Modern Slavery Statement

Welcome from Peter, Country Retail Manager UK and Ireland

“This statement details the steps we have taken at IKEA to tackle modern slavery and human trafficking. We will continue to do everything we can to support the government and the Modern Slavery Act to ensure modern slavery and human trafficking is eliminated from every aspect of our global business and supply chain. Our values determine everything we do, and we hope to achieve this vision by creating a better everyday life for the many people”

Introduction

This statement has been produced by IKEA Limited on behalf of itself and its subsidiaries, IKEA Properties Investments Limited and IKEA Distribution Services Limited (referred to as “we”, “us”, “our”) in compliance with the Modern Slavery Act 2015. It details the steps that we, in conjunction with IKEA at a global level, have taken to date to ensure that slavery and human trafficking are eliminated from IKEA’s own operations and supply chains.

In this statement we set out what actions and steps we have taken in our 2019 financial year to combat modern slavery and human trafficking in our supply chain. We will talk about our people, our business, our values, our policies, actions taken globally and also what we do at a local level in the UK to eliminate modern slavery in our supply chain. This statement builds on the commitments and actions described in previous reports.

The IKEA vision is to create a better everyday life for the many people. This vision applies to our customers, our co-workers, and through to the millions of people who work in the extended supply chain.

The emotional and physical wellbeing of the many workers who make up our supply chain is extremely important to us. Any potential violation of the dignity and basic human rights of those who earn a living within any aspect of our supply chain network, be it the production of raw materials, manufacturing or delivering products to customers, is unacceptable. Every individual deserves fair working conditions and an opportunity to make a better life for themselves, their family and their wider community. At IKEA, we have a responsibility to respect the human rights of people that our business touches.

This report is approved and endorsed by our senior management in the UK & IE and its significance is known by those involved in the management of our supply chain. Before the legislation came into effect, we contributed to the ‘Joint Committee on the draft Modern Slavery Bill’ in 2014, helping to support the development of the law on modern slavery. This statement explains in detail how we are actively working to protect the dignity and wellbeing of all workers in our operations and in our value chains and, in line with our values of caring for people and planet and taking responsibility, what we are doing to improve.
We continually strive to put respect for human rights at the centre of everything we do. We want our customers to be confident in the knowledge that the products and services they purchase from IKEA are in no way linked to the unfair treatment of workers in IKEA’s operations or in the supply chain.

Our Values

At IKEA, we come from all over the world but we share an inspiring vision: “to create a better everyday life for the many people”. How we realise this vision is based on our shared humanistic values. These values guide our work and build our inclusive, open and honest culture:

- Togetherness or ‘tillsammans’
- Caring for people and planet
- Cost-consciousness
- Simplicity
- Renew and improve
- Different with a meaning
- Give and take responsibility
- Lead by example

These values are the foundation of the global IKEA family. We all work together, not just with each other, but with suppliers and customers. IKEA believes in people and ensures that this optimistic attitude informs the way it does things, looking beyond its local sphere. We want to be a force for positive change both locally and globally, and be mindful of our impact on the planet and its population, such as by striving to improve the work environment for IKEA co-workers and the many people throughout our direct and indirect supply chains involved in producing IKEA products.

It is a privilege to take responsibility and be accountable for all decisions we make, including the impact of our business activities, and the eradication of modern slavery in whatever form we discover it.

Our People

We see the people working within our organisation as being integral to securing the eradication of modern slavery. We want our co-workers to be ambassadors of IKEA, to embody our culture and values and to inspire fellow co-workers, suppliers and customers alike. All our recruitment processes adhere to the relevant employment laws and regulations and we expect all businesses with whom we interact to abide by all applicable laws when recruiting.

Our Business

IKEA Limited and IKEA Ireland Limited are the UK & IE part of the “Ingka Group” of franchise companies. The worldwide IKEA franchisor is Inter IKEA Systems B.V which is owned by Inter IKEA Holding B.V. We refer to Inter IKEA Holding B.V and all of its subsidiaries as the “Inter IKEA Group”. IKEA Limited carries out business in the UK and
is engaged in retail, property and distribution operations. IKEA Ireland Limited carries out business in Ireland and is engaged in retail operations.

IKEA home furnishing products are designed, sourced, produced and supplied by two Inter IKEA Group companies: IKEA of Sweden AB and IKEA Supply AG. These form part of the ‘Range and Supply’ arm of Inter IKEA Group. Products are distributed to franchisees around the world and sold in 433 IKEA stores in 50 markets, including in the UK & IE. IKEA Limited currently runs 22 stores, 3 Order and Collection Points and 2 Planning Studios in the UK, whilst IKEA Ireland Limited currently runs 1 store and 1 Order and Collection Point in Ireland.

IKEA has around 9,500 products in its home furnishing range. Inter IKEA Group has partnered with 946 home furnishing suppliers in 51 countries to source its products; that means approximately 600,000 people are involved in production, and millions more people work in extended supply chains. Production and sourcing of IKEA products is carried out predominantly in Europe (60%), Asia (30%) and the USA (10%). Products are sourced from industries such as wood, natural fibres, textiles, plastics, food/agriculture, metals, electronics and food. These suppliers and service providers are involved in all parts of IKEA operations such as waste management services, cleaning services, and transportation. Inter IKEA Group are always looking for ways to reduce transport; about 20% of products are shipped directly from suppliers to the IKEA stores.

We recognise that the world around us is changing rapidly. Advances in technology and the way customers choose to shop has a direct impact on our supply chain and how products are created, developed, and sold. At the core of the retail direction and our Sustainability Strategy are people. We are continuing to focus upon transforming our operations and using resources with the utmost efficiency; providing fair working conditions and respecting human rights, as well as advocating for positive change in society in line with our goal of being “People and Planet Positive”.

We believe one of the key factors that reduces the risk of modern slavery and forced labour is having long term and mutually beneficial partnerships with suppliers and service providers. Today, the average length of the relationship between Inter IKEA Group and home furnishing suppliers is 11 years, giving us the opportunity to drive and support engagement with globally beneficial initiatives such as eradicating modern slavery.

Another positive factor is the partnerships and engagement IKEA has with valued external organisations such as the International Organization for Migration (IOM), the Institute for Human Rights and Business (IHRB), Save the Children and UNICEF all of whom support IKEA in developing approaches to address these issues.

For more details on how we engage with our partners, please refer to our FY19 Sustainability Report here.

Our Policies and Procedures

Both the Ingka Group and Inter IKEA Group has committed to act in accordance with the UN Guiding Principles on Business and Human Rights and the UN Children’s Rights and Business Principles.

Across the IKEA business there are a number of global internal and external policies and procedures in place to secure respect for the human rights of IKEA co-workers and all the
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people linked to IKEA’s supply chain. Examples include the Inter IKEA Group Policy on Human Rights and Equality, the Ingka Group Policy on Sustainability, the Ingka Group Policy on People, Ingka Group Policy on Human Rights and Equality, the Inter IKEA Sustainability Strategy, the IKEA Code of Conduct, and IWAY, our supplier code of conduct (more detail on IWAY in the next chapter). These policies detail IKEA’s position on human rights and its commitment to equality for all people that the IKEA business and wider operations involve and affect. IKEA is committed to creating a culture in which human rights and equality are respected, supported and in which any form of discrimination is not tolerated.

This protection is strengthened in each IKEA market by local rules and procedures and recruitment policies. For example, our UK & IE co-workers are introduced to these policies during their initial training and are encouraged to revisit them on the intranet and in subsequent trainings; we expect all of our co-workers to abide by these policies.

**The IKEA Way of Purchasing Products and Service**

**IWAY Globally**

IWAY is the IKEA supplier code of conduct, our long-standing programme that communicates and ensures the minimum requirements on environmental, social and working conditions together with IKEA suppliers.

The principal tool used by IKEA organisations globally is to secure compliance for environmental, social and working standards at suppliers and service providers through IKEA’s supplier code of conduct, IWAY – The IKEA Way of Purchasing Products and Services. IWAY addresses issues such as child labour, forced or bonded labour, responsible recruitment, unlawful wages, and excessive working hours. IWAY sets clear expectations on IKEA suppliers and is the basis for developing dialogue and shared values. We believe in building long-term relationships with IKEA suppliers. The average length of collaboration with our suppliers is approximately 11 years. We work together with suppliers to improve how they meet the requirements and, ultimately, become more sustainable businesses.

IWAY is based on the eight core International Labour Organisation conventions. It also references the guidance of the Ten Principles of the UN Global Compact and states its commitment to the fundamental human rights principles as recognised in the Universal Declaration of Human Rights.

IWAY has been updated on a regular basis to take into account environmental and social developments and emerging issues in the global value chains ensuring it remains a relevant and effective tool to combat all risks to human rights in IKEA’s supply chain. Over the past 19 years, we have also developed additional requirements for certain parts of the supply chain for example forestry and transport and clarified our position on specific topics such as the prevention of child labour and support for young workers.

This ensures that the spirit of the legislation and standards set out by the UK government for fighting modern slavery will inform all future versions of IWAY. Future editions of IWAY will strengthen requirements ensuring that forced labour and debt bondage do not occur in IKEA’s supply chain.

**Securing IWAY Compliance**
The Inter IKEA Group secures the compliance of its direct home furnishing suppliers, helping to drive positive change throughout the supply chain for all of products that IKEA sells. It does this in the following ways:

**IWAY Musts**

IKEA requires that all direct suppliers comply with IWAY. They are given 12 months from the first delivery date to reach full compliance. The IWAY Musts, or start up requirements, are those which must be in place before a contract is signed with IKEA and these requirements must be maintained at all times. The IWAY Musts cover key areas such as child labour, forced and bonded labour, business ethics, severe environmental and health and safety issues, minimum wages, and accident insurance.

**Sub-suppliers**

Suppliers will often engage their own suppliers (IKEA’s sub-suppliers) who are a step removed from day-to-day contact with IKEA personnel, nor are they in a contractual relationship with IKEA directly. This can make it challenging to ensure that they share IKEA’s approach to important issues such as the environment and human rights. Tier 1 suppliers (IKEA direct suppliers) are requested to communicate IWAY Must requirements with their own suppliers, and to register them on IKEA’s sub-supplier tracking system. It is the responsibility of Tier 1 suppliers to audit their critical sub-suppliers and ensure IWAY Must compliance.

Sub-suppliers are defined as critical if the processes they perform are considered to be potentially highly harmful for the environment, health and safety of workers, or they are operating in an industry/geography or supply setup that is prone to child labour or forced or bonded labour. For such ‘critical sub-suppliers’, IKEA’s direct supplier must confirm to IKEA’s satisfaction that the IWAY Musts are adhered to.

IKEA supports suppliers throughout this process and will work with them to address any issues.

**Due Diligence and Audits of the Supply Chain**

Besides implementing transparent and reliable routines to ensure, verify and report IWAY, announced and unannounced audits are performed both by IKEA IWAY auditors and third-party organisations.

If a supplier fails to develop its business to fulfil the IWAY requirements and to correct any deviation within a given time frame, the supplier is phased out and the business agreement is terminated. The time frame varies depending on the area that is non-compliant: immediate business-stop if it is a deviation related to an IWAY Must requirement, or latest 90 days for all other IWAY requirements

IKEA sustainability compliance auditors are trained on how to perform audits and how to follow up in the event of non-compliance. As co-workers, IKEA sustainability compliance auditors benefit from an understanding of how the business works so they are constantly learning about the suppliers and looking for ways to better work with IWAY to improve environmental and social performance across the IKEA supply chain. This connection helps to ensure that the supplier is both meaningfully assessed and supported throughout the audit process.
Risk assessments are not only conducted on a supplier level, they are also conducted when IKEA enters new markets. IKEA relies upon external organisations and experts to help to better understand the risks related to ongoing operations. Such risk assessments support in developing informed business decisions and actions to create a positive impact on the people and communities affected by IKEA operations.

**Ingka Group compliance**

In FY19, we completed 417 Ingka Group supplier reviews, up from 314 reviews in FY18. The reviews were completed by our internal IWAY auditors, and in some cases, we completed joint reviews together with third-party auditors. We found 137 major non-compliances (issues related to critical "IWAY Musts") at 85 suppliers, up from 38 major non-compliances in FY18. We continued to apply our risk-based approach, targeting reviews with the highest risk suppliers. Non-compliances were mostly related to working hours, accident insurance and fair wages at suppliers in Russia, Australia, Germany and China. If we find that suppliers aren't meeting our standards, we agree on an action plan with the supplier to correct this. Major non-compliances shall be fixed within 14 days and all remaining issues within 90 days. Major non-compliances are reported to the relevant Ingka Group decision making body. We will phase out suppliers who don't implement their corrective action plans.

**Who is involved in IWAY implementation?**

*Business teams* are responsible for the sustainable implementation of IWAY with their suppliers. They do this by making IWAY part of their everyday business and discussions with existing and potential suppliers. IWAY is also part of the contractual commitment to becoming an IKEA supplier.

*Sustainability compliance teams* and third party auditors are responsible for annual IWAY audits of IKEA suppliers. They review and follow-up action plans in the case of non-compliance.

*Sustainability development teams* support suppliers in IWAY implementation. They are also responsible for providing training on IWAY and other sustainability topics and issues, supporting business teams in their daily work with IWAY.

*Sustainability Compliance and Monitoring Group* is responsible for ensuring global consistency and compliance. This is done through calibration activities and training, as well as compliance audits to verify results.

*IWAY trainers* are internal experts with expertise in the working of IWAY. Internally, there are three levels of IWAY training; at a minimum, every IKEA employee takes part in the foundational level and other levels are required depending on the relevance of IWAY to their work.

At an Inter IKEA Group level, IWAY is governed through the Inter IKEA Strategic Sustainability Council and the IWAY Council. The Inter IKEA Strategic Sustainability Council is responsible for approval of the IWAY Standard and system. The IWAY Council is responsible for the implementation and development of the IWAY Standard and goals. It is made up of senior management from various parts of the business including the CEO, Chief Sustainability Officer and Purchasing Manager. The IWAY Council Working Committee
is appointed by and supports the IWAY Council with operational questions related to the implementation and interpretation of IWAY.

For Ingka, the highest governing body is the Ingka Group Sustainability Committee. The Sustainability Compliance Working Group handles operational issues relating to sustainability compliance and issues recommendations to the Sustainability Committee and responsible management teams. On a country level, IWAY is managed by the IWAY Country team. The role of the IWAY Country Team is to evaluate the IWAY risks of the suppliers in the country and define prioritization for reviews and other actions.

The IWAY Global Training Programme
The IWAY Global Training Programme is available for all IKEA co-workers involved in the IWAY process and supports efforts to continuously improve IWAY-related competence, ensuring that IKEA co-workers can effectively communicate with suppliers on IWAY-related topics. The global IWAY learning solutions are complemented with local trainings that address IWAY topics specific to regions, industries and/or business setups.

IKEA in the UK
IWAY implementation
The working method described below applies for retail suppliers, not our distribution/transport suppliers – these fall under the scope of the Inter IKEA Group as opposed to IKEA in the UK.

We have developed a risk rating and KPI approach to monitor IWAY compliance which is used for current suppliers and is now incorporated into the procurement process for prospective suppliers.

During the procurement process, each potential supplier is sent the IWAY Musts document and asked to respond to questions as part of a risk assessment process. Based on their responses, our IWAY auditors score them and give them a risk rating. The risk rating is informed by an external tool which creates risk profiles according to country and the type of activity the supplier is engaged in. This external tool is a global one with a risk database that assists us in keeping up-to-date with risks that change globally.

The risk rating is discussed with the local IKEA purchaser to help them identify where they can spot risks and how these can be addressed. The risk rating and the supplier’s attitude towards IWAY compliance is an integral part of the procurement process. It informs our decision to perform an initial assessment on a supplier to check that the IWAY Musts are adhered to. On average, we conduct one IWAY Must assessment per tender. This is done prior to signing of contract. Where a potential supplier is found to be non-compliant, we will give them two weeks to correct the non-compliance or they will not be able to continue with the tender.

For those suppliers where we have evidence of strong IWAY competence and a low risk rating, we will conduct training and development courses for them. For all of our suppliers, continued IWAY compliance and a strong set of people values form part of the contractual commitments they make to IKEA when formal agreements are made.
At the end of each financial year we look at our supplier list and their respective risk profiles. All suppliers that receive a risk rating of critical or high are subject to an IWAY review to verify if they can meet IWAY requirements. Suppliers that have a medium risk rating can also be in scope for IWAY review depending on category. The risk rating is reviewed several times per year and depending on the assigned risk rating, the verification approach for the coming year is decided.

We follow strict routines to ensure compliance with IWAY requirements in the UK. This includes an audit of suppliers to establish whether their organisation has processes and procedures in place that secure compliance with (amongst other considerations) legal expectations on the treatment of the environment, workers, health and safety and insurances. The audit is comprehensive and data is captured in interviews and written responses. Detailed questions focus on contracts of employment and ensuring fair employment terms and conditions; verification of the ages of employees; assessments of chemicals and handling measures used on site; evaluation of fire-fighting equipment, protective equipment and training; verification of emergency evacuation routines. Further ad hoc questions can also be asked of interviewees as prompted by the instincts of the auditors. We expect our suppliers to be transparent and any failure to answer candidly can justify further inquiry and require us to consider notification obligations and, ultimately, terminating contractual discussions.

**Follow up and non-compliance**

Where we find non-compliance with an IWAY Must, the supplier may be given two weeks to remedy the situation, depending on the severity of the non-compliance. The decision to give them an opportunity to remedy is based on the supplier’s attitude and willingness to work with us to improve. If the supplier is unable to rectify the non-compliance within the two week timeframe, we will then look to phase out the supplier and ultimately terminate the contractual relationship.

Where a non-compliance is found outside of the IWAY Musts, the supplier is given 90 days from the date of audit to rectify any non-conformities and must provide evidence to demonstrate the steps they have taken. If the non-compliance is not rectified, the contract owner is contacted to explain the problem and we will then look at the procedure to phase out and/or terminate the contractual relationship.

**IWAY steering group**

We have set up an IWAY steering group in the UK to talk specifically about how we can take action to reduce the risks. They will report to the Risk Council where KPI overviews, updates and issues will be managed. The IWAY steering group meet on average 3-4 times per fiscal year.

**Procurement Transformation Project**

The Procurement Transformation Project is a business-wide initiative aimed at improving the way that IKEA UK & IE procures and engages with its suppliers, delivering transparency and consistency. It is led by the Procurement, Legal and Finance teams and has been rolled out across senior management both centrally and in stores.

The initiative has led to the creation of two new central working groups with the sole aim of accounting for each supplier to the UK organisation and ensuring that all of the correct
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processes have been followed in the procurement of our suppliers. The Supplier Management Group and Procurement Transformation Project Group meet weekly to maintain oversight of suppliers and expenditure.

These two Groups ensure that any potential supplier undergoes a number of assessments to check that they are a suitable business partner and that they share IKEA values, before they are formally procured in the UK/IE organisation. This includes a credit check and verification that the supplier is able to comply with IWAY requirements, as well as formal approval from the two Groups which is then documented.

Our UK procurement team work carefully and diligently on the formation of any contractual relationship with a supplier. They work closely with stakeholders within the business who have been given the responsibility to develop and manage relationships with suppliers. At the beginning of any contractual discussion, we provide training for those with the responsibility of procurement and provide direct assistance to the relevant function in forming or maintaining those contractual relationships. This can include guidance on the importance of understanding and securing how suppliers work with (amongst other matters) data protection, payments, liabilities and insurance.

The internal stakeholders responsible for developing/maintaining a relationship with a supplier will also assist in the negotiation of contractual agreements to ensure that the intentions of both parties are formally documented and agreed. Acceptance or rejection of our terms and conditions informs us of the mind-set, general approach and likely attitude towards the treatment of people in a supplier's organisation, as well as in that of their sub-suppliers. We see this all as part of a qualitative assessment of suppliers that can result in site meetings with suppliers where we have an opportunity to inspect their working environments (this is in addition to the IWAY audit visits that we conduct). This approach ensures that have a better opportunity to capture potential non-compliance with our IWAY expectations rather than just allowing for one site meeting and conversation.

We have designed our procurement process to incorporate a fundamental commitment from our suppliers to our Business Ethics principles. This document emphasises the importance of doing business in an honest, open and ethical way, citing express requests not to engage in any behaviour which constitutes the offering or acceptance of gifts or bribes. It also gives us the right to investigate, report and terminate contracts in circumstances where we suspect that these expectations are not met.

**Key initiatives to address modern slavery**

**Responsible Recruitment**

We know that the ethical and legal recruitment of people throughout our value chain is a critical area of focus in both the prevention and elimination of forced labour.

Responsible recruitment is performed according to legislation, is transparent and does not place candidates or workers in a position likely to result in forced and bonded labour, or in any other way violate their rights and freedoms.

**Background**

Globally, the number of people that are seeking work opportunities outside of their home country is steadily increasing. Employers in many countries find it difficult to recruit
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enough workers locally and thus need to employ foreign workers. When international recruitment is performed responsibly, it can benefit both workers and employers. If not, it can have negative impacts, such as risk of forced and bonded labour for the workers, high rates of employee turnover, or disparity in the skills offered to the employer to what is actually received.

IKEA also sees this trend of growing numbers of workers recruited outside of the country of work. Many suppliers are facing significant challenges to manage the recruitment process responsibly.

IKEA created an internal guideline explaining in detail what steps should be taken before, during and after recruitment, in order to support suppliers to recruit responsibly and secure full compliance with IWAY requirements. There is a timeline of implementation explaining to suppliers that the implementation will be required from them within next 2-3 years.

We also know that our internal actions alone will not be sufficient to mitigate the risk to people involved. This is why we have taken action to support the development of tools and awareness that will facilitate the change needed within the recruitment industry. Additionally, we have continued to advocate for change with regard to legislation and regulation that encourages responsible recruitment and protects workers rights.

**Leadership Group for Responsible Recruitment**

People look to other areas of the world for jobs that provide income and a chance for a better life for themselves and their families. Unfortunately, this can mean that they are made to pay high costs during the process, many of which are unnecessary and hidden. We are aware that eliminating this globally will take time and requires a collective effort. That’s why we are a founding member of the Leadership Group for Responsible Recruitment and we support the Employer Pays Principle, which states that no worker should pay for a job and that the costs of recruitment should be borne by the employer.

Through the collective efforts of the leadership group and throughout the IKEA value chain, we focus on three areas:

- Creating demand for responsible recruitment by developing and sharing tools and insight to support implementation.
- Creating a supply of ethically sourced labour by supporting systems to identify ethical recruitment agencies.
- Improving protection of migrant workers through improved regulation.

Over the past few years, together with the International Organization for Migration, we have done extensive work within our supply chain to map the recruitment process of migrant workers from their home villages to places of employment in receiving countries. This has provided a wealth of information about both the challenges and opportunities for change. One of the highlights of this research is the need to change the business model of large parts of the recruitment industry from a worker pays model to one where customers (industry) pay for professional recruitment services.

**Supporting the development of IRIS**
The International Organization for Migration (IOM) is developing “IRIS” - the International Recruitment Integrity System, a voluntary certification scheme for labour recruiters (also known as recruitment agencies) that ensures that responsible recruitment practices are implemented. IRIS defines a benchmark for responsible recruitment, through the IRIS Standard requirements, and a compliance and monitoring mechanism.

As a member of the IRIS Advisory Committee the IKEA business has been actively supporting IRIS. The three main objectives of the Advisory Committee are to:

- Provide strategic and technical advice on the development and implementation of IRIS
- Support the IRIS objectives for the promotion of ethical recruitment practices
- Share best practices and advances in stakeholder efforts to promote ethical recruitment

The IKEA business welcomes the development and roll-out of IRIS and the implementation of the certification scheme by recruitment agencies operating for suppliers in the IKEA value chain who recruit migrant workers.

**Collaboration & Advocacy**

The IKEA purchasing organisation in Taiwan is one of the members of the Euro Chamber of Commerce Taiwan (ECCT), working together to raise awareness and bring the reality of responsible recruitment and employer pay policy to ECCT members. They also engage with organizations such as the Chung-Hua Institution for Economic research to increase awareness about responsible recruitment and the employer pay principle to other brands doing business in TW and are an active participant in The Leadership Group for Responsible Recruitment initiatives in the region.

In FY19, IKEA began a project in Thailand to map the recruitment of workers from Cambodia and Myanmar to suppliers in Thailand. The purpose of the project is to increase the knowledge of the process and to understand how it can be improved. One goal is to identify all fees that may be charged to the workers, which can then be either eliminated or taken by the employer as part of a responsible recruitment process. Other factors will be considered including how to increase the capacity for ethical recruitment, possible changes needed in regulation, awareness building with business partners and appropriate training for workers on their rights and expectations.

**IKEA Social Entrepreneurs**

IKEA wants to contribute to supporting the millions of people around the world who are marginalised and far from the labour market. Teaming up with social entrepreneurs who use business as a way to reduce poverty, empower women and tackle social and environmental challenges in their communities, is one way of achieving this.

Since 2012, IKEA businesses have worked together with social entrepreneurs on a global and local level to design and produce handmade collections and offer tailor-made services in IKEA stores and online. All local partnerships are audited for IWAY Must requirements and all international partners are IWAY approved. To date, these partnerships have helped create jobs for some 20,000 artisans and local farmers around the world. During FY19 the IKEA business expanded the scope of how to work with social entrepreneurs both inside...
and outside the IKEA value chain through co-worker engagement, direct investments and accelerator programmes.

**The approach going forward**

IKEA is aware that it must continue to engage with suppliers and look for new methods in which it can improve ways of working to eliminate the risks of slavery in its supply chain.

To achieve long lasting positive change, IKEA cannot take a purely ‘risk mitigation’ approach. IKEA’s goal has to be to help lift people out of poverty by providing good places to work throughout its supply chain. IKEA cannot achieve this single-handedly and will embrace opportunities to work collaboratively to bring about change.

**Responsible wages practices**

With one common IKEA approach to responsible wage practise, we look to strengthen old, and integrate new ways of working that focus on inclusiveness, equality and the employment with wage levels, wage routines, openness, accessibility and social dialogues setting a base for how we attract, retain and reward competence and performance.

In FY19, IKEA initiated new work with responsible wage practises and established a working group to develop a one IKEA approach and common ways of working with the topic, end-to-end across the total value chain.

Progress in FY20: A common IKEA responsible wage-practise framework is under development to guide IKEA companies and partners in wage practise self-assessment and in delivering concrete plans that are aligned with the overall IKEA ambitions. The framework is built on the knowledge from earlier assessments in retail markets, the supply chain and IKEA Industry. Based on the framework, a methodology to support IKEA companies and their suppliers to assess themselves and create concrete action plans is also being developed.

**Creating the Next IWAY Standard**

We need to ensure that IWAY is set up in the right way and addresses the relevant topics, to meet the new realities of today and our big ambitions for tomorrow. We want to continue to do better, improve social and environmental conditions and make IWAY more inclusive by including more sub-suppliers.

We will also look into covering new business areas. During FY19, we have been developing IWAY System 6.0, the revised version of the IKEA supplier code of conduct. It will be further developed and implemented in different parts of the IKEA business during FY20. To ensure we have an inclusive process, and a relevant IWAY, we have during FY19:

- engaged with stakeholders inside and outside the IKEA value chain, such as suppliers, other multinationals and non-governmental organisations,
- redefined a risk-based approach to IWAY verification and audits, and are in the process of defining new KPIs for IWAY process and performance,
- established a new governance structure, strengthening the approach to business consequences for suppliers not meeting our requirements, and at the same time
introducing mechanisms connected to procurement processes that reward and incentivise strong IWAY performance.

One of the main ambitions with the development of the revised IWAY 6.0 is to make it about more than simply meeting basic requirements, but also a way to achieve continual improvements above and beyond the minimum. It is an approach that aims at enabling suppliers to take ownership in meeting IWAY requirements, because it brings them benefits for their businesses, their workers and the environment. It is also a staircase approach that makes development more beneficial. This is how IWAY will be one of the enablers to reaching the IKEA sustainability ambitions, as defined in the IKEA sustainability strategy, in the IKEA value chain.

The plan is to start rolling out the updated IWAY Standard and System in 2020, engaging with IKEA co-workers and suppliers to all IKEA companies to communicate expectations and ambitions.

Throughout FY20, IKEA will continue to:

- launch and the implementation of IWAY 6.0;
- work on an IKEA Responsible Wage Practices framework for the entire IKEA value chain;
- collaborate with influential partners and charitable partners to align approaches and effect positive change;
- be open with challenges and share learning to support other initiatives; and
- be People and Planet Positive – a Fair and Inclusive brand, company and employer with Fair and Inclusive KPIs for global ambitions.

This statement has been approved by our Board of Directors, who will review and update it on an annual basis or more often as we progress with the objectives set out in this statement.

We hope you have found this statement informative and useful. Please contact us if you have any queries.