



Sustainability Report

IKEA Iceland FY24



A word from our CEO

In the past decade or so, the general understanding of sustainability has developed substantially, and awareness has increased, which has driven tangible changes in both the regulatory framework and the business environment. Looking back, we see the overemphasis on direct corporate emissions that are easy to measure and report, but we know today that it is only the tip of the iceberg. In its 81-year history, IKEA has always stood for sustainability, and in recent years as the world's largest furniture manufacturer, has been at the forefront with ambitious goals for reducing greenhouse gas emissions, shouldering responsibility for people and communities in the value chain, while at the same time expanding its business to improve the everyday life of the many with quality home furnishing products at a low price.

In the discussion on corporate sustainability, it is often forgotten that a business' purpose and its business idea can be a part of its sustainability contribution. Social responsibility, and a large part of our sustainability vision in Kauptún 4, is to offer Icelandic consumers home furnishing and food that most people can afford. The goal is not increased consumption, but more responsible consumption through products that promote sustainability compared to similar products, our large selection in "As-Is" and the availability of products for maintenance to extend the life of our furniture. We are proud of this and protect it with our daily work.

In the near future, regulations on detailed sustainability reports will come into force, which will surely be a step forward, because what is not measured cannot be improved. However, we must not lose sight of the big picture in such complex and technical projects because the goal has not changed and will only remain realistic if everyone participates, each with their strengths.

This report, like other IKEA products, is simple and accessible and provides you with an overview of our sustainability aspects in the last financial year and our direction for the future.



Stefán R. Dagsson, CEO of IKEA in Iceland.



Contents

A word from our CEO	1
Contents	2
OVERVIEW	
About this report	4
What is IKEA	5
IKEA in Iceland	7
Sustainability policies	8
IKEA in numbers	10
THE REPORT	
Environment	13
Social factors	17
Governance	21
Opportunities and challenges	24
DISCUSSIONS	
The expansion	27
Strategy and quality management	28
The green plus	29
Children's Accident Prevention Centre	30
Plastplan	31
A new type of paper wrap	32
Deserved trust	33



OVERVIEW

About this report

What is IKEA

IKEA in Iceland

Sustainability policies

IKEA in numbers

About this report

This report covers the sustainability aspects of IKEA in Iceland. Only the highlights of IKEA global sustainability aspects are covered to provide context for the reader. At the time of the publication of this report, the final FY24 sustainability figures for IKEA globally were not available. Those numbers will be reported on our platforms and in the next sustainability report.

Our sustainability reports have matured since 2018 in line with increased requirements for disclosure, available knowledge and society's understanding in the field as well as the ability to gather and publish detailed information that is relevant to readers. They have been given different names, such as an environmental report, social report and of course sustainability report, but they all tackle the same subject. Along with regulations on sustainability disclosures coming into force in the coming years, the consistency in reporting between businesses will increase, as will the details of the information disclosed in those reports. At IKEA, preparations have already begun.

When evaluating performance, it is important to account for changes in infrastructure or reporting methodology that affect numerical information. This report covers a period of great change at IKEA, where a new 12,500 m² extension was taken into use while several facilities were decommissioned, a new sorting area replaced a temporary solution, cardboard and corrugated packaging materials from our suppliers increased and carbon accounting received a thorough review of the methodology for the future. It can therefore be expected that the figures for this financial year mark a turning point and must be viewed with caution in comparison with previous years and future reports.

What is IKEA

More than brand

Our vision "to create a better everyday life for the many people" is guided by the business concept "to offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them".

Sustainable by ideal

When Ingvar Kamprad founded IKEA in 1943, responsible use of raw materials and efficiency in production and transportation enabled him to offer home furnishing products at competitive prices. Ingvar's ideals, however, cut deeper with respect for both the environment and society. That ideal follows IKEA even today in the minds of consumers as a trusted brand with sustainability as a guiding principle.

Not just what, but how

Manufacturers and retailers have a responsibility in enabling a responsible consumption culture. The two most common ways are higher pricing so that only better-off people can buy the products or with more sustainable, responsible and economical production. IKEA adheres to the vision of creating a better everyday life for the many people, thereby contributing to an increased quality of life for people around the world and is committed to doing so in a sustainable and responsible manner.





Dare to be different

We try to do things differently. It is at the core of IKEA to look for new ways and find solutions where they have not been found before, to activate the entrepreneurial spirit in all of us. We have faced many challenges in order to offer well-designed home furnishing products at affordable prices, made by people with decent and meaningful jobs, from more sustainable materials that even take years to develop, and at the same time significantly reducing our carbon footprint. We do this for a reason. We do it because we think it's the best way to stay on top of things, be creative, to surprise and connect with people. We do it because trying new and exciting things keeps the brand fresh and because it gives us all a brighter future.

Our brand stands for everything we say and do – and have said and done. Our relationship with co-workers, suppliers and partners is also reflected in the brand. It is symbol for everything we stand for and connects all IKEA retailers and other parts of the IKEA business. It is something to be protected with pride. IKEA unites thousands of co-workers and hundreds of companies with different ownerships around the world. It is one brand with one vision but reaches millions of homes and hearts.

IKEA in Iceland

A part of something so big

In Iceland, and all over the world, we follow the IKEA vision and concept, and therefore several things can be directly attributed to that. The product range, quality requirements, service and management practices are examples of what IKEA stands for worldwide. Our customers can count on a similar experience and service regardless of location, while co-workers and stakeholders can count on comparable governance and facilities. The tools IKEA has for that are a tight network and clear channels of communication throughout the IKEA brand as well as standards such as IConduct, which franchisees must meet and IWAY, which all suppliers must meet.

Still so unique

However, each IKEA store is unique. IKEA Iceland has a responsibility towards its customers, co-workers and other stakeholders. From the very beginning, we have made an effort to meet the special conditions that the Icelandic market is exposed to, both challenges and opportunities. We should take advantage of the opportunities available to do better, even in the areas where we might already be in the forefront among similar IKEA stores, such as sustainable energy sources and accessibility to waste sorting solutions. Similarly, we face challenges that few IKEA stores face, such as long and rough shipping routes for our products and a small market in a geographically dispersed area. Our owners, managers and co-workers have sought and found ways that suit Icelandic conditions. In this way, the IKEA vision and purpose are kept alive for the benefit of Icelandic consumers and we are strong participant in the IKEA sustainability journey all around the world.



Sustainability policies

Internationally

In 2023, the IKEA sustainability strategy from 2018 was reviewed and the goals updated. A lot has changed in a short time, and we were happy that the goal of a 15% reduction in emissions by 2030 was achieved and beyond, in 2023 we have already achieved a 22% absolute reduction and therefore we get an opportunity to do even better. The updated policy has been based on the following three factors:

Healthy and sustainable living

IKEA commitments for 2030 include offering home furnishing products, services and solutions that support a healthy and sustainable life at home as well as offering a food range that supports healthy and sustainable eating. IKEA is also working to contribute to a shift in society where healthy and sustainable lifestyles become the norm.

Climate, nature and circularity

IKEA is committed to halving emissions from the IKEA value chain by 2030 on our way towards net zero by 2050. At the same time, we're transitioning towards a circular business and working to regenerate resources, protect ecosystems and improve biodiversity.

Fairness and equality

IKEA is committed to being a responsible business and contributing to resilient societies, by 2030. We're working to provide and support decent and meaningful work across the IKEA value chain as well as being an equal, diverse and inclusive business.

In Iceland

IKEA in Iceland enforces the policies of the IKEA brand domestically by implementing the main elements and goals to local conditions. At the time of writing this report, our national sustainability strategy is under revision and the new version accommodates for IConduct, IWAY and the 2023 IKEA updated sustainability strategy. The main quality objectives will be the improvement of measurements and key performance indicators (KPIs), the installation of a methodology and procedure for sustainability disclosures in compliance with the requirements of the CSRD² regulation and the ESRS³ standard.

¹ Science Based Target initiative: <https://sciencebasedtargets.org/>

² Corporate Social Responsibility Directive and

³ European Sustainability Reporting Standards:
https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en



IKEA in numbers

Economy

+ Turnover

FY24 ISK 14,743M (-1.2%)
FY23 ISK 14,927M

+ EBITDA

FY24 ISK 1,255M (-6.7%)
FY23 ISK 1,345M

+ Floor space

FY24 43,000 m² (+40.5%)
FY23 30,600 m²

Environment

+ Total emissions
FY24 1,911 tCO_{2e} (-1.2%)
FY23 1,934 tCO_{2e}

+ Scope 1 emissions
FY24 309 tCO_{2e} (+28.8%)
FY23 240 tCO_{2e}

+ Waste
FY24 965,674 kg (-4.1%)
FY23 1,006,836 kg

+ Scope 2 emissions
FY24 94 tCO_{2e} (-16.1%)
FY23 112 tCO_{2e}

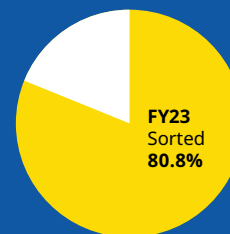
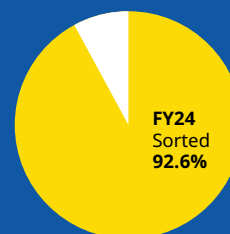
+ Waste emissions
FY24 51 tCO_{2e} (-65.8%)
FY23 149 tCO_{2e}

+ Scope 3 emissions
FY24 1,508 tCO_{2e} (-4.7%)
FY23 1,582 tCO_{2e}

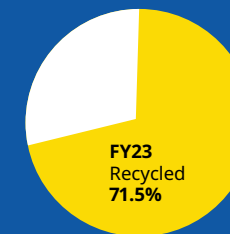
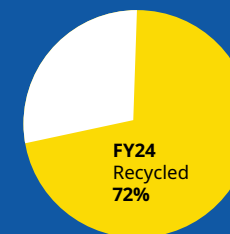
+ Upstream transport and distribution
FY24 1,023 tCO_{2e} (-13.2%)
FY23 1,179 tCO_{2e}

+ Fossil-fuels
FY24 74 tCO_{2e} (-20.4%)
FY23 93 tCO_{2e}

+ Sorting ratio



+ Recycling ratio



Human resources

+ Co-Workers

Co-Workers 436
 Longest tenure 31 years
 Aggregate tenure 2098 years
 Average tenure 4.9 years
 Average age 35.8 years
 Nationalities 45

+ Gender pay-gap

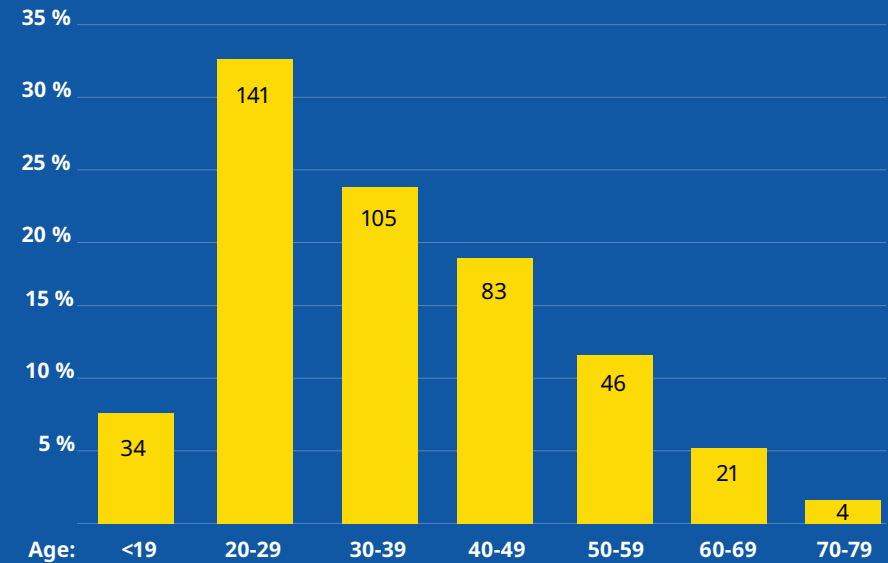
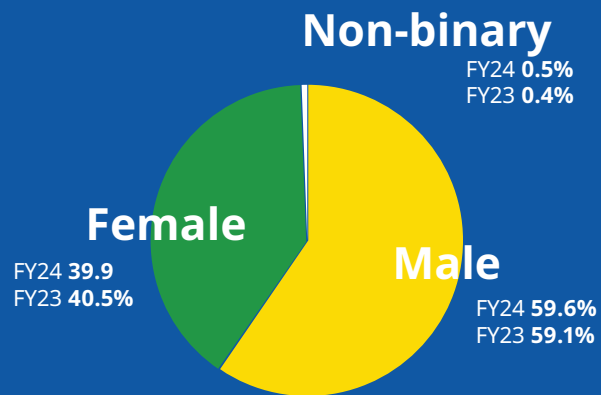
FY24 0.6%
 FY23 0.7%

+ Gender-ratio for managerial positions

Female	Male
FY24 54%	FY24 46%
FY23 59%	FY23 41%

+ Average employee turnover

FY24 2.6%
 FY23 2.4%



Average tenure:	<19	20-29	30-39	40-49	50-59	60-69	70-79
Average tenure:	1 year	2.6 year	5.4 year	7.8 year	9 year	7.7 year	12.8 year



The report

Environment

Social factors

Governance

Opportunities and challenges

Environment

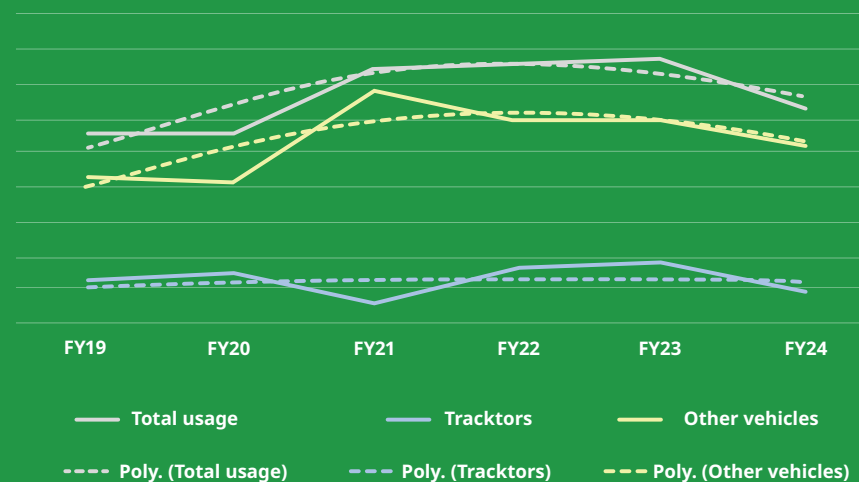
Scope 1

Measurements of scope 1 cover mobile fuel for vehicles and work-equipment owned by IKEA as well as purchases of refrigerants for refrigerators and freezers, registered as fugitive emissions. Scope 1 emissions increased from 240 tCO₂e in FY23 to 309 tCO₂e. There was a reduction in emissions from fuel consumption from 112 tCO₂e to 94 tCO₂e, while fugitive emissions increased from 147 tCO₂e to 235 tCO₂e. This is the first year that we have recorded fugitive emissions, but the results of previous disclosures were re-calculated. Recorded fugitive emissions in FY24 are 60% higher than the previous year but this is due to the dates of purchased refrigerants and maintenance services rather than an actual increase in fugitive emissions. For emissions from mobile fuel consumption, comparisons far into the past are difficult due to unusual operating conditions during the Covid pandemic up until 2022, but that is the first year that we find reasonable to use as a benchmark. As shown in the graph here side, mobile fuel consumption in FY21 reflects a large increase in home delivery as the 'Click and Collect'-service was added in response to national social distancing restrictions, as well as store closures due to social gathering restrictions, which in turn reduced the use of work-equipment for snow-ploughing and other jobs. A comparison with FY21 would therefore be particularly favourable to us but would not give the correct picture. Therefore, we do not want to look further back than FY22. During that time, the number of home delivery trips has decreased by 22.7% between FY22 and FY24, we have increased the number of electric vehicles customers can borrow for home deliveries, and the most used service vehicle was replaced with an electric vehicle.

In FY25, the older delivery vehicles will be replaced by new ones. The replacements are diesel-powered and not electric-powered, as would have been best for our emission targets, but the lower carrying capacity of electric cars of the same size compared to the more fuel-efficient diesel engines of newer cars was the basis of the decision. However, an EV transition is still on our agenda, and we have so far taken opportunities to replace service cars and, among other things, renew part of the electric cars in the rental fleet.



Fossil-fuel by usage



Scope 2

Hot water

There was a reduction of emissions in scope 2 from 112 tCO₂e to 94 tCO₂e. The decrease was entirely due to less use of hot water or about 20 tCO₂e. There was less use of the snow melting system in the store's parking areas, likely weather-related, but additionally we decommissioned three locations in FY24: two in April and one in July. On the other hand, there is an increase resulting from the new extension, which was included in the measurements before the beginning of FY24.

Electricity

On average, from FY22, the operations in Kaupþún 4 use a total of 90.8% of IKEA electricity. Electric consumption in Kaupþún 4 has increased by 20.5% during the construction of the extension (FY24 vs. FY22), but this can be partly attributed to the activity of contractors due to construction in addition to the actual increase in the use of the extension.

Our other addresses in FY24 were Suðurhraun 10 with 3.8% of electric consumption, Urriðaholtsstræti 10 with 0.1% and Kaupþún 3 with 5.3%. Suðurhraun 10 and Kaupþún 3 were decommissioned in April 2024, while Urriðaholtsstræti 10 was in use until July.

Scope 3

Transportation of goods

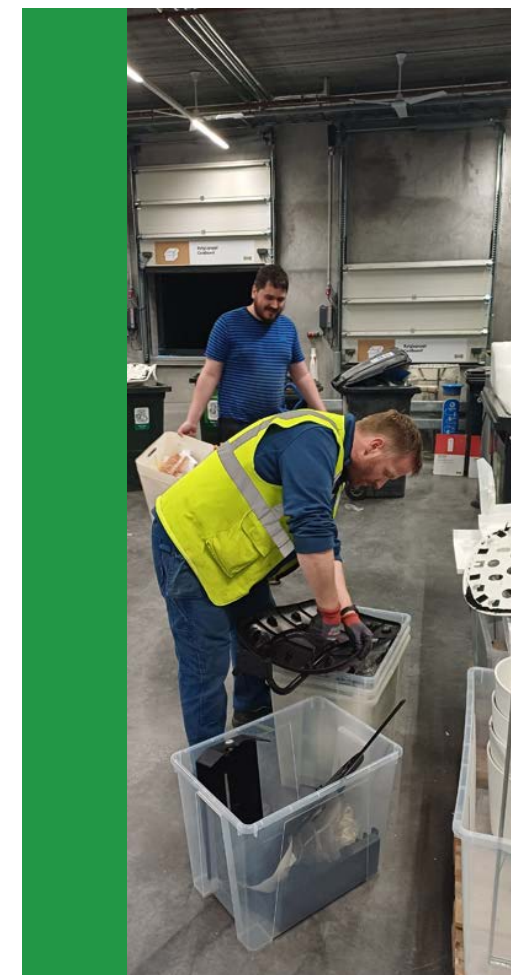
In FY24, transportation of goods to and from IKEA accounted for 54% of the total measured emissions, which is a decrease from 61% in FY23 and amounts to 156 tCO₂e. Maritime transport accounts for 94% of transportation emissions, but only 6% from shipments to Iceland's rural areas by land. Home deliveries by IKEA vans within the capital area are under scope 1 emissions. If those home deliveries are added to the total transportation of goods, their emissions account for 2%, deliveries to rural areas remain 6%, and maritime transport drops to 92%.

Waste and sorting

The figures on waste disposal are published with reservations, as figures on the disposal methods for mixed waste from IKEA had to be corrected manually. Originally, it was all registered as going to landfill, but changes were made at Terra (one of the waste management companies servicing us) during the period, in line with changes in the legislation, and the disposal method varied between landfill, incineration without energy recovery and incineration with energy recovery. It is not possible to guarantee what method was used on our waste each time, so it was decided to meet in the middle and register the mixed waste as incinerated without energy recovery. In the future, all mixed waste will be sent abroad for incineration with energy recovery.

The emission factor for incineration without energy recovery is considerably lower than the factor for landfill, which is reflected in a two-thirds drop in recorded total emissions year-on-year, to 51 tCO₂e in FY24 from 149 tCO₂e in FY23. However, there was also a reduction in total weight as in FY24 the total amount of waste was 41 tons less than the previous year.

During FY24, a temporary sorting facility was used in Kaupþún 4. It was at the very end of FY24 that a new sorting facility was put into use, but that facility is still under construction, soon to be completed. During the construction of the new extension, the sorting was expected to deteriorate due to worse sorting facilities. However, the sorting ratio jumped from 80.8% to 92.6%, by which we achieved the target we had set for FY25. This we attribute to the hard work of our co-workers and follow-through of managers, particularly our co-workers in Customer Fulfilment (CFF) who have undertaken the dismantling of bulk waste made with different materials and sort them into the appropriate waste container.



There are many challenges facing waste sorting where many people gather, such as stores, restaurants and co-worker canteens. Unfortunately, waste too often goes into the wrong container, which can reduce or completely ruin the recyclability of the existing waste. For example, organic waste too often becomes unfit for composting due to mixing with non-organic waste, and paper bins are used for assorted waste that cannot be recycled with paper, which suffers the same fate. We see potential in further improving the sorting ratio in co-worker areas, but it has proven more difficult to deal with sorting from customer areas. We will find ways in the future to meet that challenge.

The recycling ratio remained almost the same, with an increase from 71.5% to 72%. Explanations for this may lie in the nature of the waste from our operations, whether it is sorted or not. The goal for the end of FY25 is to get the recycling ratio up to 80%, and it is therefore clear that an effort is needed in cooperation with waste management service partners if that goal is to be achieved.

Organic waste is mostly derived from the kitchen, off the plates of restaurant guests and co-workers, the bakery and the Swedish shop. Insignificant amounts come from other worksites. In the kitchen we have “the pig”, a food grinder that purees organic waste with water and pumps it into a large tank. From there it is pumped onto tankers and sent to compost processing at Gaja, a compost and gas processing facility. Organic waste is about 12.2% of all waste from IKEA, estimated at about 115.8 tons after deducting the weight of the water which is at a minimum 12% of the biofluid in the tank.

Travel and commute

Business trips have mainly been due to meetings and trainings organized by Inter IKEA Systems B.V., the owner of the IKEA brand, as well as cooperation with our co-workers in the Baltic countries, which are under the same ownership as IKEA in Iceland. There was an insignificant reduction in this emission factor from 26 tCO_{2e} in FY23 to 22 tCO_{2e} in FY24. Only flights are accounted for and not accommodation, meetings or other travel by road within Iceland, although the intention is to increase the collection of this information.

Co-worker commute is published with reservations due to poor participation and suspicions of biased responses in a co-worker commute survey that is not considered representative of the workplace population. There was a large increase between the years from 172 tCO_{2e} in FY23 to 371 tCO_{2e} in FY24. Such an increase is not reflected in other changes within the company or the experience of the co-workers who have been interviewed. The results and experience of this survey will lead to changes in the methodology for gathering this information for the FY25 sustainability report.



What do we do every day?

Refuse and reduce

- ⊕ Planning and flexibility in restaurant and bakery production reduces food waste.
- ⊕ Coordination between departments in inventory control ensures that there is a sufficient supply of products, but few surplus products.
- ⊕ LED lighting, smart lighting systems and energy-efficient electronics reduce our energy consumption.
- ⊕ Taps with motion sensors and reduced flow in new spaces reduce water consumption.
- ⊕ Smart building temperature control maintains optimal temperature and humidity levels, which reduces energy consumption.
- ⊕ Co-workers and customers can charge their electric cars for free, promoting less use of fossil fuels.
- ⊕ IKEA offices are almost paperless.
- ⊕ Electronic price tags reduce printing and thus save both paper and print media.

Reuse

- ⊕ Make use of the off cuts from our food production and coordinate the supply within the restaurant and canteen to reduce food waste.
- ⊕ Materials for store displays are reused many times. When a display is taken down, the material goes into storage rather than recycling.
- ⊕ We reuse furniture and equipment in-house as much as possible.
- ⊕ We reuse cardboard from suppliers for home deliveries and thus reduce both costs and emissions.
- ⊕ We shred corrugated cardboard and use it for filling and protection of other products instead of using plastic beans or similar fillers.
- ⊕ We make our own equipment, if possible, with our own human resources.
- ⊕ We offer return and display products in As-Is, as well as products in damaged packaging.
- ⊕ We offer spare parts for most products.
- ⊕ We collaborate with Góði hirðirinn, a second-hand market, and have an area dedicated to IKEA products.

Recycle

- ⊕ We sort 92.6% of our waste.
- ⊕ We separate and sort bulk waste.
- ⊕ We choose waste management companies based on their recycling capacity.
- ⊕ We pick up trash around IKEA in collaboration with our neighbours in Kauptún.

Social factors

Equality and discrimination

This year, as in previous years, we received the equality recognition “Jafnvægisvugin” or “the balance scale” which is managed by the Association of Businesswomen in Iceland (FKA). Its reference is the percentage of women in companies’ managerial positions being no less than 40%. At IKEA, 54% of managers are women and of the total number of co-workers men make up 59.6%, women 39.9% and genderqueer 0.5%. IKEA egalitarian mindset is further reflected in the equal pay certification we have held since 2013 and were among the first companies to achieve. The unexplained pay gap among wholesalers and retailers in 2023 was 7.4%, rising from 6.9% in 2022, in line with an undesirable general trend in these matters.

We at IKEA are proud not to be involved in this increase, but according to the equal pay audit, the unexplained pay gap decreased from 0.7% for FY23 to 0.6% for FY24. At IKEA, discrimination is not tolerated in any form. In a large and multinational workplace, we are aware of the increased risk of discrimination due to different views on life, cultural backgrounds and upbringing of both co-workers and customers. The human resource policy, our general rules for co-workers and contingency plans against gender-based or sexual harassment, bullying and violence help us create a safe work environment and respond quickly.



Co-workers

Of the 436 people who work for us, 40% are under the age of thirty. That combination of age groups creates both a refreshing and creative morale, where fresh ideas often become reality. Contrary to what one might expect from those numbers, the average seniority in IKEA is still relatively high, at almost 5 years. At IKEA, we focus on creating a good workplace and this shows, for example in the average seniority, which is 2.6 years for the 20-29 age group and 9 years for the 50-59 age group. This creates invaluable business knowledge within the company.

In line with the large percentage of staff of both secondary school and university age in part-time jobs, the staff turnover is the highest in that group, or almost 50% accumulated over the year. For co-workers over thirty, co-worker turnover reaches a balance of just over 11% on average for 30–69-year-olds. The average co-worker turnover per month in FY24 was 2.6%.

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The community

The IKEA vision is to create a better everyday life for the many people, which we do through our product range and its pricing. Simply being there is therefore part of our social responsibility.

IKEA accepts general grant or sponsorship requests through its website and our grants committee reviews the applications. Requests that concern children and culture in a broad sense have priority and we only fund direct applications and not through fundraising companies. In the last year, about 70 applications were accepted, but since the grants are in various forms, it is not possible to put a price on the value of the grants. IKEA Iceland is a proud sponsor of the Children's Accident Prevention Centre, led by Herdís Storgaard. The collaboration started in 2006 and has been ongoing ever since.

IKEA's support has consisted of direct grants as well as supplying all the furniture in the centre's former and current locations. The centre offers courses on child accident prevention and their safety as well as counselling for professionals in the field. We discuss the centre later in this report.





What do we do every day?
















Suppliers are carefully selected

- + Through IWAY, IKEA promotes a consistent selection of suppliers worldwide. IWAY will be implemented with domestic suppliers in the coming weeks, but a lot of preparatory work has been done to ensure the implementation goes as smoothly as possible.

Community support

- + We have supported the Children's Accident Prevention Centre since 2006
- + We support the ICE-SAR rescue teams by buying the large SAR-icon and inviting them to sell the keychain icons in our lobby.
- + We are participants in SÁÁ's Workplace Watch.
- + We encourage our customers to leave soft toys in a collection bin before Christmas, and they are donated to the local children's hospital.
- + We offer grants to certain charities or topics, mainly connected to culture and children. The grant application form is open to all on our website.

For co-workers

-  Co-workers can apply for an educational grant to further develop their personal skills and knowledge and thus improve their future.
-  A commute grant is available to co-workers in return for using sustainable and healthy modes of transport between home and work.
-  At IKEA, there are free EV charging stations, both for co-workers and customers. The transport grant does not cover electric cars, but this accommodates their owners.
-  A health grant is available for sports, preventative measures and health improvement practiced on a regular basis and provided by a third party.
-  Co-workers are offered a free breakfast in the co-workers' canteen, in addition to a subsidized lunch and free fruit.
-  IKEA strives to offer a family-friendly work environment based on mutual flexibility between co-workers and employer.
-  IKEA offers a wide range of courses and in-house training. Courses include, for example, how to read the payslip, co-worker interviews, leadership training, as well as being facilitators for Icelandic courses in-house during work hours. All courses run by the IKEA school are free for staff.
-  Co-workers receive regular safety and first aid training based on conditions within IKEA in Iceland.
-  Internal career development opportunities are good within IKEA, which is reflected in co-worker seniority.
-  Co-worker clothing plays a diverse role, from making co-workers more visible in the store to customers to increasing inclusion, since all co-workers wear it. Of course, IKEA provides the clothes, so it is also financially practical for the co-workers.
-  We want to ensure that each person is valued on their own merits and that maximum equality is ensured among the staff. Gender-based discrimination in the company is not tolerated, in any form. We follow an equality plan to enforce it.
-  IKEA Iceland offers equal pay and the same conditions for comparable performance and work of equal value regardless of gender, race or other non-objective criteria.
-  Bullying, prejudice or harassment are not tolerated at IKEA. Contingency plans and confidants are communicated in common co-worker areas.
-  STIK is a particularly active staff association for IKEA co-workers. The association organizes many events throughout the year, for example Christmas crafts for the children, themed pub-quiz nights and family days with entertainment for all age groups.
-  IKEA and STIK have two very popular summerhouses, in the west and south of Iceland, which co-workers can rent for a small fee.

Governance

Board of directors and ownership

IKEA in Iceland is operated by Miklatorg hf. Its board of directors consists of chairman Sigurður Gísli Pálmason together with Jón Pálmason and Sigfús B. Ingimundarson.

The brothers Sigurður Gísli and Jón are the de facto owners of Miklatorg hf. through indirect ownership of shares, but shares are registered to Hof ehf. and Urriðakot ehf. holding companies, both owned by the brothers.



CEO

Stefán Rúnar Dagsson is the chief executive officer of Miklatorg hf. since 2019. Stefán started working at IKEA in 1987, when he was thirteen years old, and has worked almost non-stop for the company ever since. However, his history with IKEA goes beyond that.

"My mother worked at Hagkaup [the supermarket] for many years, but when Pálmi got the franchise for IKEA and opened it in a few hundred square meters on the upper floor in Skeifan [shopping plaza], where the offices were for a while, she moved over to there. She then became a customer service manager at IKEA in the House of Commerce [business complex] and later Holtagarðar [shopping plaza]"

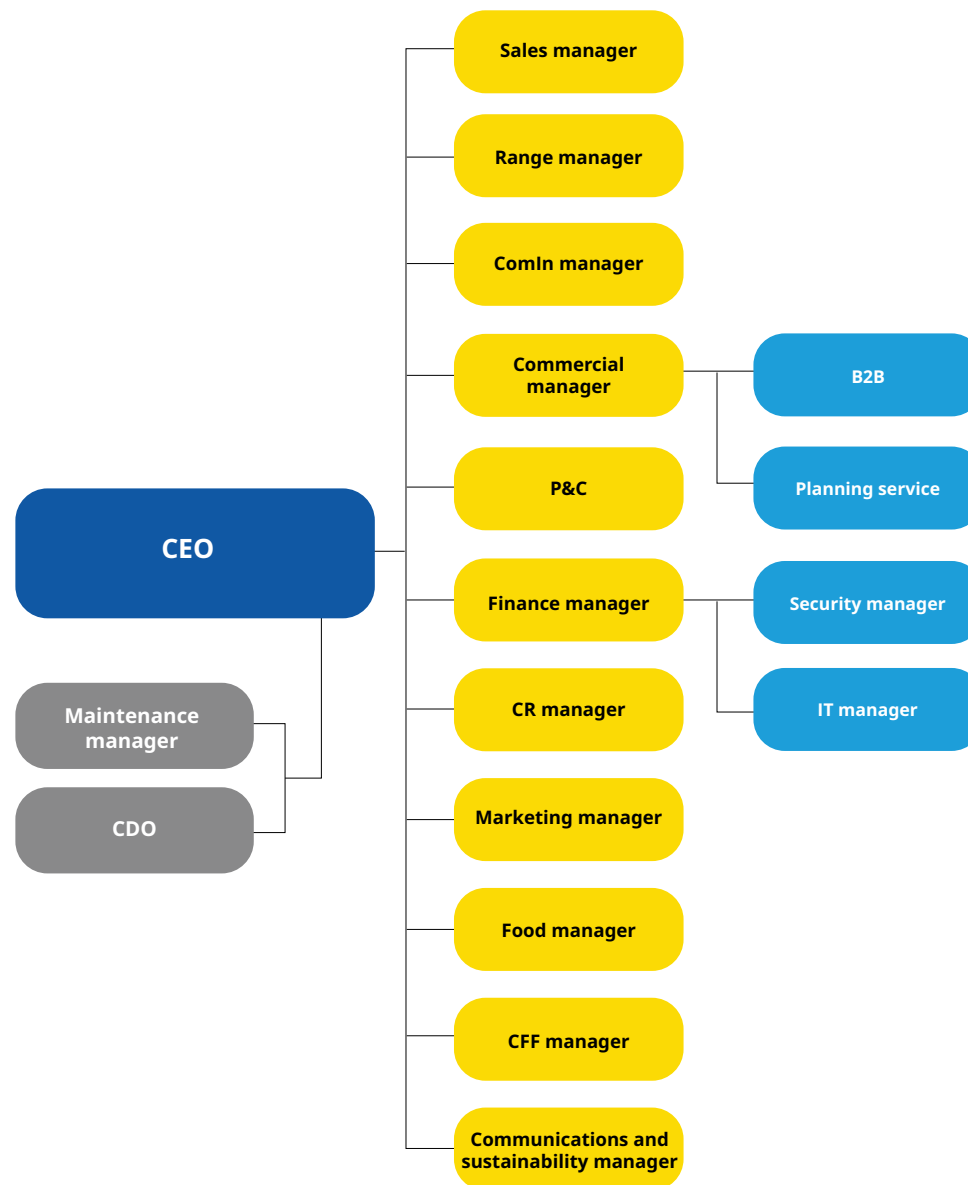
Stefán was one of the first co-workers of IKEA in Holtagarðar, first as a handyman for contractors during constructions, then hired to Customer Fulfilment (CFF), later became CFF manager and finally sales manager in the market hall area. Stefán also participated in the construction of the IKEA store in Vilnius, Lithuania.

Organizational chart

IKEA operations in Iceland are divided into 12 sale and service departments with more specific sub-divisions. We are always trying something new, so the projects vary. Departments and divisions work closely together in both permanent and temporary teams as needed, and due to the informality and equality, everyone can make an impact.

IConduct and governance

IKEA coordinates the governance of its franchisees through standard requirements called IConduct. The standard is divided into seven chapters, which include business ethics and business relations. For example, there is a requirement to maintain an infrastructure that prevents corruption and supports responsible business practices. Franchisees must also safeguard the rights of their co-workers, manage privacy and personal data, enforce the IWAY requirements towards IKEA suppliers and be transparent and honest in disclosing of information. The standard is enforced both by our co-workers in Iceland with internal audits in addition to audits by representatives of Inter IKEA Systems B.V., the official owner of the brand.



Objectives of the FY23 sustainability report

	GOALS	STATUS
1	Assess all suppliers in the value chain based on sustainability.	<i>We are on schedule; in-house training has begun, and requirements have been localized.</i>
2	Improve sorting facilities and sorting training for co-workers.	<i>The new sorting facility is not completely ready, but part of it has been put into use. We are working on customized educational material for our business. General education is always ongoing.</i>
3	Achieve a sorting rate of 90% and a recycling rate of 75% by the end of the operating year 2025.	<i>The objective of 90% sorting rate was achieved in FY24 with a rate of 92.6%. The recycling rate increased slightly from 71.5% to 72%. Special attention is needed to increase it by 8% in FY25.</i>
4	Reduce the use of single-use plastics wherever possible.	<i>There has been very little use of single-use plastics in our operations, so there was little to achieve. A plastic bowl for pizza dough in the Swedish shop was replaced by a cardboard bowl.</i>
5	Reduce total emissions by 20% for FY25 compared to FY16.	<i>During a review of measurements, this goal was deemed unrealistic and was cancelled.</i>
6	Reduce total greenhouse gas emissions from home deliveries by 50% by FY30 compared to FY16.	<i>During a review of measurements, this goal was deemed unrealistic and was cancelled.</i>
7	Reduce food waste in operations and provide education on ways to reduce food waste.	<i>General education is always ongoing. The AI solution WasteWatcher is used to measure food waste from production.</i>
8	Always offer a vegetarian option in the restaurant for customers and in the canteen for co-workers.	<i>A vegan option is always available both in the restaurant and in the canteen.</i>
9	Make sure that fuel consumption does not increase while we find ways to reduce the use of fossil fuels.	<i>Fuel consumption has decreased year-on-year due to fewer home deliveries as well as the replacement of two service vehicles with electric vehicles. One used to be diesel-powered, while the other was methane-powered.</i>
10	Promote circular thinking through collaboration with entrepreneurs and education both internally and externally, among other things.	<i>IKEA is collaborating with "Góði hirðirinn", a second-hand market, Plastplan; a plastic waste up-cycle program and Festa; a knowledge centre for sustainable development in business as well as offering a wide selection and good service in our As-Is section.</i>
11	Achieving carbon neutrality by FY30.	<i>During a review of measurements, this goal was deemed unrealistic and was cancelled.</i>
12	Encourage co-workers to choose sustainable means of transport for commuting.	<i>Commuter grants are always available to co-workers, and IKEA is actively in dialogue with operators of sustainable means of transport. IKEA also offers co-workers and customers free charging stations.</i>

Opportunities and challenges

The incredibly rapid development that has taken place at the crossroads of sustainability and technology is both the biggest challenge and opportunity we face. The incredible possibilities of the Internet of Things bring us meter readings directly to online dashboards, electronic invoices are reflected almost simultaneously in accounting systems even with information on the carbon footprint of the transactions, fleet management systems provide information on driving behaviour, kilometres driven and percentage of idling as well as a number of additional information. To take advantage of these possibilities, we first need to know about them, understand them and have the human resources to exploit them for each company, as there is no one correct way.

In the future, there will be increased requirements for disclosing non-financial information, as it is called. It refers to the information that is necessary to assess the company's development, scope, status and impact, at a minimum concerning environmental, social and privacy topics, and to explain the company's policy in human rights issues and how the company prevents corruption and bribery.

The complexity of the regulations is overwhelming for many Icelandic companies, and the minority of those subjected, fully understand the requirements. The approach we think most appropriate is to start early which is why we began the preparatory work over a year ago, but then we take one step at a time until we reach our destination. We benefit from a network with other IKEA franchisees and an open conversation within the sustainability community in Iceland. We believe that there are opportunities in this work, because there are indeed many projects ahead that will undoubtedly give us new insight into our business, projects that we would not have undertaken otherwise.

We, like many other companies, operate in a building that was not designed with modern technical possibilities in mind at a time when analogue meters were the norm for water and a single measurement point was sufficient. We have a task ahead of us to review our metering network, but this will be done in a holistic fashion for other matters such as food waste and waste in general or write-offs in home deliveries. We have an ideal opportunity for that with the introduction of the new building expansion. Previous measurements have therefore all disclaimers of future changes.





Earlier in the report, we discussed how quickly understanding and awareness has developed, and this also applies to IKEA. Our metrics so far reflect that. It is not news to us that the purchases and sold products in scope 3 of the emission disclosure are not sufficiently accounted for, but for those parameters the technological development has not been as rapid as for fuel, water, electricity and waste. A large portion of our operations are within this section, so we have chosen not to state these numbers rather than publish numbers that do not reflect reality or worse, would be misleading. Once a suitable solution is found, we will amend this.

Emissions from fossil fuels are still notable in our operations, but we have looked at electric trucks to reduce those emissions. Development by car manufacturers has been rapid in the field of electric cars, but for trucks the weight of the batteries reduces their load capacity. Additionally, both cost and infrastructure have been significant obstacles. Our smaller cars have mostly been swapped for electric cars, both those that are lent to customers and the company's service vehicles. It is our goal to reduce this emissions factor and that will be an ongoing project until all our vehicles are powered by sustainable energy sources.

Many of the actions we take to meet our sustainability goals or generally to minimize negative impacts, go against the ways of doing things in the past. You don't have to look further for examples then when we started sorting organic waste from households, which caused a stir in Icelandic society. The same applies within companies, which is why we need to constantly use the tools of change management when we are changing habits. In a company as large and multi-cultural as IKEA, we need to pay special attention to these matters for projects and changes to succeed. This characteristic of IKEA, being large and multi-cultural, is still one of our biggest resources when different points of view, experiences and knowledge have an impact on what we do and how we do it.



Discussions

The expansion

Strategy and quality management

The green plus

Children's Accident Prevention Centre

Plastplan

A new type of paper wrap

Deserved trust

The expansion

Towards the end of 2022, construction began on a 12,500 m² extension to our headquarters at Kauptún 4. Before, the building was 22,500 m², but is now 35,000 m² making it a significant expansion. Previously, there were two external IKEA warehouses and offices in addition to the main store, but with the addition of the new building everything is under one roof. The changes are intended to make life easier for both our co-workers and customers; the co-workers with better and more spacious facilities in one location, and the customers by having all products in the same location in addition to accommodating their changing needs for online shopping.

The new building houses a new goods receiving area, a warehouse that takes up most of the space, a new home delivery area as well as a collection point for online orders. IKEA offices and service departments also moved to the new building with modern facilities. The older building, which was opened in 2006, had exceeded its limits long ago and was quite cramped for many departments.

It was therefore a big milestone when we moved into the new building in the middle of 2024; first the warehouse and goods receiving area, and later other parts of product handling, offices and other supporting departments.

As one might expect, such a new building has smart technology with central systems for security, fire detection and extinguishing, access management and lighting control. Minimizing energy and water consumption is part of the design, so all lights are LED, as well as being programmed to reduce brightness outside of working hours. All taps have motion sensors and/or flow limitation.

The office desks are all height adjustable offering more ergonomic working conditions and there is abundant natural light. Near the co-worker entrance is an indoor courtyard that is very pleasant, giving everyone an opportunity to take a break and change their environment during the workday.

The general contractor of the construction is Ístak, and the work is expected to be completed in November 2025.





Strategy and quality management

IKEA Iceland is a well-established company that draws heavily from the IKEA global philosophy in terms of policies and procedures. Periodically, however, we need to take a look in the mirror and review who we are and where we are heading. Now and in the coming months we are working on a comprehensive review of our policies and how we will improve general quality management. Nothing like this happens out of the blue, but several factors have nudged us to take on this work.

IConduct

The first is IKEA global franchisee requirements, IConduct, which addresses all aspects of our operations similar to ISO quality management standards. The system is based on the following seven sections:

1. People and society
2. Planet
3. Product quality and safety
4. Business ethics
5. Information handling
6. Health, safety and security
7. Business relations

IConduct is enforced with audits by representatives of Inter IKEA Systems B.V., the owner of the IKEA brand, and is considered to have shown good results among franchisees. IConduct also relies on internal audits and self-assessments that help us maintain our standards.

IWAY

From IKEA also comes IWAY, a global standard that IKEA suppliers all over the world must comply with. IWAY addresses the rights and safety of workers, forced labour and child slavery, animal welfare and sustainable sourcing for IKEA products. It is the franchisees who enforce it through audits and special training from external experts for this purpose, and in addition, Inter IKEA representatives occasionally sit in on audits to assess their quality. We are taking our first steps with IWAY here in Iceland, and thanks to both the legal framework and the general participation in trade unions, we expect positive reception of these audits from our suppliers.

Regulations on sustainability disclosure

A regulation on harmonized sustainability reports, also called the disclosure of non-financial information, is expected to go into force soon. That regulation is based on the CSRD¹ regulation of the Council of Europe and will be implemented according to reporting standards ERS². This means we must have in place an infrastructure that supports such reporting. We do not like redundant work so information we publish in the annual financial statements and sustainability reports and use to answer IConduct reviews should all be drawn from the same source.

¹ Corporate Social Responsibility Directive and

² European Sustainability Reporting Standards:
https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en

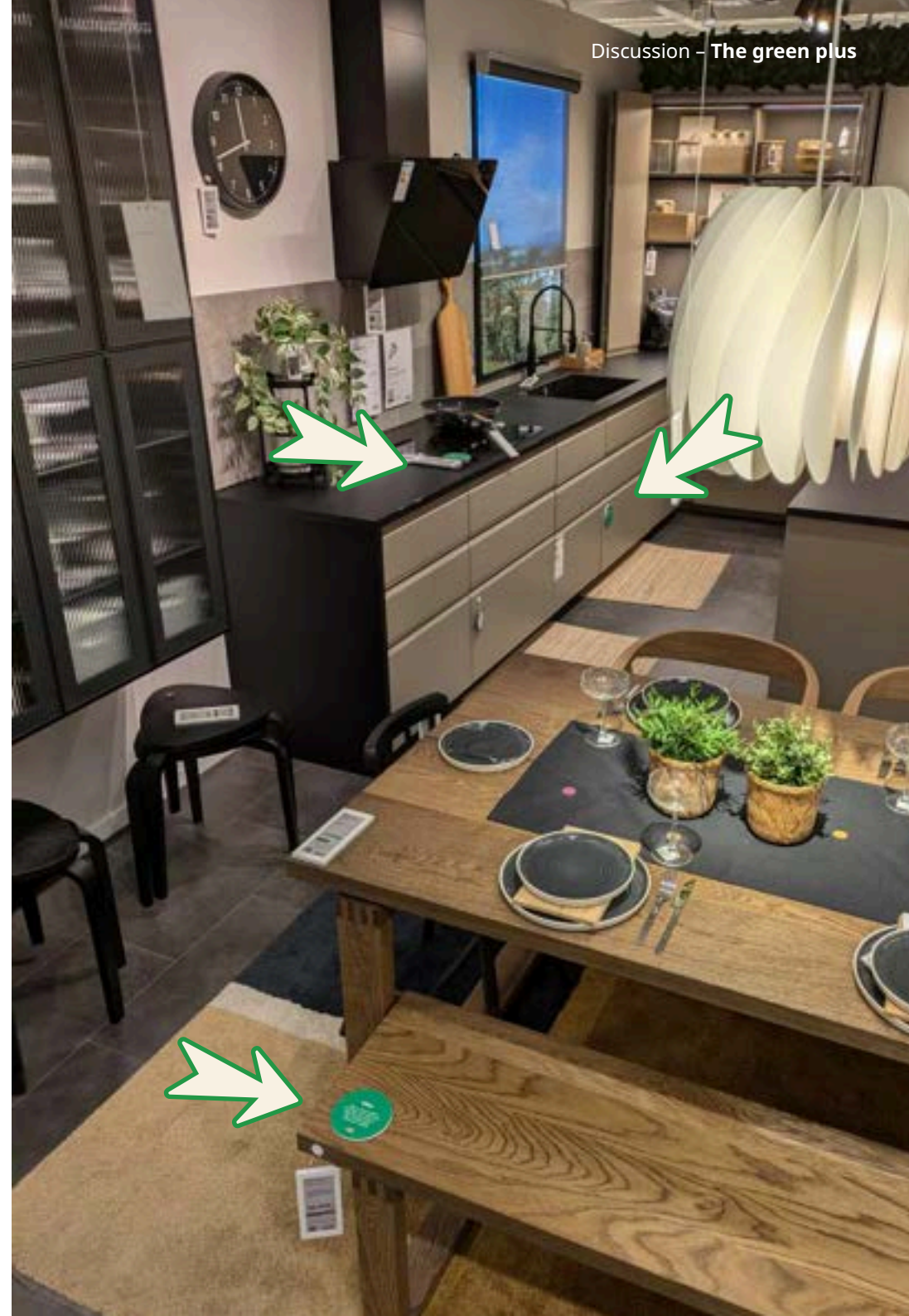
The green plus

The green plus is an icon that IKEA uses to guide its customers towards products that contribute to sustainability. Sustainable consumption is complicated because there are few mass-produced items that can be called sustainable. However, products can contribute to sustainability in a variety of ways. That's why we say that where the green plus appears, something sustainable is going on. Some examples of what we mean by sustainable factors are the following:

- A product made from recycled materials such as polyester
- Made from recyclable raw materials such as wood
- Made from sustainable, renewable raw materials such as bamboo
- Made without harmful chemicals found in similar products such as BPA in plastic
- Design or production supports marginalised groups
- Design supports the circular economy with replaceable upholstery or repairability
- Reduces resource consumption such as energy-saving appliances, LED lights or faucets with limited water flow

This is by no means an exhaustive list but gives us an idea of how diverse sustainability can be and why consumers may find it difficult to find the more sustainable option. There we feel we have a responsibility to guide our customers through our product range. Throughout the store you will find information on why the products are marked with the green plus and practical advice on how the customer can extend the product's life or refresh it's look at low cost.

The green plus has also started to appear on social media and newsletters with our sustainability bits that address various aspects of sustainability at IKEA. We hope to increase consumers' awareness of sustainability and thus contribute to more responsible consumption patterns, not only among our customers but in society as a whole

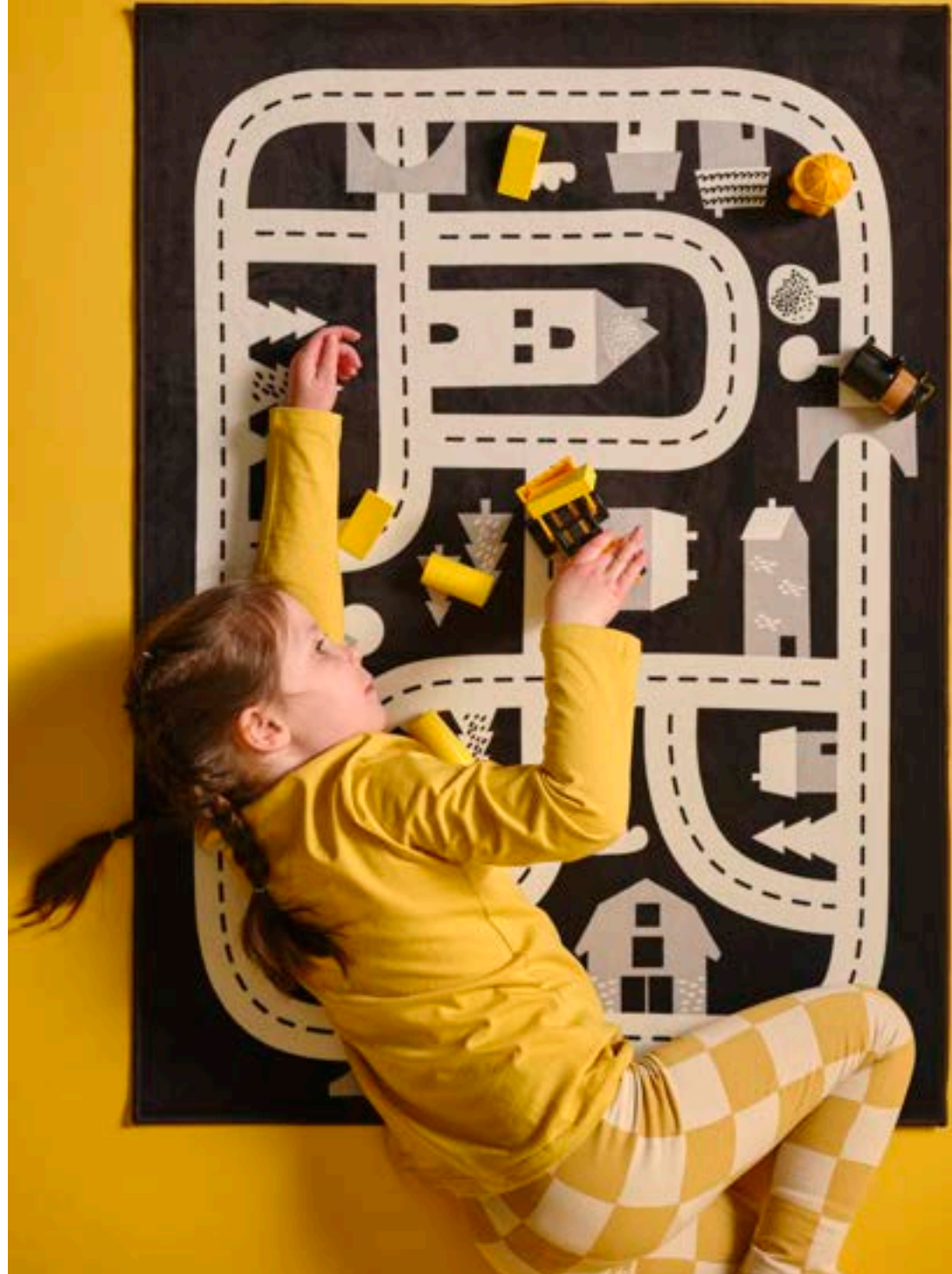


Children's Accident Prevention Centre

The Children's Accident Prevention Centre (MSB), under the direction of Herdís Storgaard, has worked diligently since 1991 to improve children's safety. The success of the project is significant and the number of serious accidents among children has decreased significantly since the year 1991. The origins of the project can be traced to statistical compilations at that time, which showed the number of accidents and fatalities among children that could be attributed to insufficient accident prevention in Iceland, compared to neighbouring countries.

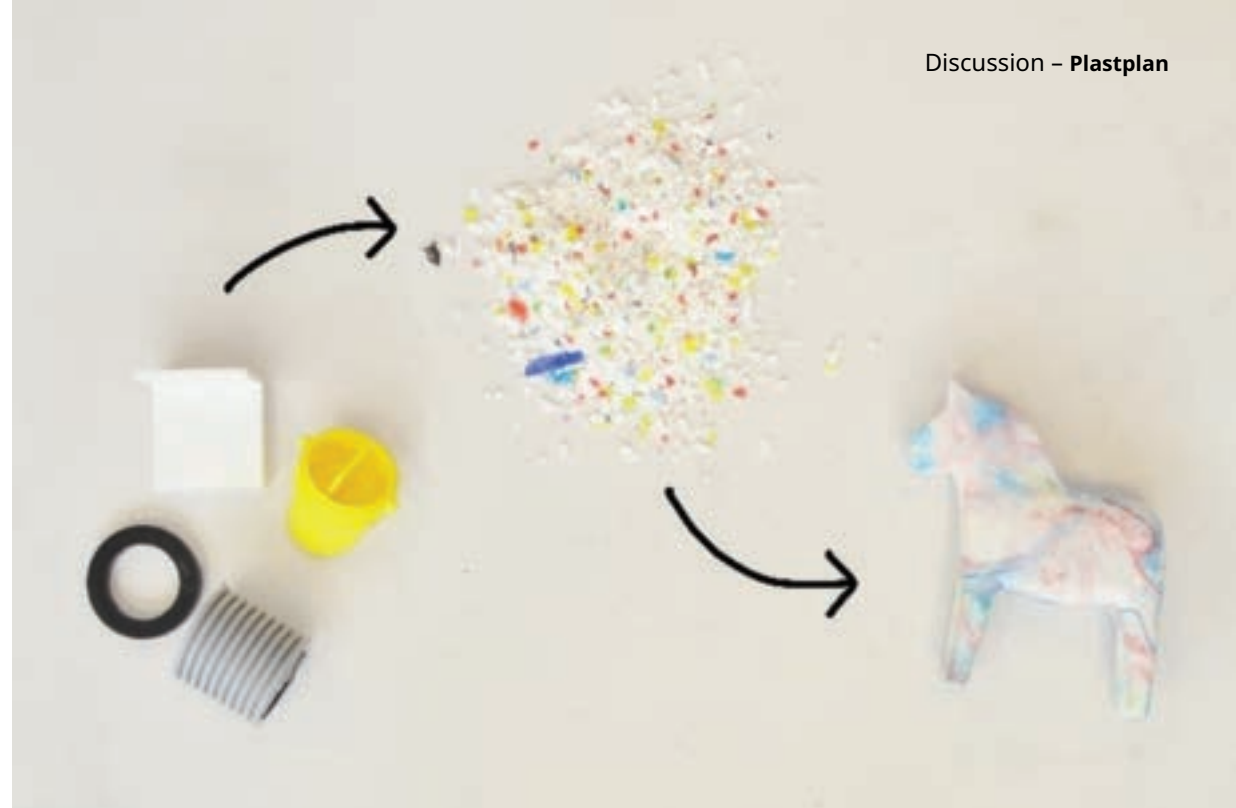
MSB has strived to add to the knowledge of both professionals and the public on accident prevention for children, in homes, schools and more. Initially, the project was in the form of lectures, educational material and by educating professionals, i.e. teachers and health professionals who could spread the message. In 2006, the first teaching space opened in the form of an apartment where it was possible to review and display the actual dangers in homes. IKEA donated furniture to that apartment and has updated it when the centre has relocated. IKEA has been the main sponsor of the centre for almost twenty years which is currently sponsored by IKEA and Sjóvá. At IKEA, children are the most important people and their safety is one of our key priorities in product development and product selection. We demonstrate that in action, among other things, by supporting and collaborating with MSB.

Herdís Storgaard still works hard for children's safety. In the apartment of MSB in Hátún, she has offered free courses in child safety and worked with midwives and the public health clinics to provide information to expectant and new parents. Find out more on the project's website msb.is. In recent years, Herdís has also carried out projects for IKEA of Sweden, where all IKEA products are designed. There she trains product designers and others on child safety. She is also part of IKEA international advisory board for children.



Plastplan

In 2024, we continued our partnership with Plastplan, an entrepreneurial company that recycles plastic and gives it a new purpose in the form of useful items. On a monthly basis, Plastplan's employee collects plastic waste from IKEA, which, after concept work, design and testing, turns into items that will benefit us or our customers in some way. The collaboration has given birth to various items but the newest, a small replica of a SAMLA box, is used by us for example to organize and store office supplies on our desks.





A new type of paper wrap

IKEA has decided to remove all single-use packaging plastic that ends up with consumers by FY28. At IKEA, packaging should be both cheap and sustainable, and no discount is given on either feature. The next step towards plastic-free packaging is a pilot project to switch to a new type of packaging paper, a paper wrap, for product pallets from IKEA factories, thus reducing carbon emissions while still meeting the demands of the supply chain.

The plastic wrap currently in use comes almost equally from IKEA factories and suppliers. By switching to paper wrap in IKEA factories, the carbon footprint of the packaging wrap could be reduced by 30%. If the project is successful, the technology will be offered to IKEA suppliers, but the transition should not increase operating costs and should meet all the same requirements for packaging pallets as the plastic wrap has met so far, just with much lower carbon emissions.

Deserved trust

We sometimes get inquiries as to why IKEA products do not have sustainability or quality certifications that many manufacturers offer. The size of the IKEA organisation and its distribution around the world is the most important factor, as almost all certification systems are local to one continent or even a smaller geographical area, such as the Nordic Swan, which we know well in Iceland. Few people realize that there are around 350 sustainability certifications in the world, and of these there are 236 that could cover IKEA operations¹. The impact of certifications is a double-edged sword depending on how familiar consumers are with them. A well-known certification promotes trust for the product, elicits positive reactions and promotes increased sales. On the other hand, certifications that are unfamiliar or not well known in the area promote negative associations with the product, increase suspicion and can have a detrimental effect on the credibility of both the product and the manufacturer². A single certification would therefore never work for IKEA products, and a certification process for multiple systems would be a very inefficient approach, both in terms of time and resources.

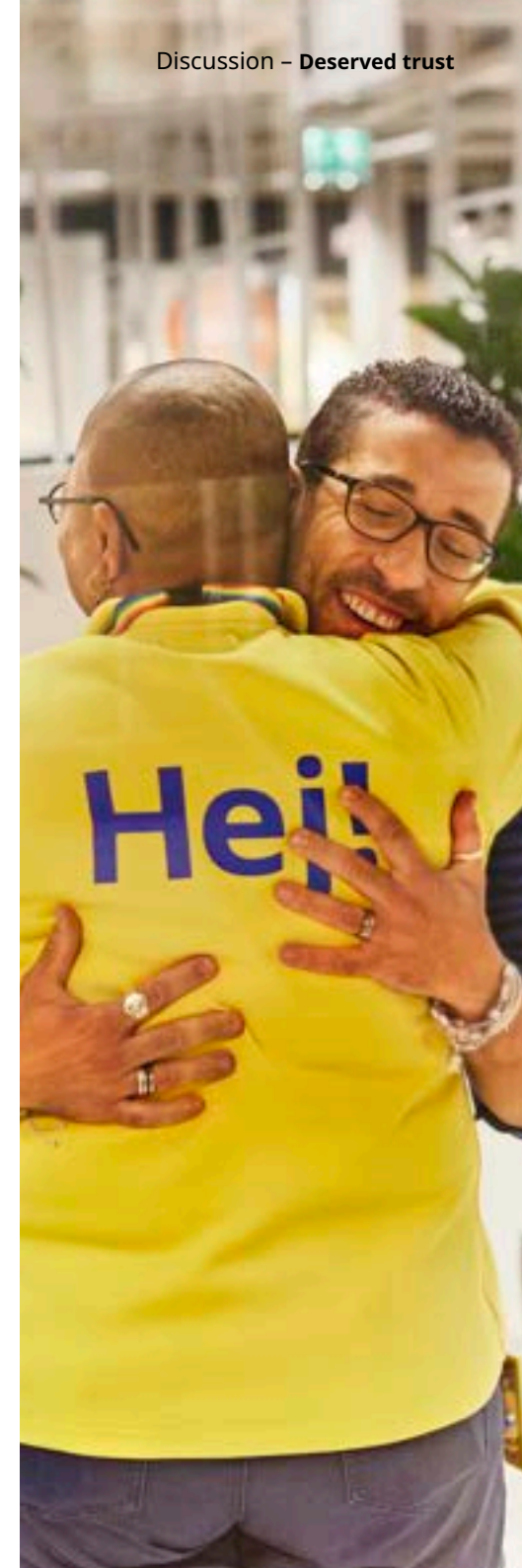
IKEA has always put a lot of effort into ensuring that consumers can trust their products in terms of safety and quality. Detailed tests are carried out, audits are carried out on suppliers and internal audits on IKEA factories, there are strict rules on what materials are allowed in the products and requirements that most of the materials are of sustainable origin. The concept here in IKEA is that the brand stand for quality on its own. If consumers see a product with the IKEA logo, they can rest assured that it has gone through a strict process of verifying quality and safety requirements equal to those on which many certifications are based. In Iceland, IKEA has had products and collections approved by the Nordic Swan for use in Swan-certified housing at the request of customers, and such applications have been easily obtained thanks to IKEA's strict requirements for its own products.

However, IKEA is far removed from taking a stand against certifications and relies heavily on so-called B2B certifications for its raw material suppliers. Almost all timber products come from FSC-certified sources, cotton must pass one of the three approved certification systems, seafood in the IKEA restaurants is MSC- or ASC-certified, there is available organic certified coffee under the IKEA brand, and we also seek certification ourselves for individual products such as the UNDVİKA multi-purpose lock.

Every product labelled by IKEA comes with a promise of both safety and quality. A promise that IKEA is confident to keep.

¹ International Trade Center – Standards Map App: <https://www.standardsmap.org/>

² Riskos, Kyriakos & Dekoulou, Paraskevi-Evi & Mylonas, Naoum & Tsourvakas, George. (2021). Ecolabels and the Attitude - Behavior Relationship towards Green Product Purchase: A Multiple Mediation Model. Sustainability. 13. 6867. 10.3390/su13126867.



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But we are best in person in Kaupún 4

