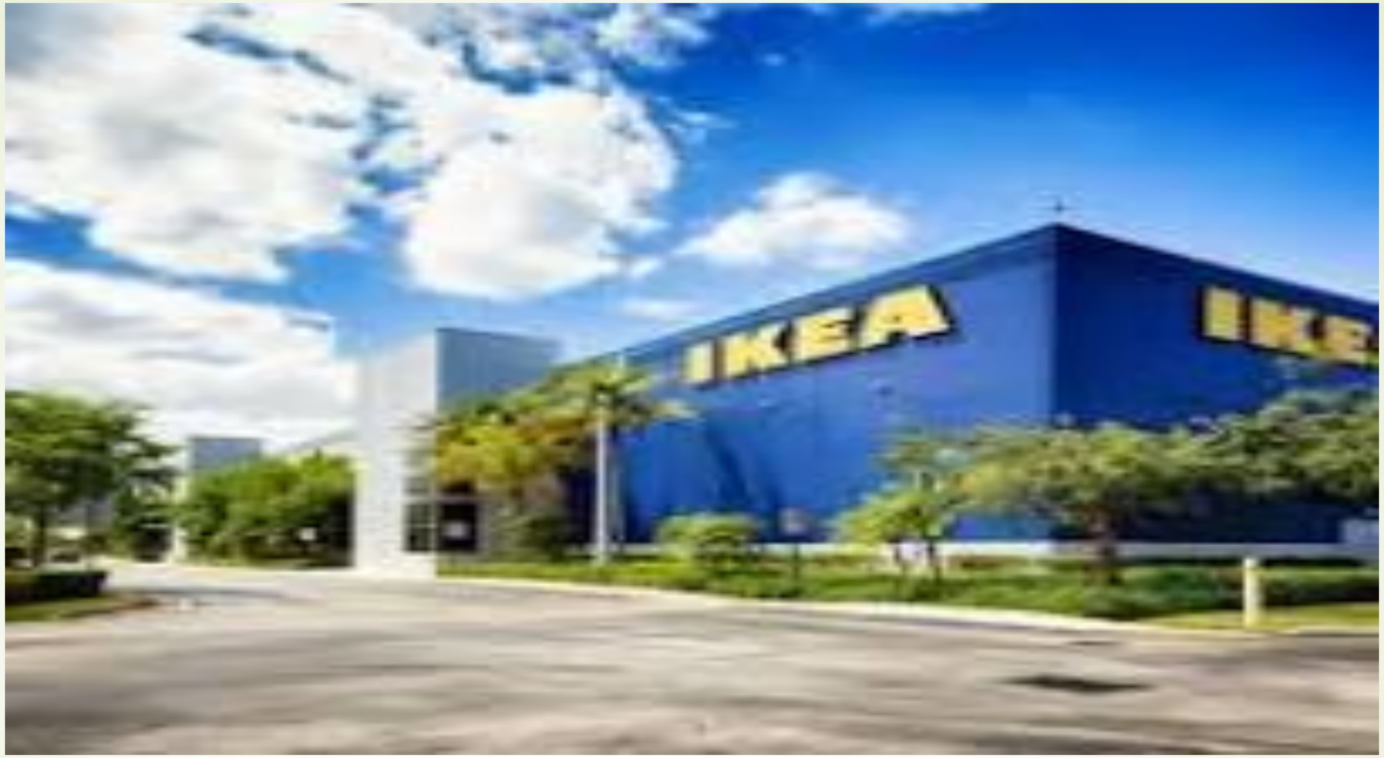
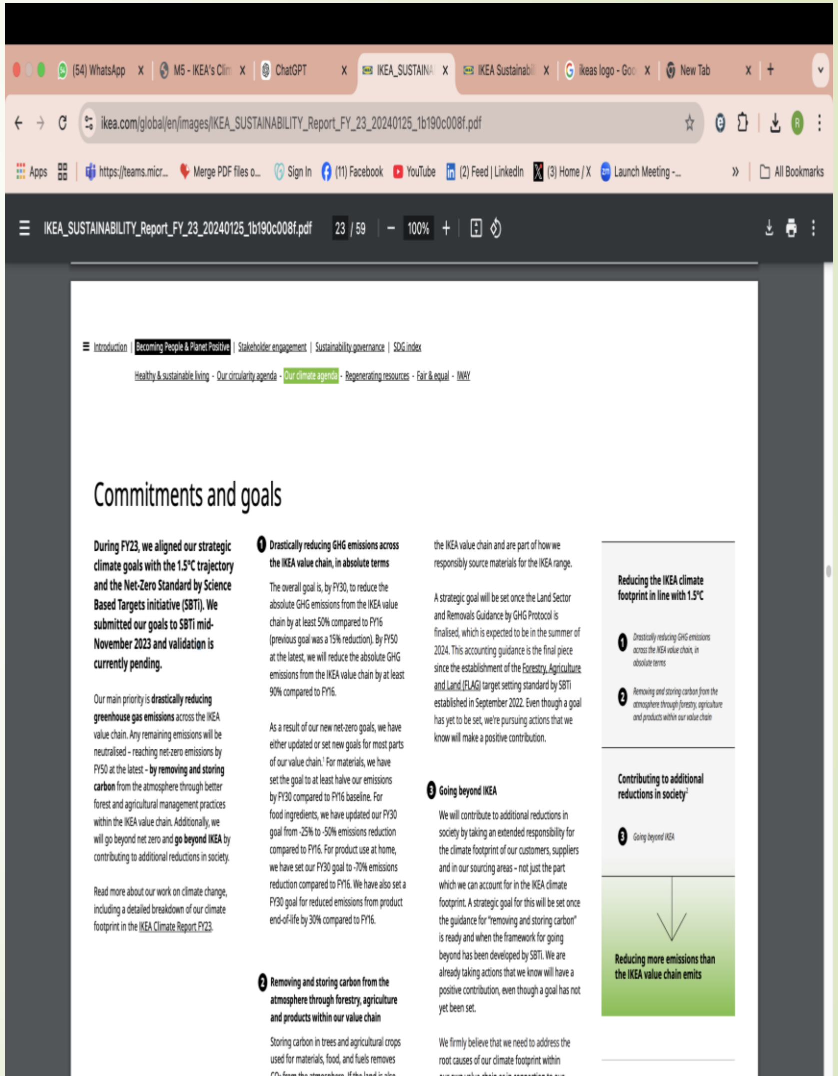


IKEA’s Climate Initiatives: Progress, reporting Challenges, and Lessons

A Comprehensive Overview of Sustainability Practices

Introduction: “*create a better everyday life for many people*”

- Worlds **largest furniture retailer**
- Strong **commitment** to sustainability
- **Pledge** to become climate positive by 2030 by reducing greenhouse gas emission in the entire value chain
- Focus on **renewable energy**, **sustainable sourcing, and circular economy**
- Operating in 50 countries and 445 stores
- Clearly illustrates that environment responsibility can align with profitability
- Strategy adopted is aligned with the UN’s sustainable development goals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Commitments and goals

During FY23, we aligned our strategic climate goals with the 1.5°C trajectory and the Net-Zero Standard by Science Based Targets initiative (SBTi). We submitted our goals to SBTi mid-November 2023 and validation is currently pending.

Our main priority is **drastically reducing greenhouse gas emissions** across the IKEA value chain. Any remaining emissions will be neutralised – reaching net-zero emissions by FY50 at the latest – **by removing and storing carbon** from the atmosphere through better forest and agricultural management practices within the IKEA value chain. Additionally, we will go beyond net zero and **go beyond IKEA** by contributing to additional reductions in society.

Read more about our work on climate change, including a detailed breakdown of our climate footprint in the IKEA Climate Report FY23.

1 Drastically reducing GHG emissions across the IKEA value chain, in absolute terms

The overall goal is, by FY30, to reduce the absolute GHG emissions from the IKEA value chain by at least 50% compared to FY16 (previous goal was a 15% reduction). By FY50 at the latest, we will reduce the absolute GHG emissions from the IKEA value chain by at least 90% compared to FY16.

As a result of our new net-zero goals, we have either updated or set new goals for most parts of our value chain.[1] For materials, we have set the goal to at least halve our emissions by FY30 compared to FY16 baseline. For food ingredients, we have updated our FY30 goal from -25% to -50% emissions reduction compared to FY16. For product use at home, we have set our FY30 goal to -70% emissions reduction compared to FY16. We have also set a FY30 goal for reduced emissions from product end-of-life by 30% compared to FY16.

2 Removing and storing carbon from the atmosphere through forestry, agriculture and products within our value chain

Storing carbon in trees and agricultural crops used for materials, food, and fuels removes

the IKEA value chain and are part of how we responsibly source materials for the IKEA range.

A strategic goal will be set once the Land Sector and Removals Guidance by GHG Protocol is finalised, which is expected to be in the summer of 2024. This accounting guidance is the final piece since the establishment of the Forestry, Agriculture and Land (FLAG) target setting standard by SBTi established in September 2022. Even though a goal has yet to be set, we're pursuing actions that we know will make a positive contribution.

3 Going beyond IKEA

We will contribute to additional reductions in society by taking an extended responsibility for the climate footprint of our customers, suppliers and in our sourcing areas – not just the part which we can account for in the IKEA climate footprint. A strategic goal for this will be set once the guidance for "removing and storing carbon" is ready and when the framework for going beyond has been developed by SBTi. We are already taking actions that we know will have a positive contribution, even though a goal has not yet been set.

We firmly believe that we need to address the root causes of our climate footprint within

Reducing the IKEA climate footprint in line with 1.5°C

1 *Drastically reducing GHG emissions across the IKEA value chain, in absolute terms*

2 *Removing and storing carbon from the atmosphere through forestry, agriculture and products within our value chain*

Contributing to additional reductions in society[2]

3 *Going beyond IKEA*

Reducing more emissions than the IKEA value chain emits

Strategic Approach1: Renewable energy integration

Key Actions:

Investment in wind and solar energy :Operation of 575 wind turbines and 21 solar parks globally.

Installation of approximately 900,000 solar panels across stores and warehouses.

Provision of affordable solar solutions to customers in various markets.

Goal to produce more renewable energy than consumed by 2025.

Results:

As of FY23, 80% of IKEA's operations are powered by renewable energy.

Over €3 billion invested in renewable energy projects since 2009.

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Source: IKEA Sustainability Report FY23

Strategic Approach 2 :Sustainable Sourcing

Key Actions:

- Achieved 100% sustainable sourcing for wood and cotton.
- Transitioning to recyclable materials and phasing out single-use plastics by 2028
- Expansion of plant-based food options to reduce carbon footprint.

- **Results:**
  - 98% of wood is either FSC-certified or recycled.
  - Cotton sourcing practices have reduced water consumption by 50% (BCI).
  - Commitment that by 2030, all materials used will be renewable or recyclable.

- **Source:** IKEA Sustainability Report FY23

Strategic Approach 3 :
Circular Economy Practices

- Key Actions:
  - Implementation of furniture take-back programs with over 95% waste recovery rates.
  - Products like the ODGER chair made with up to 70% recycled plastic.
  - Development of modular and repairable furniture designs.
  - Recycling 99% of waste generated from operations.
- Results:
  - In FY22, diverted over ***1 million tons of waste from landfills***.
  - Products made with recycled materials accounted for approximately ***25% of total sales in FY23.***

Reporting: Adherence to principles of reliability, consistency, completeness, transparency, and accuracy in sustainability reporting

Annual reports detailing progress towards climate goals.

- Notable achievements:
  - ***22% reduction in total climate footprint*** compared to baseline year FY16.
  - Strengthened climate goals in **line with the 1.5°C target**.
  - Emission Reductions: **A reduction of absolute greenhouse gas emissions by 10% across the value chain despite business growth**.
  - Investment in Sustainability: Over **€3 billion invested** in climate-positive initiatives.
  - Customer Engagement: Reached over **2 million households** through solar solutions programs, promoting clean energy adoption
  - Introduction of bio-based glue reducing emissions from materials

High-level material topic	Key challenge	focus area and commitment
Health and well-being Life at home and work impact Resource efficiency Climate footprint	Unsustainable consumption	**Healthy and sustainable living** • Live healthy • Promoting circular and sustainable consumption • Better every dayliving
Material use Sourcing impact Production impact Logistics impact Operations impact	Climate change	**Circular & climate** • Transforming into circular business • Becoming climate positive • Regenerating resources, protecting ecosystem and improving biodiversity
Human right Decent work Impact	Inequality	• Fair and equal • Being a responsible business and contributing to resilient society • Providing decent and meaningful

IKEA sustainability strategy for its franchisees system and value chain

Challenges

- Achieving net-zero emissions in transportation and logistics due to reliance on fossil fuels.
- Scaling circular practices globally requires extensive collaboration across supply chains.
- Addressing concerns about sustainable forestry practices in certain regions.

felled forests takes axe to Ikea's green credentials

Giving Back to Society:

Its sustainability reports (2016–2018) emphasize environmental and social initiatives but avoid directly linking these practices to financial outcomes.

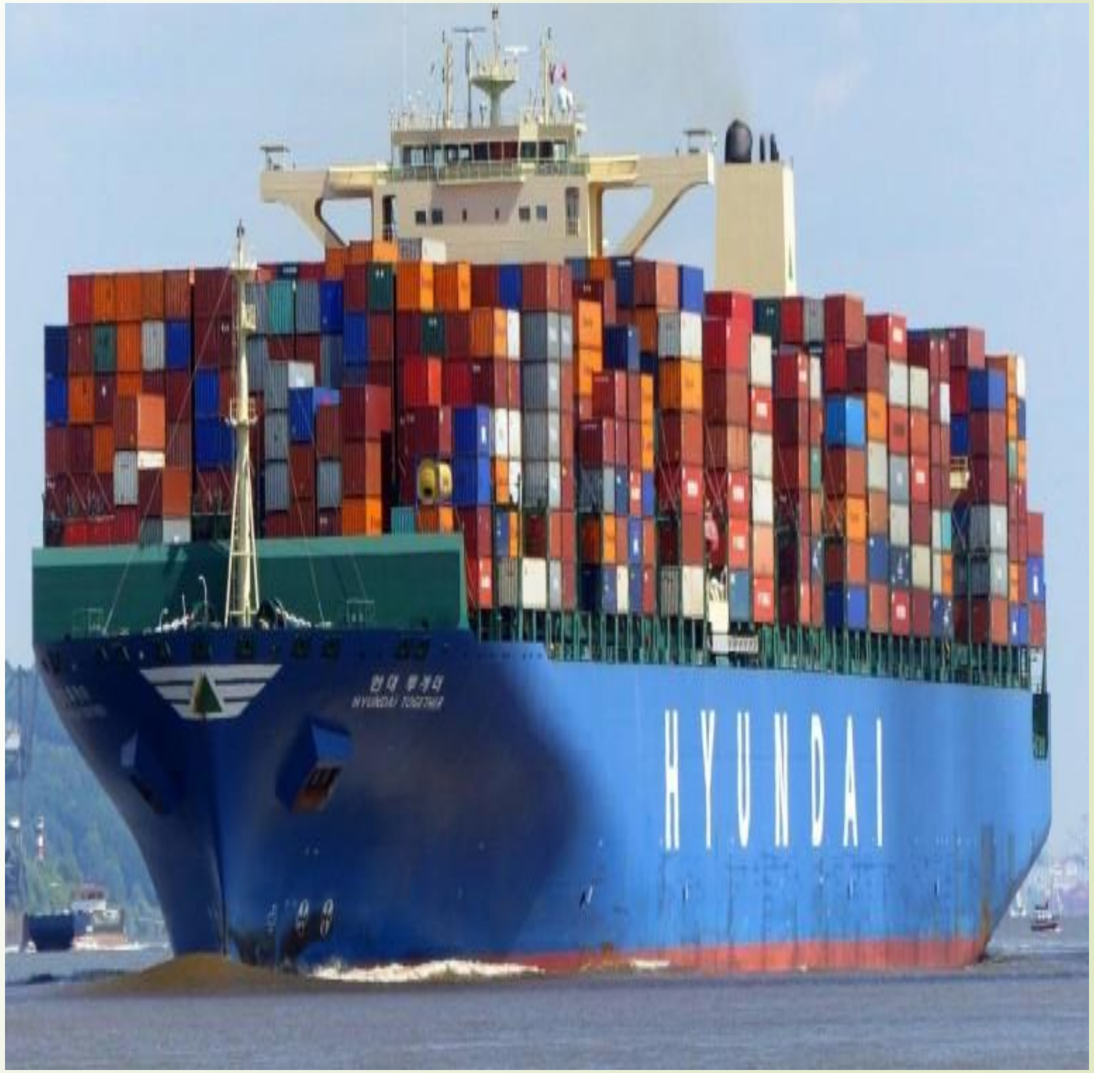
- IKEA’s choice to downplay financial correlations in reports may reflect its focus on the non-monetary benefits of sustainability, such as environmental stewardship and societal impact.

- **Evidence of Positive Economic Impact:**
  - Sales of IKEA's sustainable products have steadily increased, showing consumer preference for environmentally friendly options.
  - This growth has contributed significantly to the company’s profitability, despite the lack of explicit acknowledgment in sustainability reports.
- **Sustainability as a Competitive Advantage:**
  - IKEA’s commitment to sustainability resonates with socially conscious consumers, reinforcing its brand value and market leadership.
  - Sustainability initiatives, even without clear financial disclosure, provide long-term economic benefits by building consumer trust and loyalty.
- **Reference**
- For a deeper understanding, the insights are drawn from the study:
  "Sustainability as a Competitive Advantage: IKEA as a Case Study"
  (ResearchGate, 2023)

Recent Developments

- Launch of IKEA **Preowned, a peer-to-peer marketplace for second hand furniture,** piloted in Madrid and Oslo.
- Collaboration with other companies to boost demand for green fuels in ocean shipping, aiming for net-zero greenhouse gas emissions by 2050.

- **Sources:**
  - Ikea launches second hand marketplace to compete with eBay
  - Amazon, IKEA join other ocean cargo shippers to boost demand for new green fuels
- https://www.seatrade-maritime.com/containers/ikea-inks-green-bio-fuel-shipping-contract-with-hmm



Key Takeaway

- Environmental and Economic Synergy: Demonstrates that **climate action can enhance both sustainability and business performance.**
- Scalable Impact: Serves as a **model for other industries** in implementing sustainable practices.
- Transparency Drives Trust: Open reporting fosters stakeholder **trust and accountability**.
- Innovation through Sustainability: Transitioning to a **circular economy illustrates how innovation can mitigate environmental impacts while creating new business opportunities**

Conclusion

- IKEA's commitment to **becoming climate-positive** reflects a **transformative approach to corporate sustainability**.
- Investments in renewable energy, sustainable sourcing, and circular practices showcase a multifaceted strategy for addressing climate change.
- Through transparency and innovation, IKEA **not only reduces** its environmental footprint but also **enhances its brand reputation and operational efficiency.**