded our internal IWAY audit team during FY18 and now have 40 trained specialist IWAY auditors. Our internal audit team is independent from our procurement team and we use third party auditors to check IWAY compliance at some high risk suppliers.

In FY18, we completed 314 audits with direct suppliers. All audits involved our internal IWAY audit team and in some cases we completed joint audits together with third party auditors. We found 38 major non-compliances, referred to as IWAY Musts, at 31 suppliers. These were mostly related to working hours, especially for delivery drivers in Russia and China.

If we find that suppliers are not meeting our standards, we agree an action plan to correct this. A breach of our IWAY Musts has to be fixed within 14 days, and all remaining non-compliance issues within 90 days. IWAY Musts are reported to senior Category Management teams and if needed, ultimately to Ingka Group Sustainability Committee. We phase out suppliers and sub-suppliers who won't implement their corrective action plan. …

[1] https://newsroom.inter.ikea.com/

… **Fairer lives for young and migrant workers**

We never accept child labour and we investigate and follow up on any suspected case, prioritising the best interests and safety of the child. Our belief is that young people who are legally able to work should have access to decent employment opportunities. They should not do hazardous work, night work or overtime. The IKEA Way on Preventing Child Labour and Supporting Young Workers makes our position clear to all suppliers. In FY18, we identified no cases of child labour in the Ingka Group supply chain.

We take the risks of modern slavery very seriously. We have safeguards to reduce the risk of modern slavery 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 FY18 we introduced new *Guidelines on Responsible Recruitment* for our suppliers and service providers to reduce modern slavery risks. These have been translated into six languages. We also launched training materials, a video and guidance for co-workers in our procurement, sustainability, auditing and construction teams to highlight modern slavery risks and help them engage with suppliers on this issue.

MAKING PLAYTIME POSSIBLE

We believe that every child needs space and support to grow, learn and develop to their full potential and we work with NGOs, other businesses and the IKEA Foundation to enable more children to benefit from play. In FY18 we ran our 'Let's Play for Change' campaign in our IKEA retail business and founded the Real Play Coalition with Unilever, the Lego Foundation and National Geographic to help create more opportunities for children to develop and learn through play, read more on page 67.

CONTRIBUTING TO THRIVING COMMUNITIES

Our meeting places, the IKEA range, life at home knowledge, sustainability expertise and our role as an IKEA retailer mean we can play an important role in the communities where we are present. We want to co-create local strategies in all locations to address communities' needs where we can maximise positive impact.

Building skills for employment

We want to make a difference by helping people who lack the skills or experience, or face other barriers that make it hard to find or maintain employment, to develop their skills and find work in the retail industry. We're focusing on young people, people with disabilities, people over 50 years old, migrants, refugees and women who have been out of the workplace.

In FY18 we ran projects in 15 countries, often in partnership with local NGOs and public bodies, providing skills development and work experience placements. Our goal is to have skills for employment programmes in all 30 Ingka Group markets by 2025 to support our recruitment needs, building partnerships in local communities to tackle unemployment, especially for people experiencing poverty and inequalities, read more on page 66.

Partnering with social entrepreneurs

We see great potential in connecting our regular procurement activities in Ingka Group with our ambition to be an active partner in our local communities. …

Raising awareness about domestic violence in Italy

IKEA Retail Italy launched the 'No Room For Violence' campaign to raise awareness of domestic violence as one in three women have experienced domestic violence in Italy. In partnership with a local NGO, Telefono Donna, we launched a campaign with in-store activities and on social media to highlight the issue and give women who've experienced abuse information on getting support. Six months after the end of the campaign, Telefono Donna saw a 20% increase in the number of domestic abuse reports it received.

… That's why we're partnering with social entrepreneurs and social businesses. They offer products and services we need in our retail operations and to enhance our offer to our customers. Working with social entrepreneurs and social businesses in this way enables us to expand our positive social and economic impact. We're working with social entrepreneurs that focus on supporting women and others who might be facing inequality or poverty in our local communities, such as young people or people with disabilities. We're prioritising three areas: services, local food and upcycling textile collections. We've built partnerships with 58 social entrepreneurs and social businesses in 14 countries so far. Read more about how we are working with social enterprises, read more on page 65.

Supporting communities

We want to co-create sustainable, child-friendly and connected neighborhoods and cities. Our IKEA stores, and distribution centres and Ingka Centres locations are tackling local societal challenges by working with NGOs and local organisations. For example, in FY18:

- IKEA Retail Korea partnered with the Korea Foundation for Women to launch the 'Mom-Up project' to support single mothers to live a healthy and happy life. There's a strong social stigma of being an unwed mother in South Korea and many single mothers have cut off ties from their families and struggle to secure a place to live. In FY18 we supported more than 30 mothers, giving them advice to build their self-confidence and economic independence, as well as practical support to improve their homes and children's study rooms. Read more on our commitment to gender equality and diversity in the workplace on page 14.
- Ingka Centres meeting places in Russia partnered with 47 schools to upgrade their learning facilities for children with disabilities and hold disability awareness training and parasport lessons. In total 35,000 children and teachers took part.

SOCIAL ENTREPRENEURS

Designed to create jobs

From beautiful, upcycled textiles, local food and sewing services, social entrepreneurs and social businesses provide us with products and services that enhance our offer while creating meaningful opportunities to those who need them most.

At the Ellas lo Bordan textile workshop in Madrid, single mothers who have arrived in Spain as migrants, often having been victims of violence, are learning to sew and earn a sustainable income. As well as working on a collection of cushion covers for sale in selected IKEA stores, they are also creating a better future for themselves and their families.

"The best way out of poverty and social exclusion is to have a job, but that isn't always easy, particularly for women, who often face additional barriers," says Mercedes Gutierrez, Global Communities Engagement Leader, Ingka Group. "Partnerships like this are a way for us to contribute to a more inclusive society. By working with organisations that use business techniques to tackle social problems, we can provide employment for vulnerable people in our local communities. They are creating more than income opportunities, but sustainable livelihoods that help people gain respect and independence."

IN FY18, 14 INGKA Group markets had partnerships with 58 social entrepreneurs and social businesses. Examples of initiatives include in-store sewing services, where IKEA customers can bring in their home textiles and clothes for mending, taking back products at the end of life for repair, reselling or recycling, and services for our store operations, like cleaning. These businesses meet our standards for working conditions and production quality, while creating a wider social impact.

WE HAVE BEEN PARTNERING with the Concordia Bakery in Romania since 2017. It offers vocational training to youth living in vulnerable situations to help them into the workforce. They bake local pastries for our customer and co-worker restaurants at the IKEA Baneasa store. So far, all those employed by Concordia Bakery, including those not working directly to supply our store, have found a job after completing the programme, and 80% go on to have a career in baking.

"Through initiatives like these we are making the local community around our stores a better place to live and work, while at the same time creating something a little different for our customers," Mercedes says.

As our business grows and we work to meet changing customer needs, we believe working with social entrepreneurs will offer us new entrepreneurial skills and innovative solutions. This will help us transform our business and tackle the local communities' challenges at the same time.

SKILLS FOR EMPLOYMENT

Empowering refugees to fulfil their potential

Millions of people around the world are displaced by violence, economic and environmental crises and social persecution. When they arrive in a new place, they can find it challenging to integrate into their host community, but they often bring lots of talent, skills and experience with them. Businesses like ours can play an important role in supporting them to build a new life, and contribute to the community and local economy.

Asma arrived in Norway from Afghanistan in 2016, and in 2018, she became one of the newest recruits to the IKEA Furuset store in Oslo.

"This project has changed my life 100%. I could not imagine at all that I would get a job within the first year of arriving in Norway, but I now have a part-time job and I make my own money. At the same time, I have colleagues and friends at work that I can talk to and keep practising my Norwegian," she says.

Our skills for employment programmes give refugees like Asma the chance to gain work experience and develop their language skills. The aim is to prepare them for future employment either with us or another company. It also enables them to actively contribute to their new communities.

THE IKEA FURUSET STORE is offering new arrivals an eight-month work placement and the opportunity to pick up Norwegian faster through a language course. After the progamme, participants are provided with a reference and are encouraged to apply for open positions at Ingka. In FY18, 14 participants completed their training, half passed their language tests and five were recruited as new co-workers at the Furuset store. In FY19, IKEA Slependen store kicked off the programme with four new participants.

WELCOMING REFUGEES IS NOT charity. For us, it is a chance to have a positive impact on individual lives and local communities, while also benefiting from more diverse skillsets in our workplaces. In FY18, 11 countries ran refugee inclusion programmes, compared with eight in FY17.

Mercedes Gutierrez, Global Communities Engagement Leader, Ingka Group, says the initial investment is worth it for the long-term gain.

"Of course it is the right thing to do. But we don't underestimate the value this brings to our business and the communities around our stores. Refugees bring new skills, diversity, and a different point of view. This challenges us to evolve and ultimately helps us grow. Our local communities thrive too because when refugees have the right opportunities, they can help to stimulate the local economy."

"Refugees bring new skills, diversity, and a different point of view. This challenges us to evolve and ultimately helps us grow."

CHILDREN'S RIGHTS

Playing with time

Every child has a right to play. But as our lives and cities get busier, finding the time for fun is more of a challenge. That's why we're working on enabling people to embrace play in their everyday lives.

Play shapes who we are and makes us stronger, more creative and more active. That's why we have made it our goal to become experts in it. We want to raise awareness of the importance of play and inspire people to play more. We do this through our Let's Play for Change campaign that we run through our IKEA Retail business and by contributing to the Real Play Coalition.

"This is about supporting our local communities and growing with them," explains Maria Binnelid, Campaign Project Manager, Ingka Group, leading the Let's Play for Change campaign. "Our cities are becoming 'play deserts', with more space for offices and shops and fewer for play. But play is a basic need, and should not be a luxury only a few can enjoy.

"Of course, there are long-term benefits to taking action, not only for children, but for businesses and society as a whole," says Maria. "Play is a powerful learning tool. It is vital to children's development, helping them develop skills such as emotional intelligence, creativity and problem solving – all the key skills employers look for. So, it is in all of our interests to help create more time and space for play."

Let's Play for Change comes to life across IKEA every November and December when we fill our stores with lots of opportunities to spark fun. This includes a drawing competition, when we invite creative kids from all over the world to draw the soft toy of their dreams. The six most unique drawings are turned into real soft toys – the SAGOSKATT collection – sold during next year's play campaign. The full purchase price of each of these soft toys is donated to local organisations and initiatives that support every child's right to play and develop. During the competition in 2017, we received around 87,000 soft toy competition drawings from children aged 0–12 years. …

... Song Shuang, a co-worker at the IKEA Shenyang store, helped to bring the Let's Play for Change campaign activities to students at Sichuan Dazhou Minyue Zhongxin School.

"Play is vital for all of us, and every child has the right to play and develop. Just looking at the happy faces of these children shows how important play is, and the impact we can create when reaching out to our local communities," says Song Shuang.

IKEA Retail China donated EUR 64,200 to the Onederland Project, which is run by a local NGO, One Foundation, with the aim of supporting children's development through play and physical education. The money was used to build playgrounds and support sports teachers' training in five rural schools in Dazhou Sichuan Province and Tianshui Gansu Province with more than 2,300 students, many of whom are "left behind" children whose parents live and work in cities away from their children.

Tackling the play gap

From our research, we know that there are many barriers preventing people from enjoying more play in everyday life. For example, stress and responsibilities at work as well as rigid daily routines stop of us from playing more. Across many countries and cultures, play is seen as an activity for children, not a mind-set that can bring joy to everyday activities for all of us. And people often see play as a luxury – a "nice to have" moment when all other serious activities have been taken care of.

"Play is vital for all of us, and every child has the right to play and develop. Just looking at the happy faces of these children shows how important play is, and the impact we can create when reaching out to our local communities"

Together with Unilever, the LEGO Foundation and National Geographic, we launched the Real Play Coalition at the World Economic Forum Annual Meeting in January 2018. We will use our combined insights, reach and influence to impact the cultural perception and importance of play among parents, practitioners and decision-makers in society.

We want to contribute to a movement that prioritises the importance of play as something that both allows children to be children, and sparks the fire for a child's development and learning.

In FY19, we will continue to advocate for the importance of play and support research on the value of play. In November 2018 we organised the first Global Month of Play together with our Real Play Coalition partners.

About our sustainability reporting

Scope

This year we publish the "Ingka Group Annual and Sustainability Report" – for the first time, a combined report of our performance and achievements across our business, including sustainability, during the financial year 2018 (FY18) from 1 September 2017 to 31 August 2018, unless otherwise stated.

Each year, Inter IKEA Group will report progress against the IKEA sustainability strategy from across the IKEA value chain and franchise system. 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, manufacturing, and Inter IKEA Systems B.V. – the worldwide IKEA franchisor. The IKEA sustainability report for FY18 will be published in spring 2019.

In 2018 we updated the Ingka Group sustainability strategy, which sets our sustainability ambition, focus areas and goals up to 2030. This will guide Ingka Group's contribution to the IKEA ambition to become people and planet positive.

Environmental data

Our reporting and data collection processes involve many internal and external stakeholders. The majority of data is collected from primary sources and entered into reporting systems. Energy-related information is usually obtained from real-time meters at each site, from invoices or from service providers.

The primary unit used in energy reporting is MWh. Carbon emissions from our own operations and Scope 3 IKEA home furnishing suppliers[1] are typically calculated based on real measured energy and fuel usage, while models and estimations are used to assess value chain impacts.

We calculate our energy and carbon footprint in accordance with the GHG Protocol Corporate Standard using the operational control consolidation approach, and it is externally assured, see page 71. However, the data may be affected by uncertainties in scientific knowledge or in the contextual data used in calculations, especially for Scope 3. We use emission factors from publicly available sources like DEFRA (2017) and IEA (2018)[2], and from local electricity and heat suppliers. Factors from publically available databases are integrated in our reporting solution (SUSTAIN). Regular updates of these databases is included in the services provided by our software vendor. In some cases, data is estimated, which is indicated in the text. Scope 2 emissions are calculated in accordance with the GHG Protocol Scope 2 Guidance, applying both the market and location based approaches. Our baseline for GHG footprint disclosure is FY16.

The following greenhouse gases are included in our reported carbon footprint: carbon dioxide (CO_2), methane (CH_4), Nitrous oxide (N_2O), Hydrofluorocarbons (HCFs) and Perfluorocarbons (PFCs) and Sulphur hexafluoride (SF_6). The GWPs used in the calculation of CO_2e are based on the IPCC Fourth Assessment Report (AR4) over a 100-year period.

Carbon emissions data is calculated to reflect the transfer of IKEA range, supply and production activities to Inter IKEA Group on 31 August 2016. This ensures that reporting only covers Ingka Group. This includes the following changes:

- Emissions reported for offices excludes offices now belonging to Inter IKEA Group.
- Emissions related to IKEA Industry and IKEA Components has been removed from Scope 1 and 2 and are part of our scope 3 reporting. Reported FY16 scope 3 emissions, such as business travel and employee commuting have been adjusted based on actual Ingka Group staff numbers.
- Reported FY16 scope related to Use of sold products and End of life treatment of sold products have been adjusted to reflect Ingka Group sales only, not those of other IKEA franchisees.
- Scope 3 emissions have been categorised in accordance with the GHG Protocol Scope 3 categories. Our calculation models have been updated to reflect the Ingka Group business context and our external commitments.

We aim to ensure all information and data is relevant, transparent, consistent, accurate and complete, and that it provides an objective picture of Ingka Group's operations. Data for IKEA stores not owned by the Ingka Group, but by other franchisees, is not covered within the scope of this report. Any other exclusions are stated in the report.

[1]This data is provided by Inter IKEA Group
[2]Location based emissions factors for electricity usage.

Sustainability governance and management

THE INGKA GROUP SUSTAINABILITY
Strategy sets a common, bold sustainability ambition for the Ingka Group (IKEA Retail, Ingka Centres and Ingka Investments) and empowers people across the group to lead and contribute. It is fully aligned with the IKEA Sustainability Strategy made available by Inter IKEA Group in 2018, which covers the IKEA trademark users and value chain, and sets the overall sustainability frame for the IKEA trademark users and value chain, including all retail franchisees. The focus areas and goals set in the IKEA Retail section of Ingka Group Sustainability Strategy contribute to the sustainability ambitions set by the IKEA Franchisor.

Our Chief Sustainability Officer, Pia Heidenmark Cook, oversees our performance against the sustainability commitments of our sustainability strategy.

Members of the Sustainability Management Team are well represented in key decision making bodies of the Ingka Group.

On 1 September, 2018 a new Sustainability Committee was established as part of the new group governance for Ingka Group. The Sustainability Committee secures Ingka Group's commitments in the areas of sustainability and defines and follows up on the overarching priorities, principles and frameworks for sustainability within Ingka Group. Progress towards our goals is reported to the Supervisory Board of Ingka Holding B.V.

The IKEA Strategic Sustainability Council is a governance body that includes representatives from Inter IKEA Group entities, as well as franchisees, including Ingka Group. The council focus on strategic decisions affecting the wider franchise system for the people and planet agenda.

Deciding what matters
Our sustainability strategy is a response to the global megatrends facing society and uses the Sustainable Development Goals (SDG) as a guiding framework, see page 82 for our SDG Index. It builds on the progress we have made to date, our own in-depth knowledge of our customers and sustainable living, and consultation with our key stakeholders. Our stakeholders – including co-workers, customers, NGOs and partners, governments, and peers – challenge us to be our best and we learn a lot from them. We are a member of the UN Global Compact, see page 81 for our UN GC index. We work together with the World Economic Forum, World Business Council for Sustainable Development (WBCSD) and the Ellen MacArthur Foundation (CE100), and join with peers in coalitions such as the Real Play Coalition, We Mean Business, RE100, EV100 and CE8, to achieve our shared ambitions. As part of the strategy update, we involved our stakeholders in completing a materiality assessment to identify the issues most critical to our business.

Sustainability risk management
To remain a successful and growing business, we must work to understand and address the sustainability risks to our business.

The Ingka Group Sustainability Management Team runs a risk exercise every year, using internal data as well as third party reports from organisations such as the World Economic Forum and the World Resources Institute. The identified risks are assessed based on likelihood and impact. These risks are reported to the Ingka Group Sustainability Committee and the Ingka Group Risk & Compliance Committee and the Ingka Group Risk Register is updated to reflect the latest assessment. All risks have an owner in the relevant business area who is responsible for leading efforts to mitigate the risk and to provide regular feedback on developments during the year.

Local IKEA Retail organisations also run assessments of operational risks, and we are continually working to secure that sustainability risks are fully integrated into this work, so that we can complement the top down risk assessment with bottom-up risk assessment. This will improve our understanding of how sustainability risks vary and how to manage them in each country where we are present.

Assurance report of the independent auditor

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

Our conclusion

We have performed a limited assurance engagement on the Carbon emissions reporting of Ingka Holding B.V. and its controlled entities (hereinafter "Ingka Holding B.V.") for the year ended 31 August 2018.

Based on our procedures performed nothing has come to our attention that causes us to believe that the Carbon emissions reporting is not prepared, in all material respects, in accordance with the Greenhouse Gas Protocol (published by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD)) and the applied supplemental reporting criteria as explained on page 69 of the Ingka Group Annual & Sustainability Summary Report FY18.

The Carbon emissions reporting comprises the scope 1, 2 and 3 emissions inventory on pages 51-60 in the Circular and Climate Positive section of the Ingka Group Annual & Sustainability Summary Report FY18 and the explanatory notes on page 69 (hereafter: Carbon emissions reporting).

Basis for our conclusion

We have performed our limited assurance engagement on the Carbon emissions reporting in accordance with Dutch law, including Dutch Standard 3410 "Assurance Engagements on Greenhouse Gas Statements". Our responsibilities under this standard are further described in the section Our responsibilities for the assurance engagement on the Carbon emissions reporting.

We are independent of Ingka Holding B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics)".

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

Limitations to our assurance engagement

Quantification of carbon emissions is subject to inherent uncertainty due to the use of variables such as emissions factors that are used in mathematical models to calculate carbon emissions, and the inability of those models to precisely characterize under all circumstances the relationship between various inputs and the resultant emissions because of incomplete scientific knowledge on this topic.

Our assurance engagement is restricted to the Carbon emissions reporting. We have not performed assurance procedures on any other information in the Ingka Group Annual & Sustainability Summary Report FY18 in light of this engagement.

Responsibilities of management

Management is responsible for the preparation of the Carbon emissions reporting in accordance with criteria of the Greenhouse Gas Protocol (published by the WRI/WBCSD) and the applied supplemental reporting criteria as explained on page 69 of the Ingka Group Annual & Sustainability Summary Report FY18.

Management is also responsible for such internal control as management determines is necessary to enable the preparation of the Carbon emissions reporting that is free from material misstatement, whether due to fraud or errors.

Our responsibilities for the assurance engagement on the Carbon emissions reporting

Our responsibility is to plan and perform the limited assurance engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

The procedures performed in a limited assurance engagement are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in a limited assurance engagement is therefore substantially less than the assurance obtained in a reasonable assurance engagement.

We apply the 'Nadere voorschriften kwaliteitssystemen' (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 other applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional skepticism throughout our limited assurance engagement, in accordance with the Dutch Standard 3410, ethical requirements and independence requirements.

The procedures of our limited assurance engagement consisted amongst others of:

- Performing an analysis of the external environment and obtaining an understanding of the characteristics of the company and themes and issues relevant for the Carbon emissions reporting.
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the Carbon emissions reporting. This evaluation includes the evaluation of the reasonableness of estimates made by management.
- Obtaining an understanding of the reporting processes for the Carbon emissions reporting, including obtaining a general understanding of internal control relevant to our assurance engagement.
- Identifying areas of the Carbon emissions reporting with a higher risk of misleading information or material misstatements, whether due to fraud or errors. Designing and performing further assurance procedures aimed at determining the plausibility of the Carbon emissions reporting responsive to this risk analysis. These further procedures consisted amongst others of:
- Performing analytical reviews of the data and trend explanations.
- Obtaining assurance information that the sustainability information reconciles with underlying records of the company.
- Reviewing, on a limited test basis, relevant internal and external documentation.
- Site visits to assess the completeness of emissions sources, review the data collection methods, source data and relevant assumptions applicable to the sites by interviewing relevant staff responsible for providing the data for consolidation in the Carbon emissions reporting.

Amsterdam, 1 February 2019
Ernst & Young Accountants LLP

Signed by
R.T.H. Wortelboer

GROUP FINANCIAL PERFORMANCE AND GOVERNANCE

A MESSAGE FROM JUVENCIO MAEZTU

Strengthening our position for the future

To be affordable, accessible and sustainable in a changing retail industry, we need to make bigger, bolder decisions. Our core values, beliefs and principles will stay the same, but the way we do business is evolving.

We are on a mission to create a better everyday life for the many people – with thin wallets, big dreams and big needs for their lives at home. Central to this is to provide beautiful and functional home furnishings that are affordable, accessible and more sustainable. To reach today's connected consumers, we're transforming our business. And we're developing capabilities to meet changing expectations in a digital world.

Ingka is a truly purpose-driven company. This is what I learned during my time as CEO of IKEA Retail in India. It taught me why we need to do things, not just what we need to do. For example, by not compromising affordability, by being inclusive rather than targeting the few, by promoting diversity rather than accepting the status quo and by connecting with communities and creating positive impact on the people and the planet.

For us to be truly affordable for the many, we need to challenge our business model and how we choose to lead. By taking a deep interest in people's lives at home coupled with strong determination and competent co-workers, we were able to offer up to 1,000 products below INR 200 in India. If we can be successful there, we can be successful anywhere.

Our commitment to becoming people and planet positive is more relevant than ever before. We want to enable millions of people to live more sustainable and healthier lives. By transforming our own operations we will use resources with the utmost efficiency, enabling customers to care for and pass on IKEA products in more circular ways. We will play our part in creating a better life for the people and communities touched by our business. This is the role we want to play in society and it makes our business stronger.

We want to strengthen our position for the future, building on our 75 years of IKEA experience and knowledge in life at home. During the year, we've increased our efforts and investments to start transforming our business. While this has had an impact and lowered our results, it's been a conscious decision for us to start this three-year process to be better equipped for the future. Together with our shopping centres business, Ingka Centres, we are creating new meeting places and exploring new formats in cities. Now more than ever, is the time to be bold, to embrace all the opportunities together with our co-workers and to realise the IKEA vision by creating a new world of Ingka.

We take a long-term financial perspective, and we're now investing like never before. We're optimistic about the future and the role we can play through Ingka Investments. Our financial strength enables us to invest in our future purposefully, over the long term.

Transparency and accountability have never been so important, especially for the big decisions we're taking right now. We're all trusted to do the things we believe will be best for the future of Ingka Group, and we need to put compliance and good governance at the forefront of the choices we make.

The role of the CFO has changed. When people ask what my job is, I say it's everything, almost. I have to be everywhere, both upstream and downstream - contributing to strategy for the long term and anticipating the demands we will face in the future, as well as in the traditional CFO role in enabling us to learn from our results. This means listening and being humble enough to understand the complexity, but strong enough to take the responsibility to lead.

We're against the norm, and we want to keep standing out. We'll build on our unique offer, by continually learning about life at home and putting people at the centre of our business. We do this through the home visits we do and our own research into how everyday living is changing. We are taking the insights we gain from our Life At Home report, Climate Action Starts At Home report and understanding more about the importance of play in all our lives into the physical experience of our IKEA stores and in our digital space too.

We all want to make a difference. That's what I'm most proud of – the way we take decisions based on what we believe in and not only on what the excel sheets show us. The three things I enjoy most about working in our company are our vision, the many incredible colleagues working together and the many opportunities we have to make a difference.

Juvencio Maeztu
Deputy CEO and Chief Financial Officer, Ingka Group

FY18 FINANCIAL PERFORMANCE

Our Financial Year FY18

In FY18, Ingka Group total revenue grew by 2.1% and amounted to EUR 37.1 billion. Adjusted for currency impact, retail sales increased by 4.7 percent.

During FY18 we took some significant steps to accelerate our transformation to become more affordable, convenient and sustainable. We increased our investments into new and existing IKEA stores and fulfilment units, and we opened new store formats in city centres to make IKEA even more accessible. To meet the rapid growing demands for online shopping, we continued to develop our ecommerce platform to better meet our customers with faster and better digital shopping experiences.

In FY18 we made some initial structural changes to our operations and over the coming three years we continue to transform our business. The business transformation and the investment related to this will impact our cost structure and bottom-line result. In FY18, gross profit decreased by 1.3% points to 33.3% of total revenue, and operating expenses increased by 1.0% points to 27.3% of total revenue. Operating result was EUR 2.3 billion (EUR 3.0 billion in FY17).

Financial results were also impacted by lower results from Ingka Group's securities portfolio and the sale of subsidiaries. Corporate taxes incurred in FY18 amounted to EUR 0.6 billion which equals an effective tax rate of 30.0% (24.9% in FY17). Other taxes and duties, such as property taxes and customs duties amounted to EUR 0.5 billion (EUR 0.4 billion in FY17). The net profit for the year FY18 was EUR 1.5 billion (EUR 2.5 billion in FY17).

In FY18 we paid a dividend to our owner Stichting Ingka Foundation of EUR 0.5 billion out of the result from FY17. Total assets amounted to EUR 52.4 billion and we further increased our solvency to EUR 40.8 billion (78%) of equity at year-end.

In total, Ingka Group invested EUR 2.8 billion in stores, distribution and customer fulfilment networks, shopping centres, renewable energy and forestry.

Looking ahead, we continue to take a financially responsible and long-term perspective on our growth and transformation, and our liquidity in excess of EUR 21 billion gives us a solid foundation to invest in our future. We remain confident that we are well positioned to transform our business, adjust to these new market conditions and take advantage of the opportunities that are presented over the next three years.

IKEA Retail

In a rapidly changing retail landscape, IKEA Retail sales grew by 4.7% adjusted for currency impact (1.9% in Euro), with online sales showing strong growth with an increase of 45%. Sales grew in 29 out of 30 markets, with China remaining one of the fastest growing countries. The five largest markets, based on sales volume, were Germany, USA, France, United Kingdom and China.

In FY18, we opened 12 new stores. Customer visits to our stores increased by 3% to 838 million, and visits to IKEA.com increased by 12% to 2.4 billion. In addition, we opened the first IKEA store in India. We continued to roll out our ecommerce platforms and grew our fulfilment network through 14 new distribution units in order to shorten lead and delivery times to our customers.

Ingka Centres

In FY18 the rental income from Ingka Centres amounted to EUR 0.9 billion and our centres in China showed the strongest growth, supported by increasing visitation and tenant sales. Ingka Centres welcomed 475 million visits to our shopping centres, an increase of 3%. During the year, we successfully opened new European shopping centres in Algarve, Lublin and Zagreb. In Russia we are developing new shopping centres in Novoselie (St. Petersburg area) and Adygea. In China, we have acquired land rights for three new shopping centres in the cities of Changsha, Shanghai and Xian. Furthermore, we are working together with IKEA Retail on a number of projects to increase accessibility of IKEA in city centres.

Ingka Investments

Ingka Investments invests, develops and manages financial assets to support the growth of our IKEA Retail business and to safeguard the future financial strength of Ingka Group. It consists of five investment portfolios: Renewable Energy, Resource Independence, Venture & Growth Capital, Business Development and Treasury Assets.

Within the Renewable Energy portfolio we own and operate 30 windfarms in 11 countries, and in FY18 new windfarms were acquired in Finland and Portugal. As part of a long-term macro hedging strategy, Ingka Group owns and manages 180.000 hectares of sustainable forest land within the Resource Independence portfolio, and during the year major forest acquisitions were made in Latvia and the USA. As part of the Business Development portfolio, Ingka Group acquired TaskRabbit in order to offer customers flexible and affordable home services such as furniture assembly.

The ultimate parent company of Ingka Group is based in the Netherlands and therefore reports its financial results in Euro (€). This means that all figures in local currencies from the countries in which we operate are translated into Euro and then accumulated. Since currencies fluctuate, companies will always face currency effects when doing these translations. In order to show the underlying trend when adjusting for this effect, Ingka Group also communicates the currency-adjusted development. For FY18, the currency-adjusted sales growth for retail was 4.7%, while the straight conversion into Euros shows a sales increase of 1.9%.

Taxes

We are 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, customer experience and positive impact on people and the planet. The tax we pay is an important part of our wider economic and social impact.

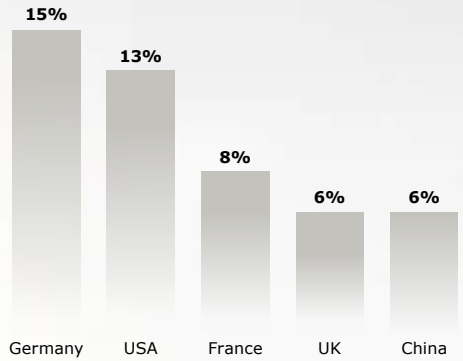
Ingka Group pays taxes in accordance with laws and regulations, wherever we are present as retailer or in any other role.

In FY18, corporate income tax amounted to EUR 634 million globally, which equals an effective corporate tax rate of 30.0% (24.9% in FY17). In FY18, our total tax bill including other taxes and duties, such as property taxes, environmental taxes and customs duties amounted to approximately EUR 1,081 million.

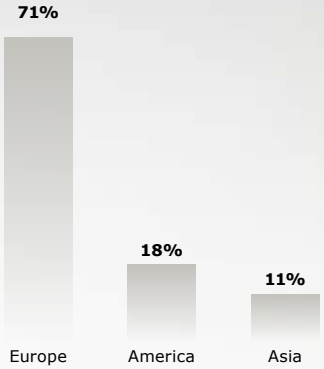
OVER THE LAST FIVE years (FY14–FY18), corporate income tax and other taxes amounted to approximately EUR 7,263 million. In addition, we collected substantial tax amounts on behalf of governments, such as VAT and employee taxes.

Over the years, we have had strong development and created tens of thousands of jobs, directly in our stores and warehouses, and indirectly with our external suppliers, which in turn generates taxable income. We continuously invest throughout our business, in stores, shopping centres, distribution centres, and lower prices to our customers.

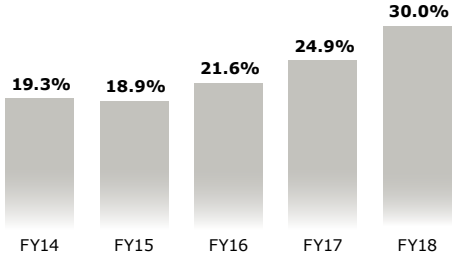
FY18 – TOP RETAIL SELLING COUNTRIES



FY18 – RETAIL SALES PER REGION



EFFECTIVE CORPORATE TAX RATE (ETR) FY14-FY18



EUR **7.3** BILLION

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

CONSOLIDATED INCOME STATEMENT

1 September – 31 August (in millions of Euros)

	2018	2017
Revenue	37,050	36,295
Cost of sales and services	24,695	23,730
Gross profit	**12,355**	**12,565**
Operating expenses	10,104	9,534
Operating income	**2,251**	**3,031**
Total financial income and expense	-138	283
Income before minority interest and taxes	**2,113**	**3,314**
Tax	634	825
Income before minoriy interests	**1,479**	**2,489**
Minority interests	11	16
Net income	**1,468**	**2,473**

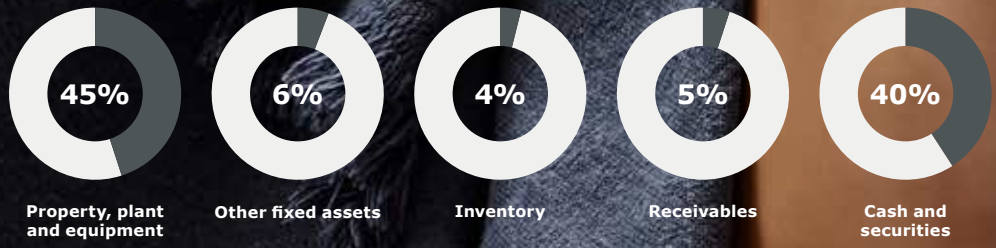
The included abbreviated financial information is derived from the consolidated financial statements of Ingka Holding B.V. This information is prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. An unqualified auditor's report dated 19 November 2018 was issued on these financial statements. Ingka Holding's Annual Report for financial year 2018, is available through the Dutch Chamber of Commerce. The Ingka Group total revenue includes sales of goods, rental income and service income.

CONSOLIDATED BALANCE SHEET AUGUST 31

Assets (in millions of Euros)

	2018	2017
Property, plant and equipment	23,565	23,172
Other fixed assets	2,970	2,488
Total fixed assets	**26,535**	**25,660**
Inventory	2,027	1,924
Receivables	2,544	2,327
Cash and securities	21,244	23,029
Total current assets	**25,815**	**27,280**
Total assets	**52,350**	**52,940**

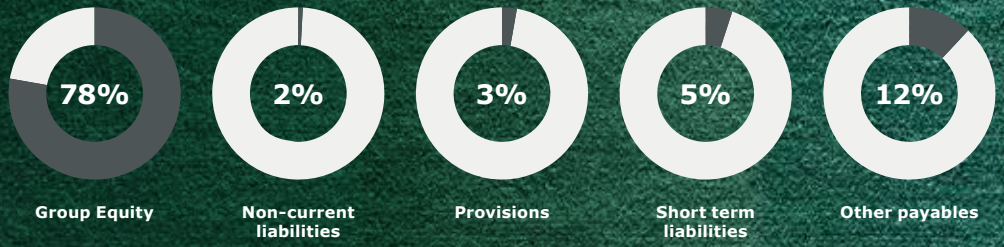
FY18 – TOTAL ASSETS – EUR 52,350 MILLION



CONSOLIDATED BALANCE SHEET AUGUST 31
Equity & liabilities (in millions of Euros)

	2018	2017
Group Equity	**40,822**	**39,943**
Non-current liabilities	774	1,010
Provisions	1,810	1,767
Total non-current liabilities	**2,584**	**2,777**
Short term liabilities	2,727	3,891
Other payables	6,217	6,329
Total current liabilities	**8,944**	**10,220**
Total equity and liabilities	**52,350**	**52,940**

FY18 – TOTAL ASSETS – EUR 52,350 MILLION



We operate IKEA stores and other sales channels under franchise agreements

Ingka Holding B.V. is one of 11 franchisees, operating IKEA stores under franchise agreements with Inter IKEA Systems B.V., the owner of the IKEA concept and worldwide IKEA franchisor. Inter IKEA Systems B.V. is based in the Netherlands and part of the Inter IKEA Group. Inter IKEA Group and Ingka Group have the same founder, 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 stores layout, fittings and display concept.

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 which 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

Ingka Holding

Ingka Holding B.V. is the parent company of the Ingka Group, located in Leiden, the Netherlands. Ingka Group operates three businesses in one; IKEA Retail, Ingka Centres and Ingka Investments. IKEA Retail is the core business, where we operate IKEA stores and other sales channels in 30 countries. Ingka Centres operates shopping centres under different trademarks, always anchored by an IKEA store. Ingka Investments makes purposeful investments to support Ingka Group's long-term growth, to secure its financial strength and to support its sustainability goals.

Ingka Group Governance

Supervisory Board | **Audit Committee** | **Remuneration Committee**

Management Board | **Finance Committee** | **Investment Committee** | **Strategic Development Committee** | **People Committee** | **Risk & Compliance Committee** | **Sustainability Committee**

Group Functions

Ingka Centres | **IKEA Retail** | **Ingka Investments**

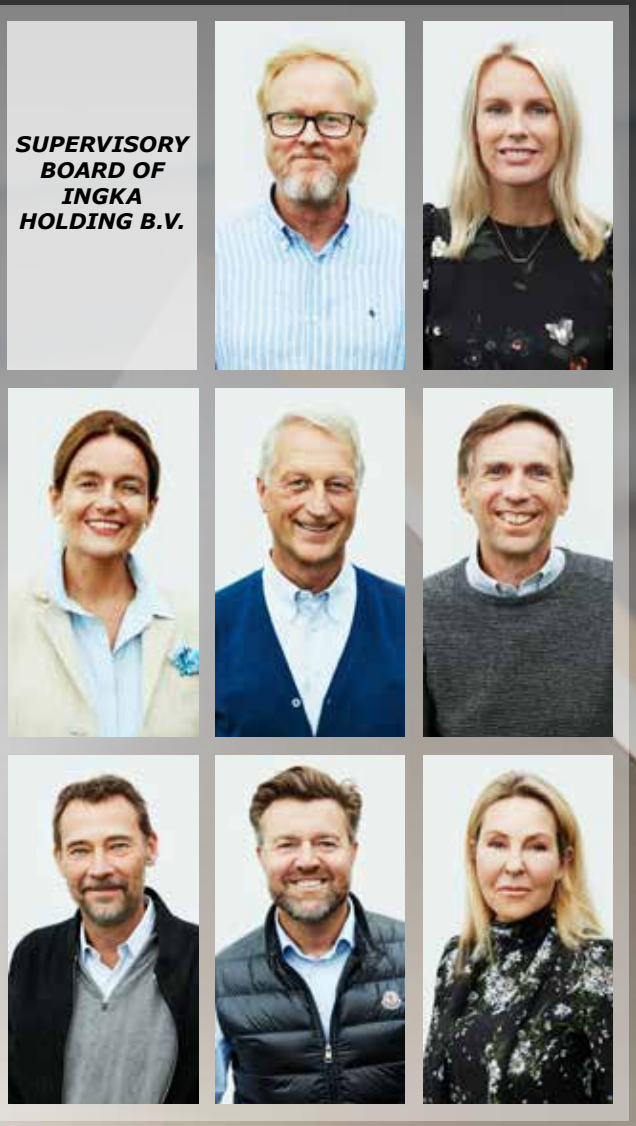
The Ingka Group Governance and decision making structure defines the organisation and the primary decision-making bodies of the Ingka Group (Ingka Holding B.V. and its controlled entities).

Ingka Group Supervisory Board

The Supervisory Board of Ingka Holding B.V. is responsible for supervising, monitoring and advising the work of the Management Board. Based on the recommendations from Management Board, Supervisory Board approves, amongst others, the strategic plan, the main directions and budget of the Ingka Group.

During FY18, Göran Lindahl resigned from the Ingka Holding B.V. Supervisory Board, with effect as of 21 November 2017.

As per 31 August 2018, the Supervisory Board of Ingka Holding B.V. consists of (from top left to bottom right); Lars-Johan Jarnheimer (Chairman), Stina Bergfors, Luisa Delgado, Tore Bertilsson, Ian Worling, Jonas Kamprad, Mark Newton-Jones and Lone Fønss Schrøder.



Ingka Group Management Board

The Management Board is entrusted with the management of the Ingka Group and by that it has responsibility over the general conduct of the business of the Group.

The Ingka Group Management Board has two members; Jesper Brodin (Chief Executive Officer & President) and Juvencio Maeztu (Deputy Chief Executive Officer and Chief Financial Officer). Kurt-Jörgen Olsson (General Counsel) is permanent invitee and Corporate Secretary.

Ingka Group Strategic Leadership

Some leaders take part in the strategic leadership of Ingka Group in areas such as strategies, business transformation, leadership and performance. Management Board has delegated the day-to-day business to the respective core business managers.

From left to right; Tolga Öncu (Retail Operations), Gerard Groener (Ingka Centres), Krister Mattsson (Ingka Investments).

Also part of the strategic leadership are (from left to right); Barbara Martin Coppola (Group Digital), Davide Urani (Group Strategy, Development & Innovation), Olivia Ross Wilson (Group Communication), Ulrika Biesèrt (Group People & Culture), Doris Lan (CEO Assistant).

INDICES

The UN Global Compact Index

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 UN Global Compact reference table (below) shows our progress regarding the ten principles.

UNITED NATIONS GLOBAL COMPACT (UNGC) PRINCIPLES		LOCATION IN FY18 REPORT
HUMAN RIGHTS		
Principle 1	Businesses should support and respect the protection of internationally proclaimed hu-man rights; and	Respecting human rights, page 61
Principle 2	make sure that they are not complicit in human rights abuses.	Respecting human rights, page 61 Supporting decent work in our supply chain, page 62
LABOUR		
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Engaged IKEA people with customers at heart, page 15
Principle 4	the elimination of all forms of forced and compulsory labour;	Respecting human rights, page 61 Supporting decent work in our supply chain, page 62
Principle 5	the effective abolition of child labour; and	Respecting and supporting children's rights, page 62 Fairer lives for young and migrant workers, page 63
Principle 6	the elimination of discrimination in respect of employment and occupation.	People choose IKEA for what we stand for, page 13 Equality works better, page 18

UNITED NATIONS GLOBAL COMPACT (UNGC) PRINCIPLES		LOCATION IN FY18 REPORT
ENVIRONMENT		
Principle 7	Businesses should support a precautionary approach to environmental challenges;	Circular and climate positive, page 51
Principle 8	undertake initiatives to promote greater environmental responsibility; and	Healthy and sustainable living, page 44 Circular and climate positive, page 51
Principle 9	encourage the development and diffusion of environmentally friendly technologies.	Healthy and sustainable living, page 44 Circular and climate positive, page 51
ANTI-CORRUPTION		
Principle 10	Businesses should work against corruption in all its forms, including extortion and brib-ery.	Business ethics, page 17

Our contribution to the 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	Aiming to become an inclusive and people-centred company and employer, page 61 Contributing to thriving communities, page 63 Partnering with social enterprises to support those facing poverty and other barriers, page 65 Supporting refugees to develop skills for employment, page 66
	End hunger, achieve food security and improved nutrition and promote sustainable agriculture	Offering products and solutions that enable customers to cut food waste, page 45 Offering healthier and more sustainable food for customers and co-workers, page 47 Investigating foods for the future, including plant-based proteins, page 49 Minimising food waste in our operations, page 57
	Ensure healthy lives and promote well-being for all at all ages	Offering products for more healthy and sustainable living, page 45 Inspiring and enabling healthy and sustainable living, page 46 Health and wellbeing in the workplace, page 16
	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Standing up for equality and inclusion, page 13 and 18 Supporting children's right to play, page 67 Offering our co-workers opportunities for training and development opportunities, page 13

SUSTAINABLE DEVELOPMENT GOALS		HOW INGKA GROUP CONTRIBUTES
	Achieve gender equality and empower all women and girls	Working to ensure gender equality across IKEA Group, page 14 and 17 Partnering with social enterprises that employ people – mostly women – and empower them to develop sustainable incomes, page 65
	Ensure availability and sustainable management of water and sanitation for all	Managing water resources, page 58 Inspiring and enabling customers to save water at home, page 45
	Ensure access to affordable, reliable, sustainable and modern energy for al	Investing in renewable energy, page 54 Making residential solar affordable and accessible for the many people, page 50
	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Creating a people movement, page 13 Improving standards in our supply chain through IWAY, the IKEA supplier code of conduct, page 62 Supporting refugees to develop skills for employment, page 66 Partnering with social enterprises to create opportunities for people experiencing poverty and other barriers, page 65

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SUSTAINABLE DEVELOPMENT GOALS		HOW INGKA GROUP CONTRIBUTES
	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	Investing in renewable electricity generation, page 54 Investing in renewable heating and cooling in our buildings, page 59 Working towards zero emissions home deliveries, page 24 Investigating foods for the future, including plant-based proteins, page 49 Tackling emissions from travel and deliveries, page 56
	Reduce inequality within and among countries	Promoting a fair and inclusive society and respecting human rights, page 61 Respecting and supporting children's rights, page 62 Supporting fairer lives for young and migrant workers, page 63
	Make cities and human settlements inclusive, safe, resilient and sustainable	Striving for zero waste and using resources in a circular way, page 57 Inspiring and enabling customers to live more sustainably, through IKEA products, page 45-46 Making residential solar affordable and accessible for the many people, pages 50 Promoting circular consumption, page 47-48 Contributing to thriving communities, page 63 Working towards zero emissions home deliveries, page 24 Tackling emissions from travel and deliveries, page 56
	Ensure sustainable consumption and production patterns	Offering products that enable sustainable living, and inspiring co-workers and customers to live more sustainably, page 45 Striving for zero waste and using resources in a circular way, page 57 Responsible sourcing of goods and services that help to run our business, page 58 Promoting circular consumption, page 47-48

SUSTAINABLE DEVELOPMENT GOALS		HOW INGKA GROUP CONTRIBUTES
	Take urgent action to combat climate change and its impacts	Contributing to the IKEA ambition to become circular and climate positive, page 51 Inspiring and enabling more people to live better lives within the limits of the planet, page 44
	Conserve and sustainably use the oceans, seas and marine resources for sustainable development	Working to phase out single-use plastic from our IKEA Restaurants, Cafes and Bistros, page 58
	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 58 Investing in responsibly managed forests, page 41 Operating our buildings responsibly and efficiently, pages 54-56, 59 and 60
	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 61 Aiming to become an inclusive and people-centred company and employer, page 61 Contributing to thriving communities, page 63 Partnering with social enterprises to support those facing poverty and other barriers, page 65 Supporting refugees to develop skills for employment, page 66 Ensuring an ethical approach to the way we do business, through our Code of Conduct, page 17
	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, pages 14, 52, 57 and 63

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