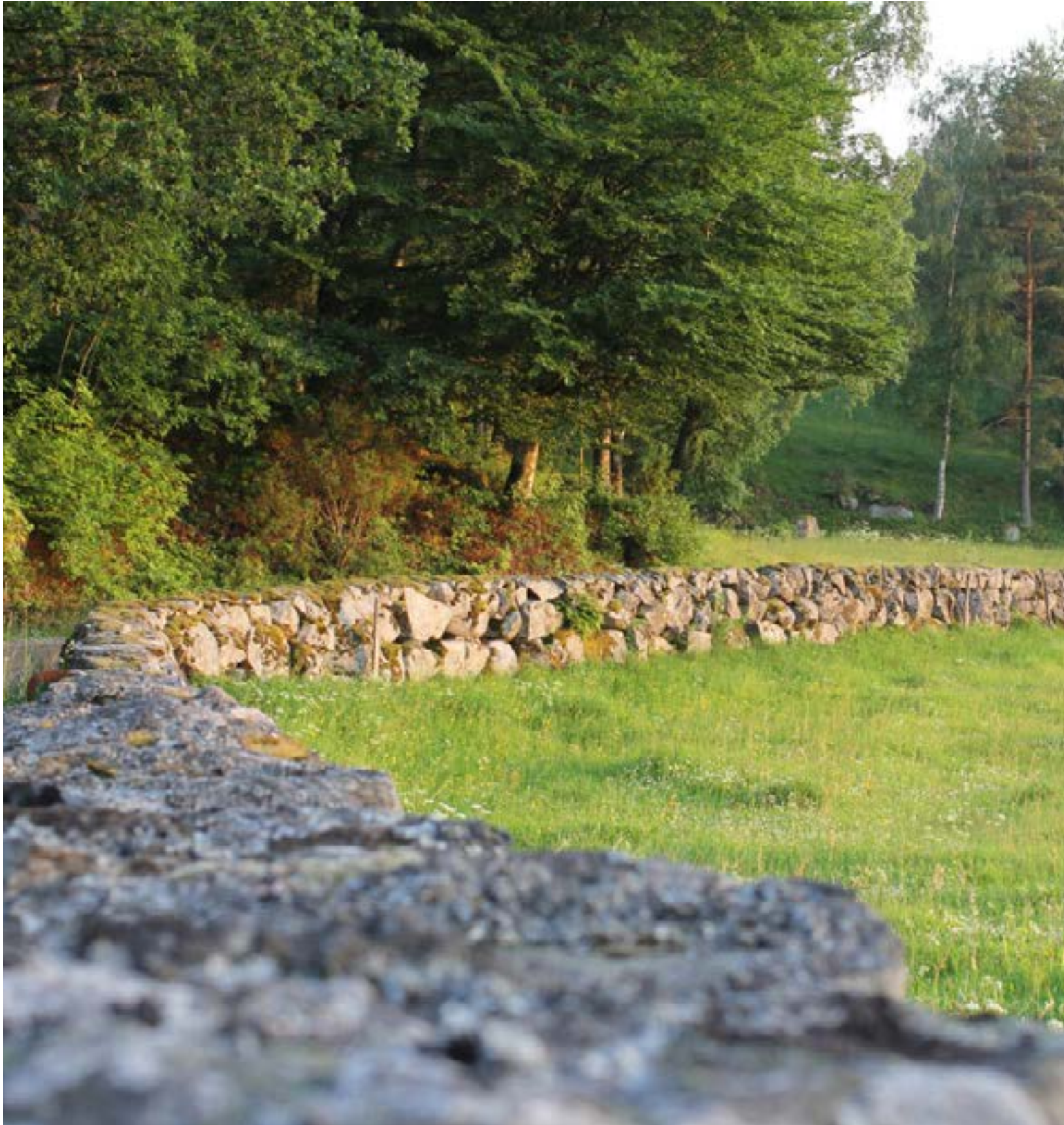


Sustainability report 2022

IKANO
Industry





Welcome

Here we present our sustainability report for 2022. Below you can read more about our business and how we are working towards becoming a more sustainable company that takes responsibility for our impact on people and the planet.

Ikano is and will continue its effort to be a market leader in foam production.

We have production plants in Poland and Mexico and have advanced our research in foam recycling in partnership with IKEA and Retour Matras – an area where we see huge potential to strengthen our product offer to IKEA and other business partners. In a broader partnership, we will continue to develop a fully circular offer, creating better future.

We are committed to using only renewable energy and decreasing our green-house gas emissions. At the same time, in our daily routine and in our cooperation with our suppliers we use IWAY Standard*



IWAY is IKEA's supplier code of conduct for responsibly procuring products, services, materials and components. It is a mandatory standard and sets clear expectations for environmental, social and working conditions, as well as animal welfare, for all suppliers and service providers.



Sebastian Łuczyński
CEO Ikano Industry

What does notion of sustainability mean to you?

It is the way how we as individuals or businesses provide a kind of balance between resources that are available for us to be used and final output. At the end I would like to know that anything we do does not put our resources at risk in the long term perspective. I would like to leave our planet for next generations in the good enough condition.

What role does Ikano Industry can play in contributing to a sustainable society?

We as Ikano Industry should create decent jobs and work environment. Work life balance is essential in this area. Our coworkers should have chance to perform jobs that make them self-realized and fulfilled. It is quite demanding perspective due to fact that both countries Poland and Mexico are still emerging markets. I would like to see society where work gives us fun and we work not only for money but also for something that we can be proud of.

When we talk about our products, we should strive to reduce our impact on environment. We transform our energy mix into more renewable one. It must go hand in hand with legal and commercial solutions available on markets. We strive to realize zero-waste production model, but even more we make real steps to increase the number of post-consumer mattresses recycled.

What sustainable achievements are you most proud of?

It is our chemical foam recycling technology. We launched it in 2013 for post-industrial own material and we were pioneers in this area. Today there is one more installation in France but we still can call our concept unique. Our installation is the only case where chemical foam recycling is integrated in mattress production facility.

Year 2022 was still affected by pandemic situation and broken supply chains. Unfortunately, there was another big disruption – war in Ukraine that impacted especially energy commodities. Does it jeopardize green energy agenda? What perspectives do you see for further developments

in this area?

Sustainability global goals are not in danger. They are long term. What we learnt is a lesson about European dependency on other regions. It refers to our Mexican location as well. Chasing low prices and exporting dirty technologies to other countries is not the right solution. Key businesses should be located closer to final customers.

What changes and processes do you see in society transition? How future business will look like?

There must be more open dialogue with our coworkers. Young generations are more conscious. They know what they want, they ask questions. Maybe sometimes we as managers, feel confused because we were not ready to answer such questions. Generation change is significant. Today work-life balance is more important than it ever was. When I started my career life work was top priority. Today it is still important but people want to find more balance in life. Coworkers comfort and psychological safety will be crucial because for sure we will experience scarcity of coworkers on the job market.

Our 3 focus areas

We will work together with a bottom- up approach engaging every Ikano co-worker in our sustainability agenda. All of us are guided by the overall sustainability direction including our ambition and three focus areas.

It's our actions that count and the only way to make the necessary difference. To do this, we will monitor and followup on every KPI and share the progress in a transparent way through our sustainability dashboards.

We believe the best way to do better is with an open mind and show that we are willing to learn along the way. This is not a strategy for the sake of it. This is our promise to our co-workers, customers and to the many people to build a better future together.



Our 3 focus areas



Healthy & sustainable living

Healthy and sustainable living is a lifestyle with the purpose to reduce the use of our planet's limited resources and at the same time improving well-being and quality of life for the many.



Circular & climate positive

To limit the already visible effects of climate change, the average global temperature rise must be limited to 1.5 ° C. This should happen through drastic cuts in greenhouse gas emissions.



Fair & inclusive

We have a responsibility to enable people to live their lives free from fear and social exclusion, and to improve their opportunities to grow no matter their background.



Ikano Industry direction

FY22 - FY25



Healthy & sustainable living

We offer our customers healthy and high-quality products to sleep better and provide industry expertise to our retail partners.



Design and offer multiple products that combine all our sustainability ambitions in an affordable way.



Improve our co-workers' working positions in production to comply 100% with required ergonomics Standards to ensure a healthy and harm-free working life.



Circular & climate positive

We work to reduce the environmental impact caused by our own operations and supply chain, as well as finance solutions for a circular and climate positive economy.



Recycle the same number of mattresses as we produce.



Decrease GHE from our production (Scope 1 and Scope 2) by 50% compared to 2020



20% of our foam will be renewable or recycled.



Use 100% renewable electricity.



Decrease our waste by 15% compared to 2020



Fair & inclusive

We are a fair and inclusive company, providing development, safety and equal treatment for all co-workers while making a positive contribution to the community around us.



50% gender balance for leading positions and successors



Create regular forums for all of our co-workers to discuss sustainability awareness with representatives.



Have voluntary talent turnover lower than 5% for Poland and 47.5% for México



Gain > 80% positive answers from coworker satisfaction and engagement surveys.



Mattress recycling

- Our purpose is to recycle at least the same number of mattresses as we produce.
- 1260 K Mattresses recycled, these mattresses come from Netherlands and UK.
- 33 K Mattresses rejuvenated; these mattresses come from UK.
- Represent the 53.9% of our total production (2,397,317).

Mattress recycling

We chose these locations because local legislation, environment and high density of population are enablers to launch mattress recycling business.

Ikano Industry is part of a recycling platform in the Netherlands and UK and will integrate active re-use of end-of-life mattresses into our manufacturing and thereby create an advantage over our competitors. Our ambition is to collect and recycle more mattresses than we produce.

Our platform consists of 4 plants in Netherlands and 4 in UK. Today we recycle 1260K mattresses yearly. The process is based on mechanical dismantling, sorting, and selling separate materials. Our nearest plan is to launch post-consumer chemical foam recycling. Output of this process is new polyol branded Repoliol. We also work strongly on expansion plant to clone this concept for new markets.



UK mattress rejuvenation and recycling project

TFRGroup have the mission to divert 100% of mattresses in the UK away from landfill. With four facilities, a dedicated expert team, they are tackling challenging waste streams and protect the environment. They work with partners in the UK's biggest brands, businesses and local authorities, recycling over 12,000 mattresses per week: that's 3 million to date. Also created a rejuvenation service to protect the asset value of comfort returns for the customer.



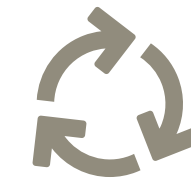
TFRGroup Stats



100%
Guarantee of mattress diversion from landfill



70%+
Rejuvenation rate of comfort guarantee mattresses



12,000
Mattresses recycled each week



8.17%
of the UK's mattresses are recycled by TFRG



92%
Of handled materials recycled, with remainder energy from waste



Sustainable Development Goals



United Nations Global Compact



Principles: 9



LEED certification

Ikano Industry México obtained LEED Gold v4 certification from the U.S. Green Building Council, becoming the first 3 buildings in Coahuila to obtain it and the third nationally. LEED provides a framework and guidance for green buildings that improve efficiency, reduce carbon emissions, and create healthier places for employees.



Sustainable Development Goals



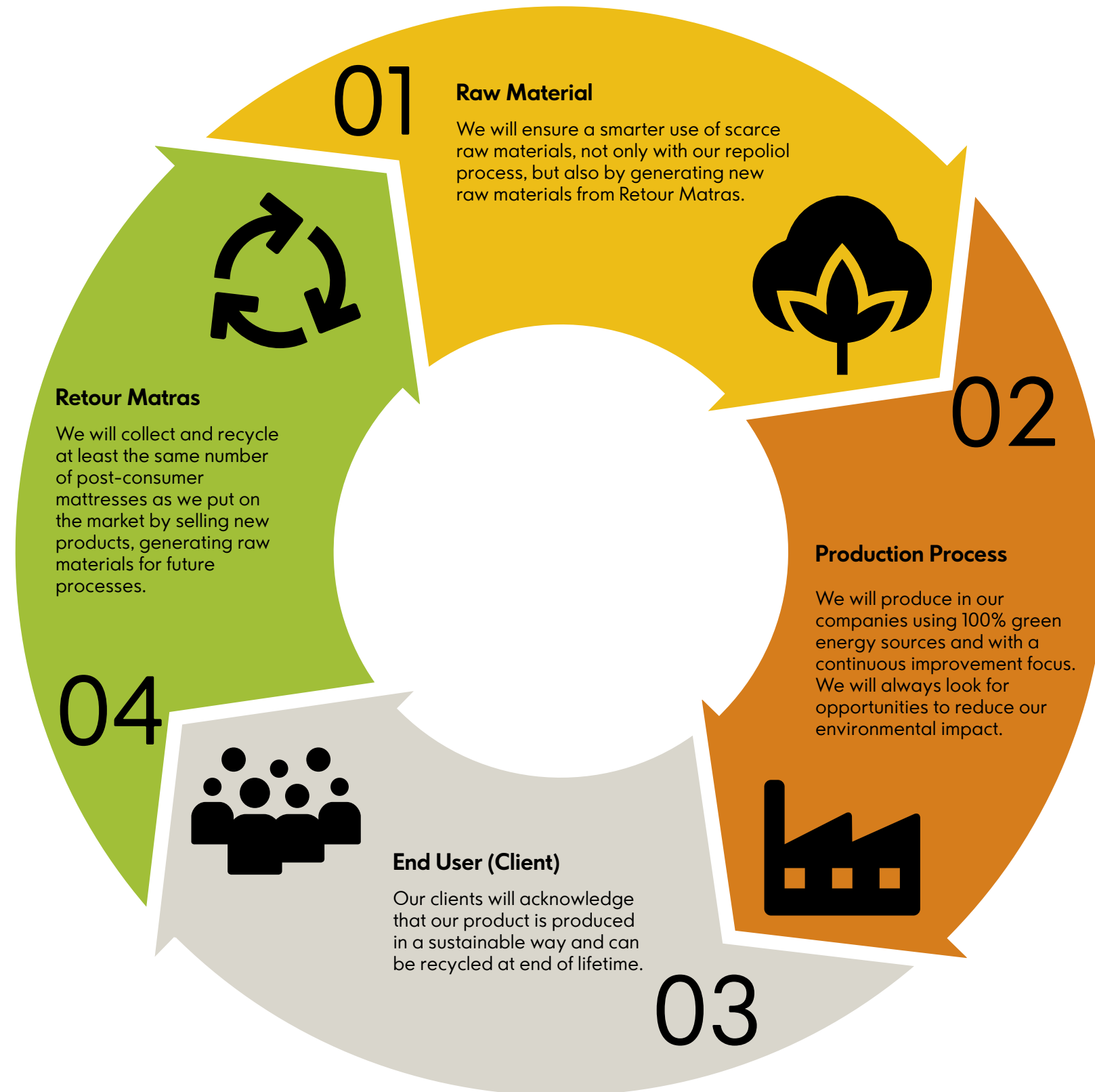
United Nations Global Compact



Principles: 7

Designing a circular future

Together, we will provide endless life for our products. And we will continue to develop a fully circular offer, creating a better future in this way.





Healthy &
sustainable living

Health Week

We had our 2022 Ikano Health Week where co-workers took the time for any type of exercise for our physical and mental health. Ikano Industry collaborated with 2484 hours of the total of 12681, which is equivalent to 20%.



Sustainable
Development
Goals





Medical Campaigns

We are focused on promoting health and safety at work as an innovative strategy, which helps us in the prevention of professional risks and increases the individual capacity of our collaborators improving their life habits and maintaining their health.

As a company, we work to improve their jobs, we define their limits in work schedules, we provide opportunities to those who need it, we make active breaks and moments of relaxation, we provide internal monitoring to our employees reducing their attention and recovery times.



47

Nutritionist



10

Psychologist



27

Mammography



12

Pap smears



17

Spirometry



119

Audiometry



104

X-rays of lumbar spine



233

Dynamometry



122

Influenza vaccination



2291

Physical therapy sessions



21

Prostatic antigen



731

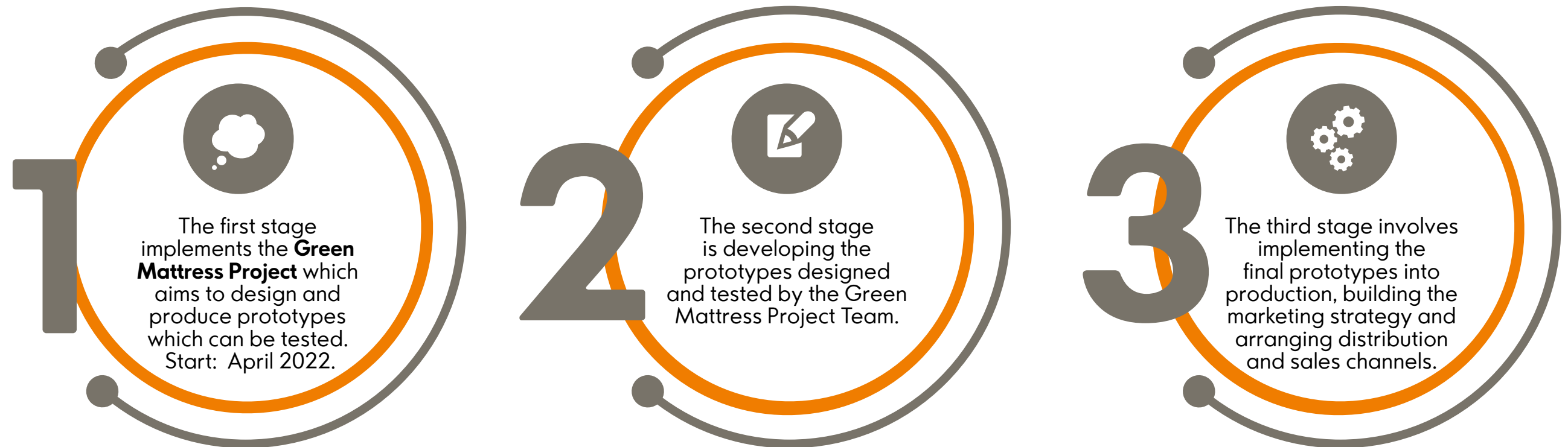
people participated in our campaigns PL & MX



Green Mattress

Based on several years of experience in the production of mattresses and taking seriously our commitment of bringing greenhouse gas emissions as close to zero as possible, we want to check what we need and what we can do to expand our portfolio with a green product concept.

The idea of implementing a green product concept into the Ikano portfolio has been divided into 3 stages:





**Circular and
climate positive**



Energy

Almost two-thirds of the IKEA climate footprint is directly connected to the supply chain, including production at suppliers. As Ikano Industry we are working to decrease the amount of fossil fuel energy used, to contribute to the goal of limit climate change to 1.5° C.

Continuing with the commitment to use green energy, **Ikano México formalized a contract with strategic partner** to purchase green energy, which will begin to be used in 2023.

Green Energy

PURCHASED KWH

6,999,528



Poland

Solar Panels

PRODUCED KWH

223,598



Poland

813,105



Mexico

Fossil Energy

(Electricity + gas)

PURCHASED KWH

6,456,738

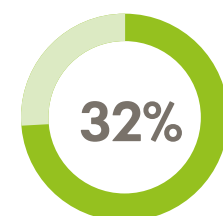


Poland

11,008,378



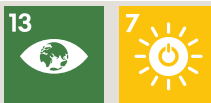
Mexico



GREEN ENERGY



Sustainable Development Goals



United Nations Global Compact



Principles: 8 & 9



We avoided the emission of 3399.33 tons CO in 2022 equal to:



20,395
Trees saved



43,029
manufactured smartphones





Emissions

To recognize the impact for global warming, Ikano Industry Poland has calculated GHE for 2020, 2021 and is going to calculate it yearly.

Percentage distribution of GHG emissions for Ikano Industry in Poland for 2021

	Percentage
Scope 1	1,6%
Scope 2	0,0%
Scope 3	98,4%

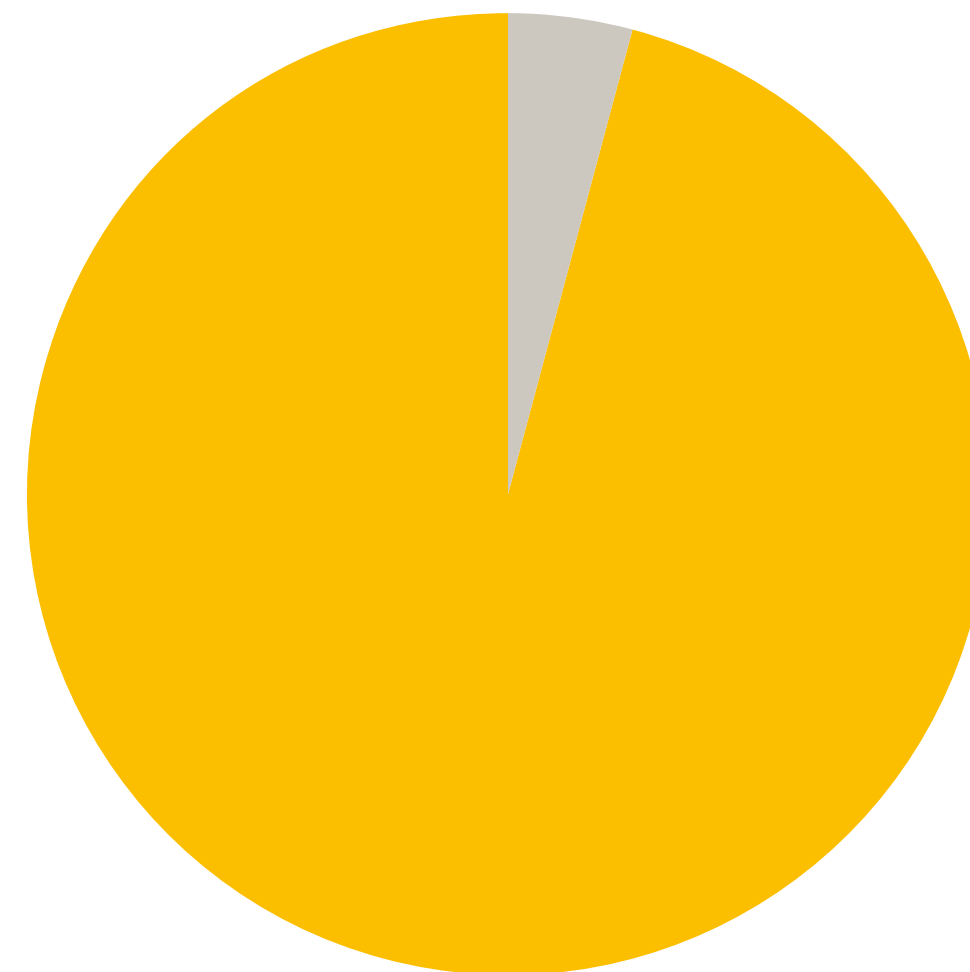
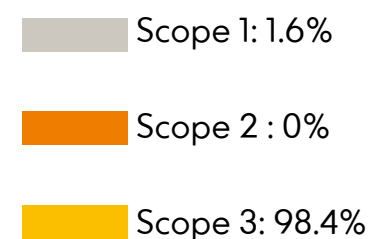


Sustainable
Development
Goals

12
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13
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Percentage distribution pf GHG emissions for Ikano Industry in Poland 2021



Operational boundaries

Scope 1

Direct GHG emissions
Combustion of fuels; release of refrigerants

Scope 2

Energy indirect GHG emissions
Purchased electricity consumption.

Scope 3

Cat. 1 Purchased raw materials and services.

Cat. 3 WTT emissions for energy and fuels

Cat. 4 Upstream - transport and distribution

Cat.5 Waste

Cat. 6 Business travels

Cat. 9 Downstream - transport and distribution



Waste



We will focus on zero-waste operations, increase recycled and renewable materials. We need to adopt a holistic view on business and sustainability through three identified areas:

- Raw materials, waste reduction and limiting by-products.
- Innovating our machine efficiency.
- On-boarding and empowering our people to build engagement and awareness.

Ikano Industry Poland is part of a recycling platform in the Netherlands and UK and will integrate active re-use of end-of-life mattresses into our manufacturing.

Now, together México and Poland, 85.5% of our waste is reused or sold and reused by our clients, instead of being disposed.



2022		
Total production MX + PL	2,397,317.00	
México Total waste Ton	1,968.23	
México recycled/reused / sold waste Ton	1,686.16	
Poland Total waste Ton	3,415.71	
Poland recycled/reused/ sold waste Ton	2,916.87	
Total Ton	5,383.94	
KPI waste kg/ production	2.245818	
% Total recycled / reused / sold waste MX and PL		85.50%



Earth day

In the universe there are billions of galaxies. In our galaxy there are billions of planets. But there is only one Earth.

One Earth was the World Environment Day campaign for 2022, promoted by the United Nations Environment Program (UNEP), which sought to raise awareness of three issues: climate change, habitat loss and pollution.

We made an “Adopt a Tree” campaign, where our employees adopted 170 trees.

We made a recyclable toy contest, encouraging our workers children to participate, having a total of 18 participants.



Sustainable
Development
Goals

12
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13
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Fair &
inclusive



Equality & Diversity

Ikano Industry works in a global team with opportunities for our co-workers. We are working to potential growth for everyone, to find the unique value of our team.

Co-workers are the heart of Ikano Industry, listen to them it's the best way to have high employee engagement, positive work environment and trust in leadership.

Fairness and equality

Discrimination in employment and occupation is a universal and constantly evolving phenomenon. Protection against discrimination is a fundamental human right and is essential for co-workers. Ikano Industry provides equal opportunities regardless of age.

Age	MX	Rogozno	Krajenka	Total %
18-30	246	126	31	28%
31-40	170	214	39	29%
41-50	129	210	68	28%
50 +	54	118	46	15%



Equality

Gender equality is the equality of rights, responsibilities and opportunities that should benefit all people, regardless of whether they are men or women. Ikano Industry ensure equal access and rights for all.

	MX	Rogozno	Krajenka	Total %
Women	348	378	136	59%
Men	251	290	48	41%

Women in leadership positions

	MX	PL	Total %
Women	11	16	34%
Men	33	20	66%



Diversity by position

Collaborators in non-traditional positions, but with skills to develop this position.

	MX	PL
Women in foam	4	0
Women in Quilting	11	0
Women Forklift drivers	0	6
Men Sewers	41	0



Principles: 6



Inclusion

At Ikano, we choose people who align with our values, want to grow up, see Ikano Industry grow, and wish to make a career with us.

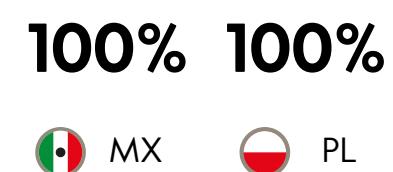
We ensure that in our process we don't have discrimination with respect to gender, religion, race, age, marital status, or any other type of discrimination, as well as that our processes will have no cost to our candidates and only hire people over 18 years old, verified with legal identification.



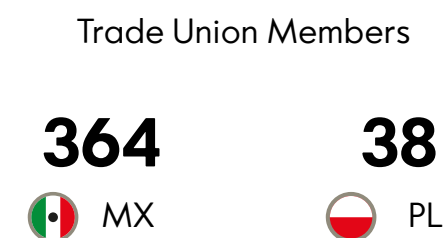
Number of people with disabilities



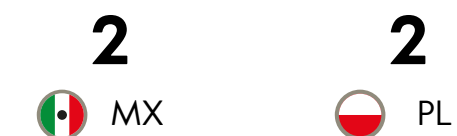
Total people covered by social security.



Trade Union



Trade Union Organization Representatives



Total people covered by trade union.



Sustainable Development Goals



United Nations Global Compact



Principles: 3



Parental support



Sustainable
Development
Goals



Number of Ikano Industry employees who used maternity/parental or paternity leave by gender*

Type of leave	PL		MX		Total
	Female	Male	Female	Male	
Maternity leave**	16	1	5	-	22
Paternity leave***	-	16	-	16	32
Total	16	17	5	16	

Paid Paternity / Maternity Weeks PL

	By law PL	Additional weeks given by Ikano PL
Maternity	20	0
Parental leave	32	0
Paternity	2	0

Paid Paternity / Maternity days MX

	By law MX	Additional days given by Ikano MX
Maternity	84	7
Parental leave	5	5
Paternity	89	12

* The table includes individuals who took maternity/parental or paternity leave in 2022.

**The 12-month maternity/parental leave consists of two components: 20 weeks of maternity leave and 32 weeks of parental leave to be used by either men or women.

*** In accordance with legal requirements, a father who raises a child up to 2 years of age is entitled to 2-weeks paternity leave and may use that leave within 2 years of the child's birth.

Daycare

With an administration that has over 15 years of experience in childcare from 43 days to 4 years, our Day Care Center allows our collaborators to have a safe place to leave their children during their working hours.

The facilities have the capacity for 300 children from 43 days to 4 years old all working days in both shifts. Currently we have 23 children.





Professional development

As we operate in a rapidly changing time, co-workers who continuously improve their skills and knowledge are the cornerstone of our competitive advantage. We believe that the available development opportunities significantly contribute to the pursuit of our strategy and empower our co-workers by enhancing their professional development and increasing their job satisfaction.

We are committed to continuous development of all our co-workers by providing them with a wide array of training courses. In 2022, we focused most on improving the competence of team managers.

Programs designed for key operators, managers and directors included a series of training sessions based on the specific needs of each group, to increase leadership skills, both hard and soft ones, and to learn how to manage teams more effectively, how to contribute to its development and how to support it. In 2022, training sessions were held on leadership, goal setting and employee relations.

People trained:

3 Levels of training  PL  MX

TOP managers group 21

Managers of all areas 24 63

Key Operators 36 14



Promotions

2022



PL



MX

Lateral promotions (change of a position based on the initiative of an individual employee, within the same level) 27 0

Career path development cases (development within a certain position, e.g. from junior to senior specialist) 315 41

Vertical promotions (promotions to a higher position, combined with a switch to another department) 17 6

Managerial promotions (promotion to a position related to team management) 16 0

Total promotions 375 46





Code of conduct

The Ikano Code of Conduct is based on who we are. It takes the principles set out in Our essence (which describes where we come from), incorporates Our vision and Our mission, highlights Our fundamentals, and explains Our values and Our customer promise. Our Code of Conduct provides guidance that helps transform our values into behaviour that makes good business sense.

The Code shows us:

- How we act
- How we work together
- How we do business
- How we raise concerns



Principles: 10

Description of procedure:
Complaints are received through the different lines of complaints, the investigation and interviews of the personnel involved are carried out by the Security and Compliance department, the interdisciplinary committee meets, and the information collected for decision making is exposed, actions to be taken are communicated to the person affected.

Actions implemented:



On boarding training regarding the compliances policies and code of conduct



Once a year reinforced training and awareness



Monthly communication awareness.

Cases

- 15** Total cases MX + PL
- 15** Closed cases
- 0** Open cases

Complaint lines:



Transparency mailbox.



Complaint line
MX 800-681-5325
PL 800 005 100



Website
ikano.ethicspoint.com



IIM App





Charity

When the war in Ukraine started and more than 6 million refugees crossed the Polish border, we helped as much as possible - organizing local aid campaigns and collections of clothes and food. As part of Social Day, we renovated housing for Ukrainian children and mothers who had fled the war. We donated 6,000 mattresses to organizations that provided emergency assistance to refugees, and together with the Ikano Group we donated more than 30,000 mattresses to the Office of the UN High Commissioner for Refugees.

Donated mattresses:

1. Crisis staff of the Wielkopolskie district – 1934 mattresses
2. Caritas Polska – 3084 pcs
3. UNHCR – 30 000 pcs
4. Habitat Foundation Warsaw 2600 pcs
5. local non-profit organizations – 234 pcs



Sustainable
Development
Goals



IWAY

As an IKEA supplier we create a sustainable value chain with IWAY – the IKEA way of responsibly procuring products, services, materials, and components.

IWAY principles are based on internationally recognized standards and principles, such as the UN Guiding Principles on Business and Human Rights (UNGPs), the 10 Principles of the UN Global Compact, the UN Sustainable Development Goals (SDGs) and the ILO Centenary Declaration for the Future of Work, among others.



How do we do it?

We expect from our suppliers that they work according to IWAY standard.

We ask our suppliers about:

1. Internal policies/codes of conducts regarding security

2. Verifying certificates / standards

3. Program of employees who report a security incident or recommend improvements.

4. Identifying abuse and improper access to your IT systems, intrusion attempts, manipulation or change of business data.



Governance

Sustainability governance

Together, we put sustainability at the heart of everything we do to enable good business and contribute to a better future for the many people. To make it happen sustainability is an integral part of our business strategy and is conducted within clear governance rules.

The Sustainability Committee is established to assist the Ikano Industry Business Council in fulfilling its responsibilities relating to Sustainability topics. Its purpose is to guide and support the Business Council in fulfilling its oversight responsibilities about sustainability matters, and to monitor the implementation of the Ikano Group and Ikano Industry strategies and policies in the field of sustainability.

The Committee shall consist of:

Members:

Chairman of the Industry Business Council; Member of the Ikano Business Council

Industry Business Council

- Chairperson: Ikano Group Head of Sustainability.
- Permanent invitees: Ikano Industry CEO, Sustainability Director of Ikano Industry.
- Committee Secretaries: Sustainability Director of Ikano Industry

The Committee typically meets four times per year, ahead of Industry Business Council meeting to include the minutes into the Industry Board materials.

Responsibilities

The committee shall be informed and/or approve any sustainability topics which are either:

- 1) going to be presented to the Ikano Industry Business Council for information or decision and/or
- 2) are specifically required by the Committee and/or
- 3) required by the Ikano Industry Management Team, asking the Committee's input, guidance and support, as subject-matters expert.

Ikano Industry Strategy

The committee shall:

- Review of Ikano Industry Sustainability Strategy
- Evaluate the alignment of Ikano Industry Sustainability Strategy (and related actions) with Group Sustainability framework
- Approval of the Sustainability Policy as delegated by the Board

Sustainability report

The committee shall:

- Review the structure of the Sustainability Report
- Review the Sustainability Report before Ikano Industry Business Council approval

Risks

The committee shall:

- Minimum once a year review status of business, strategy and operational risks related to Sustainability.
- Provide input on those risks to the Ikano Industry Risk Officer, for inclusion in the Ikano Industry Risk Assessment presented to the Ikano Industry Business Council.

Other tasks

The committee shall carry out such other tasks on an ad hoc basis as specifically decided by the Ikano Industry Business Council.

IKANO
Industry