

IKEA UK ANNUAL REPORT

FINANCIAL YEAR 2020

Our journey towards a more
affordable, convenient, and
people and planet positive IKEA



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Country Manager's Summary of the Year

IKEA's founder, Ingvar Kamprad, once said, "A crisis brings out the best in us," and what a year we've had. Our values of togetherness and a better home life for the many are already firmly embedded in our culture but 2020 brought fresh opportunities to show our true colours as a result of the global pandemic. I was humbled by the levels of resilience and togetherness shown by our fantastic UK co-workers. Everyone took responsibility for keeping each other safe, supporting their local community - particularly the most vulnerable - and helping our customers to experience a better life at home.

Casting our minds back to the start of the year before the pandemic, IKEA UK was trading well, with strong sales across both our channels - digital and within stores. The UK's forthcoming departure from the EU was in the spotlight, with the uncertainty surrounding Brexit driving our meticulous preparations for all scenarios. Our ambitious plan to reinvent IKEA to become more affordable, convenient and people and planet positive by the end of 2021 was gaining traction through a broad range of digital and in-store initiatives.

And then, suddenly, we found ourselves in an entirely new landscape, along with the rest of the world. The outbreak of COVID-19 brought a fresh perspective on our business and, as a result, accelerated new shopping behaviours, which, for us, meant new ways of greeting our customers. We responded

by prioritising co-worker and customer safety and wellbeing above all else, taking the decision to close stores shortly before the Government announced the first official lockdown in March 2020. Where co-workers needed to be on-site, we introduced safe systems of working and we're proud to say that our endeavours to keep people safe were recognised by the UK Government as an example of best practice.

One of the most important things in a time of crisis is to feel a sense of stability. We paid all of our co-workers 100% of their salaries, even though our stores were closed to customers for up to three months of the financial year; a decision that has helped to support financial wellbeing in times of uncertainty. As restrictions continued, we also invested significantly in formalised programmes to support co-workers' mental health, including training



in mindfulness, resilience and our Together Apart engagement platform to keep co-workers connected as we found ourselves working or learning from home.

We also saw with fresh eyes the value in our essential goods, services and physical destinations - for example, our Swedish food markets were open to key workers and the most vulnerable, with essential food supplies offered at cost price. Two of our car parks became drive-in COVID-19 testing centres for NHS staff.

Our contribution went much further though. Through our emergency community support, we unleashed a huge breadth of kind acts and care into local communities - made possible by the passion and commitment of our co-workers. We used our skills as well as our products to make a difference, with 50,000 tape measures donated to intensive care units for lung capacity analysis, 26 hospital staff rooms furnished for NHS workers to rest between shifts, 154 spaces created and updated in healthcare settings, childcare homes and apartments for temporary living. We also donated thousands of care packs to vulnerable families and individuals and supported over 47 organisations, including Red Cross, Barnardo's, The Trussell Trust, Alzheimer's Society, Breaking Barriers and many local hospitals.

Our financial stability and the backing of our global parent company, Ingka Group, meant we were able to contribute £1.3m to those most impacted by the

COVID-19 pandemic in the UK and Ireland, with over 67,500 people supported through our community efforts and charity partnerships.

Of course, we were not the only ones to reprioritise at this critical time. The pandemic brought people's homes into the limelight like never before. Whether customers wanted to create a home office, a space for home schooling or to maximise their living space for hobbies and relaxation, the demand for affordable, functional, sustainable and good quality home furnishing was never higher. We launched new ranges in 2020 to meet these needs, including the customisable, flexible ENHET kitchen system and our new BYGGLEK collection in collaboration with the LEGO Group, which proved an instant hit with families and children looking for fun, creative home storage solutions.

With stores closed, this demand saw our digital sales increase +31% on last year. To accommodate this rapid shift in buying behaviour, we innovated, tested and learned like never before. This meant fast-tracking the launch of our national Click and Collect programme, which turned our stores into local fulfilment centres and safe collection points for customers. I'm grateful for the colossal efforts that everyone in our fulfilment and logistic teams made to meet this unprecedented acceleration in demand. The swift addition of 4,000 Click and Deliver DPD drop-off points would not have been possible without the agility of our suppliers and we thank them for their incredible support.

It's fair to say that we weren't perfect in all our attempts to meet customer demand, and we apologise to any customers who had to wait longer than usual for an item or to speak to one of our support team. I would like to thank all of our customers for their patience; we will work hard to hone the customer experience and have plans to invest where it matters most. It is thanks to our amazing co-workers we leave the year in a much stronger place to be more accessible to the many, wherever they live and however they want to shop with us, having learnt an incredible amount about our customers, our abilities and our adaptability. These learnings have rapidly accelerated our ambitious plan to reinvent IKEA to become more affordable, accessible and sustainable by the end of 2021.

Despite the difficulties of the year, we came through more committed than ever to our sustainability goals. As Chief Sustainability Officer, I was keen to ensure we continued our science-based approach to become circular and climate positive, contribute to a net-zero carbon economy and to make healthy and sustainable living affordable, attractive and accessible for all. Significant milestones of the last financial year included selling over 63 million products that help customers to live a more healthy and sustainable life, diverting 2.1 million products from going to waste and selling them at a discounted price, collaborating with the British Retail Consortium to develop a Net Zero Roadmap for the industry and cutting food waste by -47% in our restaurant kitchens compared to 2017 through the use of Artificial Intelligence.

We move forward with a fresh sense of togetherness, strengthened by a deeper understanding of each other's needs and a knowledge of just how much can be achieved when we pull together as one IKEA. Despite the challenges of the global pandemic, 2020 showed us that our values and our core beliefs are in the right place. We've seen firsthand how quickly we can move with aligned priorities and we've experienced the power of being an integral and collaborative part of a wider ecosystem of businesses, government and society. Our transformation plans are still ongoing and we continue to work towards becoming more convenient, affordable and sustainable for our customers, while prioritising a better and more relevant customer experience across all of our meeting points.

All of the learnings and changes from the year fuel our ambition to continue creating a better everyday life for the many and to become truly people and planet positive, as we look to build back better in 2021.

Peter Jelkeby

Country Retail Manager and Chief Sustainability Officer, IKEA UK and Ireland

Our business at a glance

Our FY20 business results

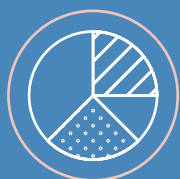
£1.90 bn

total sales in the UK
(£2.120 billion in FY19)



8.7%

market share
(9% in FY19)



44.2m

visitors to IKEA UK stores
(-21.9% from FY19)



260.3m

total number of visits to IKEA.co.uk
(+15.9% compared to FY19)

+31%

in online sales
(+27% in FY19)



**Online represents
circa 27% of total sales**

(19% in FY19)

Adapting to be more accessible to our customers

- Click and Collect introduced across stores
- In-store fulfilment helped to create more capacity and shorten delivery lead times
- The addition of 4,000 Click and Deliver DPD drop-off points across the UK
- Remote kitchen, wardrobe and living room storage planning introduced
- A trial with Deliveroo to make our restaurant food available during lockdown
- Releasing our famous Swedish meatball recipe for people to recreate at home – third in the top 10 recipe searches on Google in 2020

Protecting our people in a challenging year

10,778

co-workers across the business

100%

of contracted hours paid to all co-workers, despite stores being closed

Launched an IKEA COVID-19 Emergency Fund

available to any co-workers that needed it

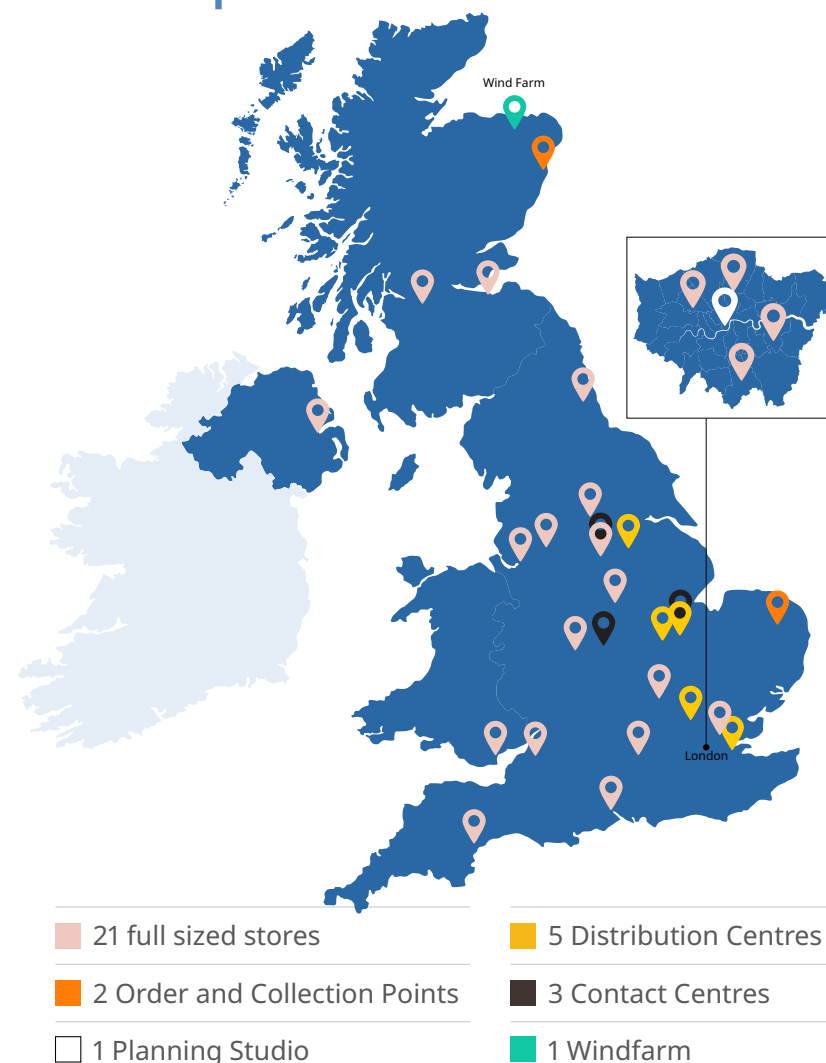


COVID-19 safety measures for customers and co-workers

recognised by the UK Government as an example of industry best practice



Our UK presence



Our energy consumption and production

- 13 of our stores and both of our distribution centers have PV solar panels
- Our windfarm in Dummies produced 21,874.24 kWh of clean energy for our stores
- 100% of our electricity came from renewable sources
- The business used 9% less energy than last year



Our waste reduction and recycling

- 25% less water used than in FY19
- 18% less waste than in FY19
- Recycling rate of 72% achieved
- Our Recovery department prevented over 2.1 million products from going to waste

Becoming people and planet positive

Supporting people's well-being

£1.3m

contributed to those most impacted by the COVID-19 pandemic in the UK and Ireland

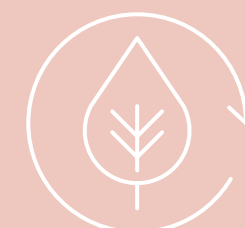
67,500

people supported through IKEA UK's community efforts and charity partnerships

130,000

IKEA products donated to support 47 different organisations with helping the UK's vulnerable people

Becoming circular and climate positive



One of 20

retailers helping the British Retail Consortium (BRC) to develop a Net Zero Roadmap for the retail industry

Cutting food waste by 47% in our restaurant kitchens with the help of Artificial Intelligence

Inspiring customers to live better everyday lives

Introduction of plant balls in our restaurant, with a climate footprint of only 4% of the classic IKEA meatball

Over

63 million

products sold that help customers to live a more healthy and sustainable life

Over

3,900

customers switched to renewable electricity through our partnership with Big Clean Switch

Who we are

In the UK, the Country Management Team oversees our business operations and our retail transformation journey to become more affordable, accessible and people and planet positive.

IKEA Ltd (UK) is part of Ingka Group, which is the largest of the strategic partners in the IKEA franchise system. Ingka Group consists of three business areas - Retail, Centres and Investments. Our core business is IKEA Retail, which consists of 378 IKEA stores across 30 markets, including 21 stores in the UK. Each year, we welcome 706 million global visitors to these stores, and we have more than 3.6 billion visits to IKEA.com.



Peter Jelkeby
Country Retail Manager and
Chief Sustainability Officer



Constantinos Mourouzides
Country Chief Financial Officer



Carin Hammer-Blakebrough
Country People and Culture
Manager



Jocelyn Bee Ghoon Goh
Country Business Development
and Transformation Manager



Dave McCabe
Country Commercial Manager



Jakob Bertilsson
Country Customer Fulfilment
Manager



Paul Lawrence Jackson
Country Digital Manager



Matthew Drage
Country Communications
Manager



Mike Hawkins
Area Manager, London



Ekaterina Egorova
Area Manager, North



Claudia Marshall
Area Manager, South



Marsha Smith
Area Manager, Midlands

Evolving our business in a challenging climate

During 2020, we had to act incredibly quickly to adapt and rebuild processes to meet urgent needs. We reassessed how we could support our customers and how to engage with others outside the business to make a real difference to the most vulnerable at this time of national emergency. We now have a much more dynamic model capable of scaling to accommodate customer demand, a stronger sense of togetherness and a solid platform for closely aligning ourselves with the urgent needs of the planet and its inhabitants.

Accelerating our three-year transformation

The challenges of 2020 helped us accelerate our transformational journey to becoming a more accessible, affordable and people and planet positive retailer. We adapted at speed, with plans to introduce new digital initiatives fast-tracked so we could cater for high levels of customer demand while stores were closed. The home environment is more important than ever and we see our role as ensuring it is comfortable and practical for all, even for those with thin wallets. This brought greater agility in our approach to complex problem solving. We now know just what is possible when we align as a business and fully understand the wider context of our ambitions through a lens of contribution.

It was through close partnerships and communication with suppliers, charities, Government and regulators that we navigated the year's challenges and came out stronger. As well as working with external collaborators, we supported each other under extreme circumstances, strengthening our culture of togetherness within the IKEA family.

2020 also brought home how important both external collaboration and co-worker commitment is to our journey towards regenerating the planet while continuing to provide for the many. With a modernised infrastructure and a more closely aligned workforce committed to our values, we took our people with us in a time of rapid transformation. We are now in an excellent position to progress faster towards becoming a business that gives back at least as much as it takes from the environment and society.

Planning for a post-Brexit world

Before COVID-19, our focus was on creating a strong foundation for growth in anticipation of the different scenarios and challenges that Brexit could bring. Our planning was disrupted by long periods of uncertainty when talks were delayed by the response to the pandemic. However, we continued to plan for the various outcomes, including the possibility of no agreement being reached. Behind the scenes, we worked closely with UK and EU authorities and other partners to anticipate and navigate forthcoming regulatory changes, with a particular focus on the UK and Ireland's trade flow, protecting workers' rights and environmental and safety regulations for our products.

With a late deal agreed, despite challenging timings and having to adjust to new guidance at speed, our meticulous preparations meant that, largely, we were able to adapt and continue our operations. Our view remains that close collaboration between the UK, EU and other markets is a force for good. Governments and businesses must continue to work together and forge stronger relationships to jointly navigate the changes expected over the next twelve months, including securing a green and fair recovery from COVID-19 and acting on the existential threat of climate change.

Protecting our co-workers during a global pandemic

Our number one priority during the pandemic was co-worker and customer safety and we took the decision to close stores shortly before the Government announced the first official lockdown in March 2020. Where co-workers needed to be on-site, we introduced safe systems of working with the necessary social distancing, one-way systems, temperature check-ins and self-isolation procedures.

Being able to provide co-workers with a safe environment in which to continue working was vital as many found a renewed sense of purpose in their work, with IKEA's goods and services playing an important part in keeping the nation comfortable at home.

We were able to offer co-workers' financial stability through our decision to pay all of our co-workers 100% of their salaries, even though our stores were closed to customers for up to three months of the financial year. It was our strong foundation of profitability and growth, combined with the support and resources of the global Ingka Group, that enabled us to take such a bold decision.

We also invested heavily in supporting the mental health of co-workers, expanding our digital innovations in the way we connected, collaborated, learnt and developed, wherever we were. This was essential to our ability to remain resilient and responsive to the continually changing external factors, including multiple lockdowns and sudden changes in operating regulations.





Strengthening and modernising our infrastructure

Our digital sales reached a new peak in 2020, with our efforts during the pandemic to remain accessible accelerating the implementation of many of our transformational plans. The launch of Click and Collect over the summer and the transition of our stores to become fulfilment centres, alongside our existing warehouses, was game-changing for the business and this is reflected in the year's trading figures, with a +31% increase in online sales.

Digital innovation accelerated

With our central distribution units at maximum capacity, we took advantage of our extensive property footprint to convert retail units into fulfilment centres for online orders, fast-tracking our plans to launch Click and Collect across all our store sites. Checkout points were transformed into packing benches, restaurants became storage facilities and co-workers from the shopfloor and our restaurants gained new skills from volunteering to be redeployed to logistics and fulfilment roles. We also significantly upscaled our customer support, and retrained many of our co-workers to support customers along the online purchasing journey. Of course, areas such as stock availability, lead times, fulfilment pricing and enhanced customer service take time to perfect and we have plenty more to learn, but we now have a solid platform for meeting customers' huge demand to interact with us digitally.

Alongside the appetite for Click and Collect, our UK delivery services experienced the highest take-up ever. Consequently, we prioritised the launch of our parcel collection services with the addition of 4,000 DPD locations for collection. We would not have been able to make this transition so swiftly without the support and agility of our suppliers, including the last mile delivery providers, who were invaluable in ensuring the products reached customers safely, scaling up their services to accommodate our peaks in demand.

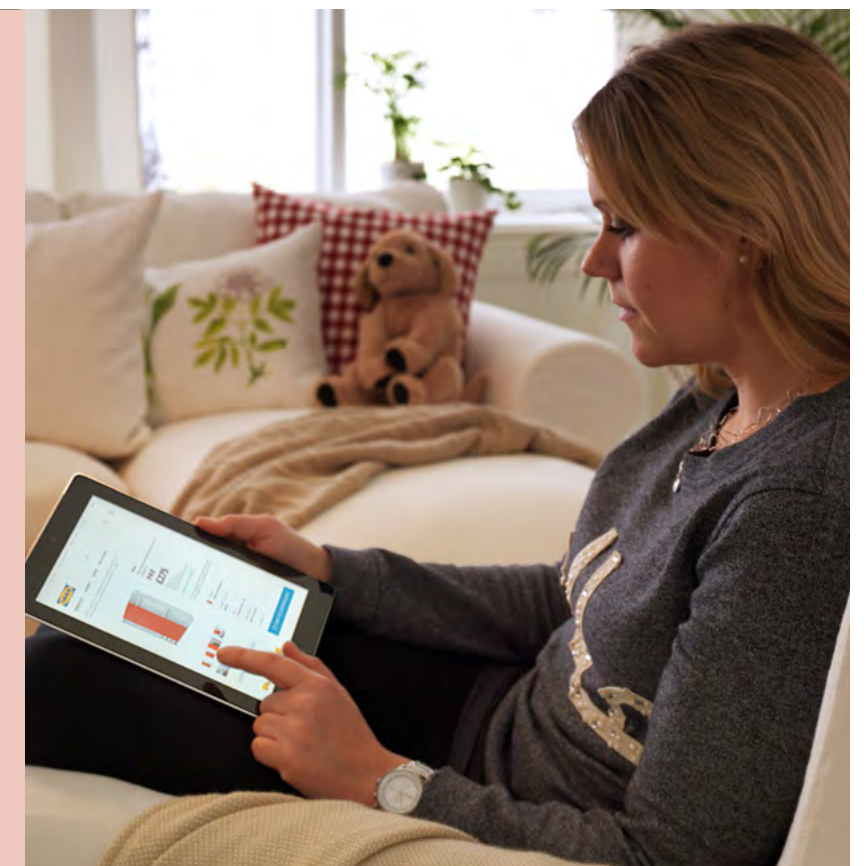
Evolving our store presence

The last twelve months have helped us appreciate just how important physical interaction is. We know our customers are keen to return to our stores as soon as it is safe, with footfall consistently high outside of lockdowns and at the start of 2020, before the pandemic. The store as a destination to touch, smell and try our products, combined with the value that co-workers bring to the transaction, is essential to our future growth. Inspiring customers to live better, healthier lives is also a key role of our stores and in 2020 we upgraded the spaces to show the full extent of our products' sustainability credentials.

During the 2020 financial year, we closed our Coventry store, as well as the Order and Collection Point at Westfield in Stratford and our Planning Studio in Bromley, London, which were both test sites. These moves were unrelated to the challenges posed by COVID-19, with many co-workers at these destinations offered opportunities to continue working for us. We took some important learnings about location and customer demand from these initiatives. We will continue to experiment and we are committed to investing in locations that can make IKEA more accessible to the many, particularly in city centres, including the forthcoming opening of our Hammersmith small format store, which will focus on home furnishing accessories and furniture planning.

Expanding our range of services

Co-worker interaction with customers is a critical part of the IKEA experience. With stores closed, we seized the opportunity to ensure our life-at-home and home furnishing expertise remained available to customers by launching remote planning services for our kitchen, bedroom and living room ranges. Customers willingly adapted to these digital consultations as a way to plan their refurbishments without the need to come to a store. This helped to bring us closer to our customers and we will use these insights to expand and adapt the services going forward, while creating a consistent and high quality customer care experience.





Our social and environmental impact

In the midst of the disruption that COVID-19 caused, there was an opportunity for IKEA to step up our efforts to create a fairer, more inclusive society by supporting the most vulnerable groups affected by the pandemic. Equally, we did not lose sight of the urgent need to tackle the climate crisis and help regenerate our planet in 2020, finding new ways to inspire our customers to live healthy, sustainable lives and accelerating our business transformation towards becoming climate positive and fully circular by 2030.

Making healthy and sustainable living affordable and accessible

It is a key priority for our business to inspire and enable our customers to live a more healthy and sustainable life at home, including those with thin wallets. From prolonging the life of our products, to enabling clean electricity use and offering more plant-based food options in our food outlets, our efforts focus on ensuring living more sustainably is an enjoyable and accessible experience for all, rather than a privilege for the few.

As part of this commitment, we continue to grow our range of People and Planet Positive products, which includes items made out of recycled or sustainably sourced materials, and solutions that enable customers to live more sustainably, save or generate energy, reduce or sort waste, or use less water. In 2020 we sold over 63 million products which help customers to live more healthy and sustainable lives - this is 30% of the total volume of the products we sold.

Prolonging the lives of products is also fundamental to changing customer behaviour and reducing waste on our path towards becoming [100% circular](#). By selling returned, damaged or ex-display products at discounted prices, our in-store Recovery Departments in the UK diverted over 2.1 million products from going to waste between September 2019 and September 2020.

With the majority of people being at home for much of 2020, sustainability challenges like food waste and home energy usage came into sharp focus and many reassessed how they can consume more mindfully. Our [Live LAGOM](#) digital and in-store engagement programme encouraged customers to enjoy a “just enough” approach through providing tips, advice, inspiration and community support for sustainable living. During the first lockdown, we ran five weeks of daily virtual workshops on healthy and sustainable living and saw our Facebook community engagement increase dramatically.

How we inspired customers to live healthy, sustainable lives

63 million

products sold to help customers to live a more healthy and sustainable life - that's 30% of the total volume of products sold this year



Plantballs introduced to our restaurants

with a climate footprint of only 4% of our iconic meatballs



3,947

households switched to renewable electricity from our partnership with Big Clean Switch

This resulted in a carbon emission saving of

3,241 tonnes



221

households took part in our Live LAGOM engagement programme on sustainable living

Over

100

Live Lagom sustainable living workshops held in store and online

315,000

spare parts provided to UK customers to prolong the lives of their purchases





Moving towards becoming Climate Positive and fully circular

While urgent actions relating to the pandemic took the front seat in 2020, we continued to work towards our vision of creating a fully circular business by 2030, built on clean, renewable energy and resources, and ensuring we reduce more greenhouse gases in absolute terms than the total IKEA value chain emits. [Our approach](#) is based on what science tells us we must do to limit global warming to 1.5°C at the end of this century. This includes drastically reducing greenhouse gas emissions, removing carbon from the atmosphere through natural processes and storing it through better forest and agriculture management within the IKEA value chain.

Improving our energy consumption and production

By 2030, we intend to use only renewable energy and we are now well on track, with 73% of our energy use coming from renewables. Our Dummues wind farm now represents 23% of our energy consumption and thirteen of our stores and both of our distribution centers feature PV solar panels. The last few years have seen the introduction of ground source heat pumps and biomass boilers to phase out the use of fossil fuels for heating, cooling and refrigeration. Energy efficiency initiatives such as the ongoing introduction of electric vehicles for deliveries and our growing use of LED lighting contributed to our business using 9% less energy than the year before.

Working hard to reduce waste

Transforming IKEA into a circular business also means striving for zero waste in all areas of the business. This year, we produced 18% less waste than last year, with a recycling rate of 72% across

the business, up 0.3% compared to FY19. In the UK, we used 25% less water than last year due to water efficiency improvements, like new taps that help reduce consumption.

We serve millions of meals to customers in our restaurants each year, which makes food waste an important focus. A major breakthrough in the last few years has been the introduction of an Artificial Intelligence solution with our global supplier Winnow, which helps to track and reduce food waste in commercial kitchens by taking photos of what is thrown away and noting the weight, reason and time. As a result, we have cut food waste by 47% in our UK restaurant kitchens, compared to 2017.

Collaborating with the retail industry in a journey to net zero and beyond

The pressure is on to make significant changes to reverse the effects of climate change within this decade. In 2020, we prioritised creating a retail movement and sharing our knowledge and learnings as one of 20 retailers who collaborated with the British Retail Consortium (BRC) to develop a [Climate Action Roadmap](#) for the retail industry ahead of the British Government's 2050 target. The roadmap is a world-leading industry action plan to provide all UK retailers with the tools they need to plot their own journey to decarbonise their operations and supply chains. It also sets out how retail businesses must work together, to turn challenges into opportunities in order to meet our common mission of decarbonising our economy.

2020 also saw us support small retailers to move towards net zero, using our global and UK experience to contribute to the Retail Sector Council's Net Zero and Beyond project. This will provide a blueprint for reducing complexity for retailers, solving problems through practical solutions and highlighting best practice.

Our progress to become circular and climate positive by 2030

100%

of our electricity came from renewable sources



73%

of our total energy use came from renewable sources

9%

less energy used across the business than the previous year

21,874 kWh

of clean energy produced by our Dummues wind farm - enough to power five IKEA stores for a year

18%

less waste produced than in 2019, (partly due to store closures)



72%

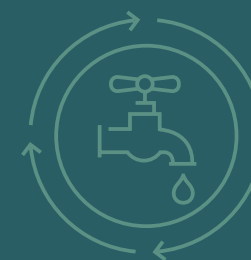
recycling rate across the business +0.3% on last year

47%

reduction in food waste in our restaurant kitchens, compared to 2017

25%

less water used than last year



Supporting the most vulnerable during the COVID-19 pandemic

Supporting the daily lives of people in our communities and enabling them to provide a good life for themselves and their families, even in times of crisis, is critical to our 2030 goal to be a leader in creating a fair and equal society. The global health crisis of 2020 engaged hearts and minds like never before. Both the business and our co-workers stepped up to the challenges, united in our intention to help.

Our immediate response to mobilising in the face of the pandemic was to work strategically with key partners in areas that relate to our expertise in building a better life at home and in support of the most vulnerable groups. In total, we aided over 67,500 people directly as a result of our product and food donations. As part of a global aid fund from Ingka Group, we contributed over £1.3m to those most impacted by the COVID-19 pandemic in the UK and Ireland.

Supporting the NHS and frontline staff was a top priority and we installed drive-in COVID-19 testing centres at two of our store carparks for NHS staff, as well as furnishing hospital and key worker rest facilities across the country. Our emergency response to the pandemic also included a partnership with The

British Red Cross to help vulnerable individuals and families through product donations. With care homes being on the front line of the impact of the pandemic, we worked with The Alzheimer's Society to provide donations to local care homes and other housing schemes that support people living with dementia and long-term health conditions who were isolating during the crisis.

2020 marked the second year of our national partnership with children's charity Barnardo's. Through this collaboration, we have connected our stores and co-workers across the country with local service providers to contribute skills and resources, revamping children centres, fundraising and donating products and knowledge for better homes. This work was instrumental in supporting Barnardo's emergency response to the COVID-19 crisis and 7,500 IKEA Wellbeing Packs were sent to vulnerable children and families supported by the charity across the UK.

A new strategic focus for the Barnardo's partnership emerged this year aimed at supporting young people leaving the care system. During the pandemic, we provided 500 young care leavers day-to-day essentials, such as cookware, plates, cutlery, towels and drying racks. In 2021, we will build on this and we will use our expertise to support young people to live well and independently in their homes, ensuring that they have the positive future that they deserve.



“Supporting communities during the COVID crisis was our immediate focus for 2020, and we’re incredibly proud of our co-workers’ contribution on that front. There is now a unique opportunity to build back better by resetting the system, rather than just restarting it, to tackle the challenges within climate, wellbeing and equality, all at the same time. Collectively, we will need to move fast, maintaining the sense of urgency that united us during the pandemic and building on newly strengthened partnerships, to ensure that the extreme changes we saw in 2020 form the foundations for a better and kinder future for all.”

Hege Sæbjørnsen
Country Sustainability Manager, IKEA UK & Ireland



A snapshot of our contribution during the pandemic



67,500

people directly supported through IKEA UK's community efforts, including health care professionals, families with children and refugees

£1.3m

of in-kind donations to support emergency relief in the UK and Ireland

154

spaces created for healthcare rest rooms, childcare homes and healthcare temporary apartments

47

different organisations supported, including Red Cross, Barnardo's, The Trussell Trust, Alzheimer's Society, Breaking Barriers and local hospitals and councils



130,000

IKEA products donated including beds, mattresses, bedding, towels, lighting, sofas, tables, chairs, toys and food

Supporting the NHS and frontline staff

Drive-in COVID testing centres

installed at IKEA Wembley and Gateshead for NHS staff

26

hospital staff rooms furnished for NHS staff to rest between long shifts

Products donated

to help furnish the new Nightingale Exeter hospital's offices, kitchen, canteen, wellbeing and consultation rooms

50,000

paper tape measures donated to hospitals to assess how much air to inflate into ICU patients' lungs

4

Swedish Food Markets in our UK stores opened to supply vulnerable and key workers with essential food supplies at cost price



Help for vulnerable groups

7,500

Wellbeing packs sent to children supported by Barnardo's services across the UK



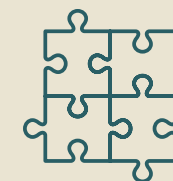
500

Life at Home packs for young care leavers, with essentials they need to live independently



400

children and young people supported through product donations to Water Lane, a Barnardo's care home in Essex



948

children toys packs sent to refugee & asylum-seeking families nationwide - supporting children & families in lockdown to have fun, learn and relax



635

home comfort packs shared with refugee & asylum-seeking families nationwide



231

food on the go kitchen packs sent to refugee & asylum-seeking families nationwide

800

food parcels sent to Nottingham food bank supporting communities affected by coronavirus

Over

13,500

items donated for over 80 care homes with over 7,500 residents and staff benefitting from the donations



"IKEA has been instrumental in Barnardo's emergency response to the crisis. Their product donations have reached over 8,400 children and young people in the UK and Ireland."

Javed Khan
Chief Executive, Barnardo's



"Your donations have been so impactful for people with dementia at a time when they really needed a lift."

Steven McFadyen
Programme Partnerships Officer at Alzheimer's Society

Our people and culture

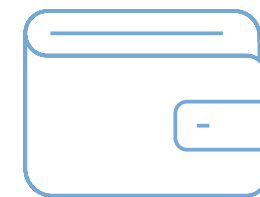
We could not have predicted the year's events, nor the levels of resilience and commitment that our 10,778 co-workers across IKEA UK displayed. Throughout the challenges of the pandemic, they stepped up to adapt their roles and enhance their skills in multiple ways, resulting in a stronger sense of togetherness and entrepreneurialism across the business.

Keeping co-workers safe

In the heat of uncertainty surrounding the early days of the pandemic, we made the decision to put people at the heart of our response, making sure all our co-workers were paid in full even though our stores were closed to customers for up to three months of the financial year. We put our co-workers' mental health and financial stability first and offered flexible working options for all, with a focus on supporting those with childcare difficulties or other caring responsibilities to continue working wherever possible. For our clinically vulnerable co-workers, we adapted their roles so they could work or learn from home, and we ensured those who were clinically extremely vulnerable could shield.

For those who continued to work on-site, extensive safety measures in our stores, restaurants and distribution centres were put in place for their protection, including social distancing training, perspex screens, customer information and consistent hygiene practices. We were consequently recognised by the UK Government as [an example of best practice](#) and used as a case study. As well as paying everyone 100% of their salary, we thanked those that worked throughout the closures in all areas with extra time off or vouchers.

As the pandemic unfolded, it became clear people's lives and circumstances were changing in multiple ways and some were experiencing extreme hardships. We partnered with RetailTRUST, a not-for-profit organisation with 25 years of experience delivering financial assistance, to introduce an IKEA COVID-19 Emergency Fund for co-workers' emergency financial needs, such as outstanding rent and mortgage payments or health and childcare costs.



100%
of salaries paid to all
10,778 co-workers,

even though stores were
temporarily closed

Supporting co-workers' mental health and wellbeing

During the pandemic, many of us found ourselves adapting to working or learning from home, sharing our workspace in close quarters with the rest of the household, and in some cases juggling childcare and homeschooling alongside our day jobs. At a time when our lives were being turned upside down in so many ways, health and wellbeing remained top of our agenda.

Initiatives to support co-workers through these times included:

- Our Health and Wellbeing Approach - a calendar of digital content, focusing on physical, psychological, financial and social wellbeing, including Wellbeing Wednesday Newsletters with tips to look after our health
- A virtual library of resources, ideas and support for how to cope with isolation and stress
- A webinar series on themes related to sleep, mental health and financial wellbeing
- The Together Apart campaign with weekly social media updates and newsletters, to engage co-workers who could not work to stay connected to the IKEA community
- A co-worker online discount portal to help them make their home environments more comfortable
- Engagement with Mental Health Awareness Week in May, in line with the national campaign, with a focus on sharing experiences of kindness
- A Welcome Back booklet to support co-workers returning to their work environment following lockdown, with a strong focus on wellbeing
- Partnering with RetailTRUST for our Wellbeing Services, including offering a confidential 24/7 helpline, access to free counselling sessions and resources for mental health

Our efforts to prioritise the wellbeing of everyone who works for IKEA were rewarded many times over in the incredible contribution from all co-workers. Collectively, they went above and beyond any reasonable expectations to support each other and be there for the business. This galvanised our culture of togetherness and laid the foundations for an even more supportive and inclusive future. We truly understand what it means to see IKEA as a home and community rather than simply a workplace.



“Throughout the pandemic our co-workers drew on their reserves of resilience and we are so incredibly grateful for all they did for the company, for our customers and for each other. We were all quick to adapt and respond and we brought new levels of optimism to the company in extremely challenging circumstances. We are now using this energy to accelerate our talent development, digital learning and inclusivity practices to make sure we offer the most exciting opportunities to all and prepare our co-workers for the retail industry of the future.”

Carin Hammer Blakebrough
Country People & Culture Manager
IKEA UK & Ireland

Unleashing our entrepreneurial spirit and upskilling co-workers

Unlocking the entrepreneur in all of our co-workers is a key element of our business transformation to become more affordable, accessible and sustainable; without the ideas and initiative of our co-workers we cannot expect to reach our ambitious goals. The pandemic became a platform for entrepreneurialism within IKEA, with the urgent need for reinvention bringing fresh opportunities to problem solve and innovate. Co-worker ideas sprang up in every section of the organisation and were implemented faster than ever, from enhanced digital customer service, to bringing our expertise and products to local communities and supporting each other to learn and share knowledge.

Many co-workers willingly transferred to other areas of the business, moving from food preparation to packing online orders, from in-store customer service to coordinating Click and Collect points, or upskilling themselves to become project leaders for digital initiatives, including a Deliveroo trial from our restaurants and the fast-tracked launch of a range of virtual planning services for home improvements.

Store-based co-workers were quickly upskilled for a range of fulfilment roles, as our stores transformed into a national network of fulfilment centres for Click and Collect orders. As a result, many found a new passion for logistics: of all co-workers who changed jobs internally in FY20, 10% moved to a new role in logistics. Customer support for online orders was another huge area of redeployment and we retrained thousands of co-workers to improve and accelerate the online purchasing journey. These transitions often brought out new strengths and talents that co-workers had not yet had the chance to explore.



Creating new roles and transforming recruitment practices

With parts of the business growing beyond our plans, we made thousands of new hires throughout the course of the year in areas including ecommerce, order fulfillment and customer support, bringing new talent and fresh perspectives to our business. This involved taking an agile approach to building new digital platforms for recruiting, interviewing and onboarding new co-workers, supporting them to get to know their teams remotely.

Over
2,600
new hires in 2020



2,300
one-to-one video interviews



Embracing virtual working and e-learning

Working practices changed almost overnight as a result of circumstances, and suddenly virtual collaboration was thrown into the centre of all our processes as we found new ways to engage with customers, communicate with each other and innovate with our suppliers.

This led to a mass upskilling in the tools and digital technology needed to learn, work and collaborate remotely. The launch of our ‘Learning in a New Reality’ initiative for all co-workers created an interconnected network of learners that supported each other’s progress as they expanded their digital skills, bringing fresh opportunity to share with colleagues from other stores and parts of the business.



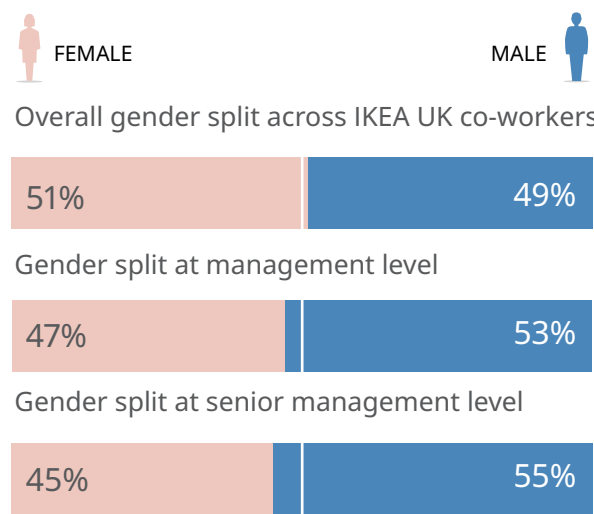
Building a fair and inclusive environment for all

At IKEA, we are passionate about creating an inclusive culture. This means creating a culture where we are all able to be ourselves, contributing with our uniqueness and supporting others. Together, we hope to create a workplace that is as diverse as the world is, and as inclusive as the world should be.

Progress towards gender equality

Gender equality is an important part of our transformational journey. Although the factors impacting it are complex and varied, we're confident that the changes we're making as a business will deliver a more inclusive and equal culture in the longer term.

Our progress towards an equal split of men and women at every level, in every part of the business, continues through our Gender Equality Plan, with a 47:53 ratio of female to male co-workers at management level.



Black Lives Matter sparked much-needed change

Although we have a broad mix of ethnicities in the business, we aim to represent a microcosm of our customer base in terms of our ethnicity mix at all levels of leadership.

As an organisation that's fully committed to race equality, the murder of George Floyd and the Black Lives Matter movement drove us to examine what more we could do to take responsibility in this space. We know that words are no longer enough in standing up to prejudice of all kinds.

A strong sense of urgency for change brought together a small group of Black, Asian and Minority Ethnic (BAME) co-workers and allies to reflect on IKEA's position on race equality in the UK. Consequently, 2020 saw the arrival of our Anti-Racism Taskforce - a group that explores areas like unconscious bias and initiates positive change at IKEA UK, with the commitment of our Country Manager and senior leadership.

An important next step will be to implement a new Race Equality Action Plan, which aims to ensure the experiences of Black, Asian and Minority Ethnic identifying co-workers are heard and to hold the business accountable for continuous, measurable, long-term change.



Understanding the make-up of our business is the first step in supporting all our co-workers to fulfil their potential and we would support the introduction of a requirement to publish ethnicity pay data.

To approach the topic of race equality in a strategic way, the Anti-Racism Taskforce has been working through a 5-step approach:

- 1. **Acknowledge:** Creating an open dialogue on race that acknowledges how much work needs to be done across all levels of the business
- 2. **Listen:** Ensuring the experience of Black, Asian and Minority Ethnic identifying co-workers are heard
- 3. **Reflect and learn:** Analysing what our co-workers are telling us by bringing in a third-party consultant to help us develop a meaningful, long-term action plan
- 4. **Commit:** Committing to tangible initiatives that will enable change in IKEA over the next three years, with short, medium and long-term goals
- 5. **Change:** Keeping the business accountable and creating continuous progress in the long term, beyond the initial three-year commitment

So far we have held over 40 listening groups with BAME co-workers to discuss their experience within IKEA in a protected, informal and judgement-free environment. The appointment of an external consultant is our next immediate step, as we look to move forward with our plan.



Continuing to champion LGBT+ rights

We have long been involved in the fight for gender equality and LGBT+ rights. While our LGBT+ co-workers and other colleagues weren't able to attend Pride events in-person this year, we kept the flag flying for LGBT+ rights throughout 2020. This included flying the rainbow flag from our stores when Pride events were supposed to have taken place, and still using the sales from our now iconic rainbow STORSTOMMA bag to support LGBT+ charities and initiatives. COVID has been a difficult time for many in the LGBT+ community, where mental health and isolation have taken a bigger toll. We've been working hard to support LGBT+ co-workers and communities, through collaborations with diversity empowerment organisations like Stonewall and the LGBT Foundation.



A better life at home, in a year like no other

In times of uncertainty, our homes provide a sanctuary. At IKEA, we have always believed everyone should have a comfortable home, whatever their budget. The pandemic shone an intense spotlight on people's four walls, reminding us of the critical relevance of this belief. Our sales data tells a story of how people's homes and priorities changed in a year of extreme upheaval.



The rise of the multifunctional home

As everyone adjusted to spending more time at home, spaces flexed to become offices, schools, gyms, playgrounds and entertainment centres. Whilst customers throughout the UK looked for ways to adapt and re-imagine their homes for a new reality, our mission to create a better everyday life for the many felt more important and relevant than ever.

Whether customers wanted to establish a home office, a space for home schooling or maximise their living space for hobbies and relaxation, the demand for affordable, well-designed, functional, sustainable and good quality home furnishing has never been higher. We were there to meet the needs of the many and inspire them with new solutions to challenges such as saving space, waste reduction and how to maximise the fun of daily life at home.



A new age of home working

With the first lockdown enforced at short notice, many people suddenly swapped meeting rooms and office desks for bedroom dressing tables and kitchen work surfaces. During the lockdown period from March - June, desks topped the list of the most searched for item on our website. Sales of wall art almost doubled over the year as video callers were invited into the home. The trend for small but noticeable upgrades to office spaces continued throughout the year.



Simple changes to create calm oases

Working at home can be intense and many customers felt they needed to create a soothing sanctuary to help them segregate their work from their rest, with searches for artificial plants up 795%.

- Candles featured in our top 3 best sellers in our stores in June 2020
- Artificial plants featured in the list of top 5 sellers in June when our stores reopened

Searches for small desks

322%^{*} ▲

MARKUS office chair

136%^{*} ▲

Searches for faux plants

795%^{*} ▲

Keeping the nation entertained

TV was a lockdown lifeline

2020 was a big year for the small screen, with a captive audience of viewers turning to it to escape to another world. In response, searches for IKEA's range of TV stands were +112% compared to the previous year. Major releases and popular shows inspired the home. For instance, when Tiger King was released on Netflix in March 2020 it sparked a national obsession with all things animal-themed. Sales of the iconic SKOLD sheepskin rug were almost three times higher compared to the previous year, and animal wall art sales were +135% compared to last year.

The release of Hamilton on Disney Plus in July created a surge in regal-inspired style. This was reflected through an +88% uplift in sales of the SANELA range, which features plush velvet cushion covers and curtains in heritage shades.

Searches for TV stands

112% ▲

Home dancefloors and virtual gatherings became the norm

With lockdown restrictions meaning we were all required to stay indoors, the nation became increasingly competent at virtual gatherings and social content creation, helping people stay entertained and connected to each other. Making way for a home dance floor was the next best thing to going out for eager TikTokers and a decent sound system was essential, with sales of IKEA's speaker range +657%. Sound absorbing panels helped vloggers boost recording quality (and keep the noise down for other householders) and we saw sales of the ODDLAUG sound absorber rise +4503% compared to last year.

Sound absorbers

4503% ▲

Speakers

657% ▲



Gaming took a front seat in the front room

With much excitement in the gaming world following new PlayStation and Xbox launches, coupled with the fact many people had more time on their hands, gaming became a favoured pastime. Sales of the FREDDE gaming desk more than doubled compared to the year before, and sales of accompanying gaming chairs rose by +47%.

Gaming desks

56% ▲

Gaming chairs

47% ▲

Parents found new ways to keep little ones entertained

As parents took on the task of keeping their little ones amused and stimulated throughout lockdown, they went to IKEA for a helping hand. During the first lockdown, the most popular range was DJUNGELSKOG, with our youngest customers going wild for the jungle-themed soft toys. The DUKTIG range, which scales down familiar home items like pans, kitchen sinks and tea sets for tiny hands, saw a 25% increase in sales.

Jungle themed toy range
DJUNGELSKOG

367%* ▲

CIRKUSTALT tent

190%* ▲

DUKTIG home-themed toys

25%* ▲



Making the most of outdoor spaces

Creating inspiring and comfortable outdoor spaces, whether for balconies or gardens, was important for those wanting to safely maximise their time outside. Between March and June garden furniture frequently topped the list of online searches, with people keen to take advantage of the consistently good weather.

- Plant pots were our fourth best-selling product in stores in June 2020

Searches for sun loungers **1364%*** ▲

Searches for garden sofas **396%*** ▲

Searches for rattan furniture **333%*** ▲

A nation declutters

In April, our research** found that during the first lockdown, 88% of people working from home spent extra time reorganising their homes. People invested in additional storage to make space for their new living needs and storage solutions dominated the list of the top 10 best-selling products in early summer, with interior organisers and boxes and baskets taking top spots.

Influencers played a part in the tidy-up trend. Sales of the IKEA 365+ container holders for food storage went up by over 1400% compared to last year, following social media star Stacey Solomon's post on how she used them to re-organise her cupboards.

IKEA 365+ container holders **1407%*** ▲

BRIMNES wardrobe sales **506%*** ▲

- Clothes rails were among our top 20 best sellers in stores in June 2020

Unless otherwise stated, product increase statistics relate to overall sales increases for Financial Year 2020 (September 2019- August 2020), compared to Financial Year 2019, (September 2018- August 2019).

* Increase in sales during the first lockdown (23rd March – 6th June 2020), compared to the same period in 2019

** Research of 1,000 Brits working from home during lockdown, commissioned by Censuwide on behalf of IKEA in April 2020.



What's next for the home?

2020 marked the start of a closer relationship with the home. Living spaces went further to better meet our emotional needs, offering a space to escape and find solace but this is only the beginning. We believe home design will become increasingly creative and thoughtful. There will be new home layouts and redefined spaces, as people see their homes with new and open eyes. We're ready to address the challenges that arise from this and push the boundaries of possibilities for how life at home can lead to a better everyday life for the many.

In an in-depth exploration of trends likely to affect the way we live in the next decade, the global IKEA Life at Home Report 2020 identified three big shifts that will gather pace and influence the future of life at home.

1. **The multi-purpose home:** Ensuring enough comfort and privacy through optimised, flexible spaces
2. **The local home:** Bringing greater ownership, belonging and security through connecting homes to local communities
3. **The healthy home:** A focus on health and wellbeing in the home will be critical to meeting a range of emotional needs

“We'll value small spaces as much as large ones, with creative solutions and new innovations that maximise the possible uses of the space as a design requirement.”

IKEA Life at Home Report, 2020





Our 2020 financial results

2020 was the year that changed everything – from the way we live our daily lives, to the way we do business. As a result, we found ourselves in a new reality, leading in the unknown. At IKEA we managed to navigate through what has been a very turbulent year, guided by our strong culture and values.

For the first six months of the financial year, before the first nationwide lockdown, IKEA UK was performing well in a challenging market, enjoying 4% year-on-year growth in turnover, fueled by our growing online presence and the first full year of trading of IKEA Greenwich. Then the COVID-19 pandemic hit and the world was turned on its head. As a result, our turnover for the year decreased by 10.2% (2020: £1.90 billion vs 2019: £2.12 billion).

Like so many other retailers, our business operation was significantly impacted by the pandemic. With our co-workers at the heart of everything we do, we put their health and safety first, taking the decision to close stores shortly before the first lockdown came into force in March 2020. And with financial stability a key priority in such an uncertain time, we committed to paying our co-workers 100% of their salaries despite these temporary closures. We also launched an IKEA COVID-19 Emergency Fund available to any co-worker that may be experiencing additional financial hardship as a result of the pandemic.

The agility and support of our main suppliers throughout this time was second to none and we worked closely with them to minimise the financial impact on their business by rearranging our contracts where applicable and offering financial liquidity support where possible, so that they could also meet their financial obligations.

With our stores closed for up to three months of the financial year, we became an online-only retailer overnight. As a business, we were already on a transformational journey, but in response to this swift change in circumstances we accelerated many of our plans, such as the implementation of Click and Collect, and in-store fulfilment of

online orders to help meet increased demand. As such, the ecommerce operations of the business represented approximately 27% of total turnover during 2020, compared to around 19% the year prior. This significant increase in online sales and fulfilment costs has impacted our profitability but, being a business for the many, we chose to absorb many of these costs rather than pass them onto our customers, which inevitably impacted our Gross Margin. However, this was compensated by an improvement in other elements of Gross Margin and the positive impact of the strengthening British pound. The Gross Margin for 2020 at 27.1% was slightly higher than in 2019 at 26.8%. We also managed to decrease our costs by 3.4%, therefore reducing the overall loss impact of the year down to £32.7m (2019: £2.5m).

The new services and initiatives introduced at lightspeed in 2020, combined with our newly enhanced agile working practices, mean we are optimistic about the future and maintaining a leading role in the UK home furnishing market. Becoming leaner and more flexible in our operating model as we expand customer touchpoints will be critical to protecting our profitability going forward. We also emerge with a stronger and more extensive customer service offering, which will serve us well and make us more robust and resilient in the future.

As the world continues to recover from the impact of the global pandemic, we want to be part of shaping a new normal that's better for people and planet. Whilst we may be faced with many dilemmas in the future, we remain committed to the sustainability goals set out in our People and Planet Positive strategy. Our vision - to create a better everyday life for the many people - is more relevant than ever and committing to this vision with integrity is what will ensure our success, giving us the ongoing strength, determination and passion to constantly challenge ourselves and respond to new and emerging trends.

Constantinos Mourouzides
Chief Financial Officer, IKEA UK and Ireland

Our business results in 2020*

To access the IKEA Ltd full accounts for FY20 on Companies House please [click here](#)

Total sales in the UK

£1.90 bn

(£2.120 billion in FY19)

Turnover

-10.2%

since FY19 (+8% in FY19)

Gross Margin

27.1%

(26.8% in FY19)

Overall loss impact

£32.7m

(£2.5m in FY19)

+31%

in online sales (+27% in FY19)

Online represents circa

27%

of total sales (19% in FY19)

Total number of visits to IKEA.co.uk

260.3m

+15.9% (224 million in FY19)

The IKEA UK Financial Year 2020 runs from September 2019 - August 2020

Tax contribution:

The corporate income tax for IKEA Group in the UK amounted to £114 million over the last five years and property and other taxes amounted to £278 million during the same period.





FINANCIAL YEAR 2020

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