

Modern Slavery Statement



Welcome from Peter Jelkeby, Country Retail Manager and Chief Sustainability Officer, IKEA UK and Ireland

Our core vision at IKEA is to create a better everyday life for the many people and this guiding principle is embedded throughout the IKEA value chain. As our business impacts the lives of many people across the world, we are dedicated to upholding human rights in alignment with the UN Guiding Principles of Business and Human Rights (UNGP). Recognising our responsibility as a business, we are committed to identifying, preventing, mitigating and rectifying any human rights infringements throughout our value chain. At IKEA, we unequivocally reject any form of forced labour, we champion transparent work practices and advocate for a comprehensive national and global strategy to safeguard human rights for all our stakeholders. Our ongoing efforts focus on ensuring the safety and rights of individuals within our supply chain. Through collaborative dialogue with suppliers and utilising IWAY, the code of conduct for IKEA suppliers, we strive to foster a secure and ethical working environment and through leveraging our influence and relationships, we aspire to contribute to improved working conditions and a better quality of life for all.

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 in compliance with the Modern Slavery Act 2015. It details the steps that we 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 2023 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, the actions taken globally to eliminate modern slavery in our supply chain. This statement builds on the commitments and actions described in previous reports.

This report is approved and endorsed by our senior management in the UK & Ireland 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 what we are doing to improve, in line with our values of caring for people and planet and taking responsibility.



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 is unacceptable, be it the production of raw materials, manufacturing or delivering products to customers. 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.

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. 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. We strive to improve the work environment for IKEA co-workers and the many people throughout the direct and indirect supply chains involved in producing IKEA products and IKEA services.

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.



This Statement was prepared to cover the six areas recommended by the Home Office's statutory guidance. The table below identifies where each area is addressed within this Statement.

Criteria recommended by statutory guidance	Heading and page reference
Organisation structure, business and supply chains	1. Our structure, operations and supply chain (page 3)
Policies in relation to slavery and human trafficking	2. Our Policies and Procedures (page 7) Appendix A: IWAY - The IKEA Way of Purchasing Products and Services (page 29)
Due diligence processes in relation to slavery and human trafficking in its business and supply chains	3. Due Diligence Processes (page 15)
The parts of the business and supply chains where there is a risk of slavery and human trafficking taking place, and the steps taken to assess and manage that risk	4. Identifying our modern slavery risks (page 15) 5. Actions taken to assess and address our modern slavery risks (page 18)
Key performance indicators to measure effectiveness of steps being taken	6. Measuring the effectiveness of our actions (page 24)
The training and capacity building about slavery and human trafficking available to staff	7. Other Information – IKEA's broader contributions and planned future actions (page 27)

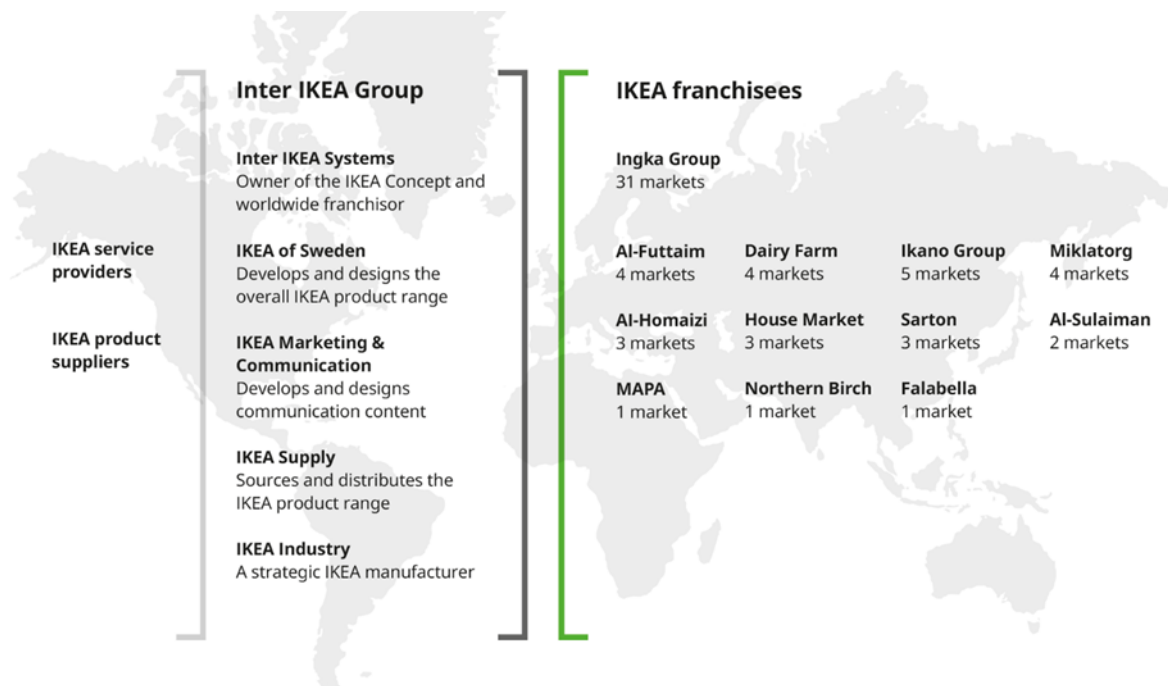


1. Our structure, operations and supply chain

Organisational structure

IKEA is a franchise business. That means that many groups of companies work together under one IKEA brand.

Inter IKEA Group and Ingka Group (see illustration below) have the same founder, as well as a common history and heritage, but are two groups of companies with different management and different owners.



The IKEA concept is owned by the Dutch company Inter IKEA Systems B.V. , and it is this company that enters into franchise agreements with third parties worldwide.

Inter IKEA Systems B.V. has entered into franchise agreements with twelve different companies worldwide. One of the franchisees is the Ingka group, which includes INGKA Holding B.V. and affiliated companies, including us, IKEA UK.

Through the franchise agreement with Inter IKEA Systems B.V. the Ingka group currently operates IKEA warehouses, global digital solutions and online stores in 30 countries.

By entering into a franchise agreement with the Ingka group, Inter IKEA Systems B.V. licensed the IKEA brand, IKEA's product portfolio, concepts and business methods. A consequence of the Ingka group being a franchisee, IKEA UK purchase the franchise range through the franchisor's own supplier, IKEA Supply AG (box 4 in the illustration). IKEA Supply AG is the only supplier of the products we sell in the stores in the UK.

IKEA Limited (IKEA UK) is a company incorporated in the UK. Its registered office is located in Milton Keynes. References in this statement to “we”, “us”, “our” or IKEA UK are references to IKEA Limited and the entities we own or control. The ultimate parent company of IKEA UK is INGKA Holding B.V., a company registered in the Netherlands. We refer to Inter IKEA Holding B.V. and all its subsidiaries including IKEA of Sweden AB, IKEA Marketing & Communications AB, IKEA Supply



AG and IKEA Food Supply AG as the “Inter IKEA Group”.

IKEA UK is engaged in retail operations in the UK. IKEA Distribution Services Limited, (**IKEA Distribution**) is responsible for furniture and furniture accessories distribution within the UK and Ireland. IKEA Properties Investments Limited, (**IKEA Properties**) owns and manages property within the UK.

IKEA UK operations

As of March 2024, IKEA UK operates 20 full sized stores, 3 Plan and Order Points, 1 small store, 3 distribution centres, 3 remote customer meeting point, 1 order and collection point, 1 Service Office and 1 wind farm in the UK.

As of 05 January 2024, IKEA Limited employs 9,997 co-workers, throughout our stores in the UK, including our Service Office and Customer Support Centre and IKEA Distribution employs 1,615 co-workers. 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.

Within the UK and Ireland, the retail products are stored in warehouses as well as our retail stores. Part of our operations includes distribution of the home furnishings from distribution warehouses to our stores and distribution from both our Customer Distribution Centres (**CDCs**) and our stores to our customers. These warehouses, distribution and relevant services are by and large provided by IKEA Distribution.

IKEA UK supply chain

IKEA UK’s supply chain is comprised of both the supply chain for sourcing the products that we sell (the **Retail supply chain**) and the separate supply chain for the goods and services that are essential for our business operations (the **Business operation supply chain**).

Retail supply chain

The IKEA home furnishing and retail food products (**retail products**) are supplied to IKEA UK by the Inter IKEA Group. In this statement, we have included information provided by Inter IKEA Group about its supply chains and modern slavery risks and actions, including information from the IKEA Sustainability Report. IKEA UK also purchases food products from other suppliers as described in the section regarding the Business operation supply chain. The Inter IKEA Group imports the retail products and then stores the products (other than the food products) in distribution warehouses and arranges for them to be delivered to the IKEA UK stores and CDCs or the products are imported and transferred directly to stores.

Our direct relationships for purchasing almost all retail products are predominantly with Inter IKEA Group. Inter IKEA Group in turn have their own extended supply chains. In the last financial year, Inter IKEA Group has partnered with more than 1,500 direct suppliers in more than 50 markets, including home furnishings, food suppliers, transport service providers and suppliers of components for home furnishing products. There are millions of workers who, through our



suppliers, source, make and transport our products and components, provide food for our restaurants, and supply essential services to IKEA companies.

IKEA retail products are predominantly sourced and produced in Europe, Asia-Pacific and North America, including Brazil, Mexico, India, Bangladesh, China, Vietnam, Indonesia, Turkey and Pakistan. Material sourced by suppliers includes wood, natural fibres, textiles, plastics, food and agriculture, metals, and electronics.

From product development and material sourcing to production, transportation and product end-of-life, Inter IKEA Group is involved every step of the way. All products sold from IKEA UK are designed and developed in accordance with strict global requirements that Inter IKEA Group puts on both the product and the suppliers. Inter IKEA Group believes in building long-term relationships with their suppliers and places a strong emphasis on supplier development. The average length of collaboration between Inter IKEA Group and home furnishing suppliers is currently 11 years.

Business operation supply chain

In order to conduct our retail operations, IKEA UK procure goods and services mainly from other businesses based in the UK:

- **Information and communications technology (ICT):** this includes computer hardware and software, cloud services, virtual data room services, virtual document exchange services, printers, audio/visual equipment and services, desk phones and mobile phones.
- **Warehousing and distribution services:** this includes operating our distribution centres, freight hardware and driver logistics services to transport and unload stock between units, and customer delivery from stores and distribution centres .
- **Retail services:** This includes retail showroom fit outs, back-office furniture and fit outs, stationery and branded items, knowledge subscription services, document management services, courier and postal services, as well as printer maintenance services and document printing services.
- **Facilities management:** this includes the services that support our retail operations including leasing, office maintenance, utilities, cleaning and security.
- **Professional services:** this includes taxation, external legal counsel, consulting, professional, personal development, and welfare training programs.
- **Mobility and travel:** this includes vehicle and airplane travel bookings and accommodation bookings.
- **Hospitality and catering:** this includes for in-store restaurant and beverage services, as well as external catering events.
- **Food UK:** this includes all food and beverage supply to our retail units of frozen, chilled, and ambient goods, food logistics and warehouse, in house catering for external and internal guests, vending machines, consumer packaged goods and external events.

The key areas of outsourcing in our Business operation supply chain are for cleaning, security, CDCs operations and 'last mile' transport.

During FY23, IKEA UK had active contracts with 982 suppliers. 97.5% of our country spend on



procurement goods and services contracts is subject to IWAY.

2. Our Policies and Procedures

2.1 Ingka Group

Ingka Group's approach to human rights is guided by well-established international standards. This starts with the Universal Declaration of Human Rights and its two corresponding covenants, The International Covenant on Civil and Political Rights and The International Covenant on Economic, Social and Cultural Rights, which form the basis of the Ingka Group approach.

Ingka Group pays special attention to children's rights, women's rights and the rights of people belonging to underrepresented and marginalized groups, as outlined in international conventions including:

- the UN Convention on the Rights of the Child
- the UN Convention on the Elimination of All Forms of Discrimination against Women
- the International Convention on the Elimination of All Forms of Racial Discrimination
- the International Convention on the Rights of Persons with Disabilities
- commitment to workers' rights is based on the International Labour Organization's (ILO)
 - Declaration on Fundamental Principles and Rights at Work.

Ingka Group's approach to human rights in our business is also aligned to:

- the UN Guiding Principles on Business and Human Rights
- the Children's Rights and Business Principles
- the OECD Guidelines for Multinational Enterprises
- the UN Global Compact, including the UN Women's Empowerment Principles
- the Gender Guidance to the UNGPs
- the UN Standards of Conduct for Tackling Discrimination against LGBTI people.

Ingka Group complies with applicable laws in the countries where it operates. When these laws are not aligned with international human rights standards, Ingka Group strives to find the best way forward to secure that the essence of the rights reflected in these international human rights standards is still respected.

Across the Ingka Group there are a number of global internal and external policies and procedures in place to secure respect for the human rights of Ingka co-workers and all the people linked to Ingka supply chain. Ingka Group policies and procedures include but are not limited to the Ingka Group Policy on Sustainability, [the Ingka Group Policy on Human Rights and Equality](#), the Ingka Group Policy on People, the Ingka Group Policy on Anti-Bribery and Corruption, the Ingka Group Policy on Raising a Concern, the Ingka Group Rule on Employment Standards, the Ingka Group Rule on Health, Safety and Security, the IKEA Code of Conduct, and IWAY, our Supplier Code of Conduct (see more on IWAY below).

Sustainability governance

Human Rights at Ingka is governed according to the governance system for sustainability.



Key roles and responsibilities for sustainability, including human rights, in FY23 included:

- **Management Board**, which formally approves our sustainability strategy taking into account advice from the Supervisory Board, who have a broad range of competencies including ESG.
- **The Sustainability Committee of the Management Board**, chaired by the CFO and Deputy CEO of Ingka Group, responsible for defining and following up on the overarching priorities, principles and frameworks for sustainability within Ingka Group. The committee meets twice a year and reviewed sustainability performance, including climate-related issues, in every meeting.
- **Chief Sustainability Officer (CSO)**, a member of Ingka Group Management, with a remit to secure our focus on sustainability as a key topic for the Group. She manages the Group sustainability function with responsibility for the execution of our sustainability strategy across Ingka Group. In FY23 the CSO organised and was the deputy chairperson of the Sustainability Committee.
- **The Group Sustainability Management Team (GS MT)**, The Group Sustainability Management Team (GS MT) is responsible for the development of sustainability strategy, policy, governance and communication and oversees our sustainability performance across Ingka Group. The GS MT role is to support the integration of sustainability into our Retail, Centres and Investment businesses as well as acting as external and internal advocates for our People and Planet Positive agenda. With their centre of expertise function they enable and equip all our management teams and co-workers across our business to lead and deliver on our strategic ambitions
- **The Ingka cross-functional Sustainability Leadership Team (SLT)** made up of managers from Group Sustainability and Group Finance, the Sustainability Managers for IKEA Retail and Ingka Centres, the sustainability manager for Innovation and Development along with business partners from Group Communication, Group Business Steering and Group People & Culture. Managers from the Procurement and Business Risk & Compliance functions also attended relevant meetings. The SLT's role was to ensure a cross-functional alignment on our sustainability agenda across Ingka Group.
- **Country Retail Managers are also the Chief Sustainability Officer (CSO)** for their country. This is designed to help embed sustainability into our core business and broaden ownership of our sustainability strategy. Country CSOs are accountable for delivering our goals at the country level, and sustainability is integrated into their development programme and performance review process. They are supported by Sustainability Managers in each country.
- **Our ESG Reporting Forum (environmental, social, governance)** governed by Group



Finance leads our work on ESG disclosures. The Forum brings together key group functions such as Sustainability, Risk, Business Steering, People & Culture, Finance, Communications, Legal & Governance and Public Affairs. It is leading a two-year project to prepare for major new regulations and voluntary standards for ESG reporting working with our business functions to prioritise reporting that drives action and impact, ensures compliance and supports our ambitions to be leaders on transparency.

Human Rights

The Ingka Group Policy on Human Rights and Equality is the basis of our approach and is based on the expectations set forward in the UN Guiding Principles on Business and Human Rights, Children's Rights and Business Principles for business responsibility to respect human rights. The foundation of the Group Policy is the Universal Declaration of Human Rights and its two corresponding covenants, The International Covenant on Civil and Political Rights and The International Covenant on Economic, Social and Cultural Rights.

Children's rights

We are committed to being a child-friendly retailer. We always try to act in the best interest of the children and families that come into contact with our business through our products, stores, marketing and supply chain. We have zero tolerance for any form of child abuse. Our approach is based on the Children's Rights and Business Principles, developed by Save the Children, the UN Global Compact and UNICEF.

Children's rights are covered in our Ingka Group Policy on Human Rights and Equality, and we have detailed principles for child participation and safeguarding to ensure a consistent approach across our business.

We look at all aspects of our business from a child's rights perspective, and our key commitments include:

- Ensuring that our stores and meeting places are child friendly.
- Working with Inter IKEA Group to ensure that our products for children are safe.
- Preventing misleading, exploitative, discriminatory, or aggressive marketing and communication practices towards children.
- Never tolerating any form of child or forced labour, modern slavery or mistreatment of workers.
- Supporting fair work for young workers, parents and caregivers.

We make our stance on child labour clear to suppliers through our IWAY Standard on Preventing Child Labour and Supporting Young Workers. Our belief is that young people who are legally able to work should have access to decent employment opportunities, but they should not do hazardous work, night work or overtime.

There were no cases of child labour identified in FY23.

Fair income



A fair income is essential to improving the wellbeing of all co-workers and at the heart of building a more inclusive IKEA. We define it as an income that is perceived by co-workers as fair reward for the work they do and which enables them to live a decent life.

Fair income is part of our Total Rewards offer which comprises several core components: our culture and values, purposeful jobs, choice-driven benefits, supporting wellbeing and sustainability, performance appreciation and safeguarding a decent standard of living.

We have several initiatives to ensure fair incomes across Ingka Group for our co-workers. These include for example:

Responsible Wage Practices Framework (RWP)

Our Responsible Wage Practices framework is our shared approach with Inter IKEA Group to providing fair incomes across the value chain by focusing equally on five practices: Equality at work, Pay principles, Competence, Dialogue and Living wage. It includes a consistent methodology for calculating, benchmarking and monitoring a living wage that is used in all Ingka countries. This is informed by data from the Wage Indicator Foundation, a not-for-profit organisation that calculates and benchmarks living wages across multiple countries. We have rolled out our RWP framework to all our countries.

In FY23, more than 10,000 co-workers participated in a RWP survey to answer questions on the topic, building on feedback from workshops with unit management teams and a management survey in FY22 as well as the results of our living wage benchmarking. The combined results suggest that our pay principles and living wage practices are well established, and are helping to ensure accuracy, transparency and legal compliance in relation to pay and benefits. Our research also identified a need to develop the competencies of line managers to have meaningful conversations with co-workers on pay. We will use these findings as a baseline to help us monitor our future progress on implementing the RWP. In the longer term, we plan to roll out the RWP to our value chain but our current focus is on our own co-workers.

At IKEA UK, in 2023 we continued our long-term commitment to fair wages and invested over £12 million in our co-workers with a pay rise and a wellbeing support package. We met our pledge to pay the real living wage and matched the Living Wage Foundation rate with hourly paid co-workers receiving £11.95 in London and £10.90 for the rest of the UK.

Gender-equal pay

Our commitment to achieving and sustaining equal pay for work of equal value. There should be no gaps in pay that are not explained by performance, competence, or a country's legal requirements. We use annual Gender Equal Pay assessments across our markets to identify and address any gender pay gaps. Our assessment process and reported data for FY23 were externally reviewed by KPMG.

In FY23, we carried out our fifth annual group-wide gender equal pay assessment¹. 3.87 % of

¹ The assessment covers all Ingka Group part-time or full-time co-workers with temporary and permanent contracts. It excludes the following groups: seasonal co-workers, co-workers with non-comparable salary setting (for example due to being on assignment), co-workers of Ingka Holding B.V.



co-workers were in groups where pay gaps could not be explained by performance, competence or a country's legal requirements (FY22: 4.84%). We put concrete actions in place, both monetary and non-monetary, to address the gaps including salary and reward adjustments where necessary. 0.78% of co-workers were in groups where financial investment was needed to close a pay gap (FY22: 1.02). We have put concrete actions into place to close the gaps.

Equality, diversity and inclusion (ED&I)

Ingka Group is committed to fair treatment and equal opportunities, creating a workplace where people of all backgrounds and identities can thrive and feel supported and valued for who they are. Together we want to create a workplace that is as diverse as the world is, and as inclusive as the world should be. We are making good progress, but we know there is more to do.

We focus on multiple dimensions of diversity and their intersections, including gender, ethnicity, race, nationality, ability, sexual orientation and gender identity. For the last two years we have been particularly prioritizing:

- **Gender balance:** achieving equal representation of men and women across Ingka Group at all levels.
- **Ethnicity:** achieving a workforce and leadership that reflects the multicultural diversity of the communities and countries in which we operate
- **Disability inclusion:** making sure we are accessible – physically, socially and mentally – to our customers and co-workers, recognizing that around 15% of the workforce lives with a long-term physical or mental health condition that impacts their day-to-day activities.

Our Ingka Group Equality Plan includes goals and actions focused on:

- **Co-workers:** reflecting the diversity of our society at all levels and creating an inclusive work environment.
- **Business:** embedding equality into our business practices, policies and ways of working.
- **Society:** advocating for a more equal society and being a positive example to inspire change, including through our Skills for Employment program.

Every Ingka Group country has developed a local EDI action plan based on the Equality Plan, and most have a dedicated EDI Leader. In FY23, we established our EDI Sponsors Network to encourage learning between different parts of the business. Sponsors are drawn from country and function management teams to make sure that the EDI perspective is integrated in strategic decisions.

We have over 20 co-worker resource groups (CRGs), voluntary networks of co-workers based on shared identifies. CRGs are helping to foster an inclusive culture through education, personal and professional development, networking opportunities, celebrations, and heritage moments. Themes include gender equality, LGBT+ inclusion, ethnicity and disabilities.

Furthermore, key policies, including our policy on Human Rights and Equality and our Rule on Equality, support our efforts to establish a workplace that is free from discrimination, harassment and hostility. Each of our countries in the European Union has signed their country's national

(holding company) and acquired companies, co-workers not receiving a salary during the assessment period (for example because they joined the business in the month prior to the assessment date) and co-workers for whom we don't have information on gender.



diversity charter.

A recent survey of IKEA UK co-workers revealed that 89% of UK co-workers believe in IKEA's commitment to driving a culture of diversity and inclusion.

Equality, diversity and inclusion in the Ingka supply chain

For our supply chain, we have plans to increase equality, diversity and inclusion. Based on a successful pilot in FY22, we started rolling out IWAY Advanced & Excellent requirements to encourage strategic suppliers to adopt best practices for equality, diversity, and inclusion. This includes targets for FY25 relating to gender balance and employment of people from marginalised and underrepresented groups.

The IKEA Way of Purchasing Products, Materials, Services and components (IWAY)

General

The IWAY Standard, which is the IKEA supplier code of conduct, includes requirements for suppliers and is built around 10 environmental and social principles. Topics covered include, among others, children's rights, business ethics, fundamental labour rights, health and safety at work, working and living conditions, environmental aspects, resource optimization and animal welfare. With its roots in the IKEA culture and values, and the United Nations Sustainable Development Goals, IWAY principles and requirements are founded on internationally recognized standards and principles (such as the UNGPs, the Ten Principles of the UN Global Compact, the ILO Centenary Declaration for the Future of Work, ILO labour standards), as well as regional and national laws and regulations. You can read the IWAY Standard [here](#).

We work with thousands of suppliers to help run our business – from companies providing construction, security and cleaning services, to home delivery providers and product assembly businesses. We choose to work with suppliers and service providers who share our values, uphold our standards and seek to have a positive impact on societies and communities. Our suppliers are expected to implement and maintain compliance with IWAY.

This entire section is related to our business operations supply chain. Regarding IWAY for the retail supply chain (i.e. our home furnishing products), please refer to the relevant section.

Governance

Our governance of responsible sourcing includes:

- **Global IWAY Forum** – oversees the development and implementation of IWAY.
- **Country IWAY Forums** – oversee implementation at the country level, with members from our procurement, business risk and compliance, and distribution teams.
- **Category Area Management Forums** – work to ensure compliance among the suppliers for their category.
- **IWAY Calibration Group** – reports to the Global IWAY Forum and is responsible for ensuring a consistent approach to implementation and verification of IWAY compliance across Ingka Group.



Risk assessment

We determine if suppliers are in scope for our IWAY process based on their sector and our business relationship. We require all suppliers in scope to sign the IWAY Compliance Commitment. We carry out a risk assessment for in scope suppliers and those identified as high and critical risk must meet additional requirements (see IWAY implementation). We assess risk based on internal and external data and factors such as the supplier's industry and location and the characteristics of the business they run. We mitigate ethical risks in our supply chain through supplier training and engagement, integrating IWAY into our contracts and supplier discussions and through a program of audits.

Our IWAY process covers our business operations suppliers and Ingka Centres suppliers.

IWAY Implementation

During FY23 we updated our IWAY process and developed a new standard operating procedure which increases our focus on high and critical risk suppliers. We carry out an IWAY Initial Assessment for potential new suppliers with a risk level of critical or high. These potential new suppliers must be able to confirm that they comply with mandatory requirements (our 'IWAY Must'). We do not proceed to work with any suppliers that fail to meet these standards.

Once we start working with a supplier identified as high or critical risk, we put in place an appropriate mitigation plan with compliance monitoring. This plan may include supplier training, gap analysis and verification activities such as IWAY audits.

We monitor the risk level of suppliers we work with on an ongoing basis and may carry out further IWAY reviews based on risk and performance. Based on a successful pilot in FY22, we started rolling out IWAY Advanced & Excellent requirements to encourage strategic suppliers to adopt best practices for equality, diversity, and inclusion. This includes targets for FY25 relating to gender balance and employment of people from marginalised and underrepresented groups.

The wider supply chain

Our suppliers are responsible for communicating IWAY requirements to their own suppliers and ensuring any high-risk sub suppliers comply with our 'IWAY Musts'. This is one of the key ways we seek to mitigate human rights risks across our wider supply chain. We support suppliers with this through our training and ongoing dialogue.

Training and engagement

We have several IWAY e-learning modules for co-workers depending on their role. We also operate an IWAY Support Hub for suppliers to help them understand our requirements.

2.2 Inter IKEA Group

Human Rights

The IKEA sustainability strategy covers the entire IKEA value chain, including the IKEA franchise system. The Inter IKEA Group ambition is that by 2030 the IKEA business will play our full part in contributing to a fair and equal society, by respecting and promoting human rights across the IKEA value chain and contributing to resilient societies.

Inter IKEA Group has set a strategic commitment within its sustainability strategy to respect human rights and operationalize our commitments to the UN Guiding Principles on Business and Human



Rights (UNGPs) and the Children's Rights and Business Principles (CRBPs) by 2030. Inter IKEA Group is establishing strategic goals for its Fair & Equal section of the sustainability strategy and will further develop our framework to measure progress.

The Inter IKEA Group policy on human rights includes the following commitments:

- Respecting international human rights standards wherever it operates. Inter IKEA Group continuously works to embed international standards described in the UN Bill of Rights, the Fundamental ILO Conventions and the OECD Guidelines for Multinational Enterprises across the Inter IKEA Group code of conduct, internal policies as well as IWAY, the supplier code of conduct and IConduct, the franchisee code of conduct. When national law conflicts with international human rights Inter IKEA Group will seek ways to honour international human rights principles and standards while staying legally compliant.
- Embedding respect for human rights across our commitments, ambitions, steering documents, business processes, strategic initiatives, decision making, ways of working and business relationships.
- Continuously and proactively identifying how our business activities and decisions may negatively impact human rights.
- Addressing negative human rights impacts in a way that is effective and meaningful to affected rights holders.
- Being transparent about how Inter IKEA Group works with human rights and the actions it takes.
- Being outspoken about Inter IKEA Group's point of view and using its influence to create positive change and promote human rights.

Inter IKEA Group Governance

The Inter IKEA Group Management Team is the responsible governing body for the Human Rights Due Diligence approach at Inter IKEA. The total IKEA sustainability agenda is decided by the Strategic Sustainability Council. The CEO of Inter IKEA is the chair of the Strategic Sustainability Council. The council consists of members from Inter IKEA and invitees representing the IKEA franchisees. The Inter IKEA Sustainability Management team includes the sustainability managers from the different parts of the Inter IKEA businesses. The group is responsible for aligning and developing sustainability ambitions and commitments and reporting on performance.

Children's rights

Inter IKEA Group has set a strategic commitment to operationalise its contribution to resilient societies and promote and respect human rights, in line with the UN Guiding Principles on Business and Human Rights (UNGPs) and the Children's Rights and Business Principles (CRBPs) by 2030.

The FY23 Inter IKEA Group Sustainability Report outlines the Fair & Equal agenda and progress from the reporting period.

The Inter IKEA Group Sustainability Report FY23 includes details of IWAY compliance in the home



furnishing, food, IKEA Industry and transport supply chain.

3. Due Diligence, Reviews and Remediation of Suppliers

3.1 IKEA UK

IWAY

A supplier's risk rating will direct the level of review and remediation to be implemented under IWAY.

Suppliers are required under their IWAY Compliance Commitment to prepare an annual compliance self-assessment. Copies are required to be provided if requested by IKEA UK. Depending on the response, IKEA UK, with support from the Ingka Procurement Sustainability and Business Risk & Compliance teams will conduct announced and unannounced reviews of suppliers and critical subcontractors to ensure IWAY compliance and consistent implementation throughout all of the areas in which IKEA operates. In some cases, we complete joint reviews together with third-party reviewers. The Supplier must secure Ingka's rights to IWAY review all tiers of sub-contractors in scope as specified in the IWAY standard.

Under the IWAY system, if Supplier and/or subcontractors do not fulfill the requirements of the IWAY Standard, this will constitute a material breach of any contract and agreement with Ingka, and Ingka may at its sole discretion and without any compensation to Supplier, immediately terminate all existing agreements with Supplier.

4. Identifying our modern slavery risks

4.1 Ingka Group

We aim to focus on the most salient human rights impacts – those at risk of the most severe negative impacts. Assessing the human rights impacts of our business activities is an ongoing process and we are continually learning and developing our approach. In FY23 at Ingka Group level, we have identified a range of potential human rights risks for our industry, including modern slavery and forced labour, low wages, undocumented cash wages, excessive hours, unsafe working conditions, and threats to freedom of association rights. Assessing the human rights impacts of our business activities is an ongoing process and we are continually learning and developing our approach. During the coming FY, we will be looking into improving our risk assessment process even further, connected to the insights from our human rights baseline assessment.

The starting point for our risk assessment is our enterprise risk management process, which is both a yearly process as well as a process run on a need-basis. It is based on a pre-defined risk universe, where human rights risks are one element.

The purpose of a risk universe is to support the above-mentioned risk assessment processes, especially identifying risks and reporting on risks. It's a structured way to categorise risks to understand the status of the company and in what areas we see opportunities and where we have our biggest, or rising, risks. The risk universe is yearly submitted to various internal key departments in the form of workshops with the business referents, to check its relevance to the activities of the local IKEA markets as well as to identify risk owners and actions upon.



Based on the country-specific risk analysis and the input from the global processes, an annual compliance plan is created at IKEA UK, which includes the timeline for the individual activities that need to be planned and carried out by each part of the company during the year. There are regular compliance activities that take place each year, but there may also be additional issues that need to be reviewed on an ad hoc basis.

4.2 IKEA UK - Supply chain risks

IKEA UK's supply chain is comprised of both the supply chain for sourcing the products that we sell and the separate supply chain for the goods and services that are essential for our business operations. More details on IKEA UK's supply chain operation and structure are described above (see 1. *Our structure, operations and supply chain (page 4)*).

Potential human rights risks in the retail and business operation supply chains include: modern slavery and forced labour, low wages, undocumented cash wages, excessive hours, unsafe working conditions, harassment and prevention of collective bargaining.

Our assessment for FY23 demonstrated to us that in operating our IKEA UK business we have risks of causing, contributing or being directly linked to modern slavery in our deliveries, assembly, cleaning, security service suppliers, and any permanent or semi-permanent on-site service providers such as trolley collectors.

We have identified the need to monitor, consistently through IWAY, our contracting parties under responsible recruitment regimes with wages and working conditions that are fully in compliance with UK awards and workplace regulations.

Within the IKEA UK business operation supply chain, the key risk area for modern slavery is the engagement of unskilled and/or migrant workers. The other risk area is the presence of sub-contracting and the lack of transparency as to when and to what extent sub-contractors are engaged. IKEA UK supports the employment of this class of workers however we also recognise that they can be more vulnerable to modern slavery risks than others.

Product suppliers are largely contracted globally through Ingka and Inter IKEA and are subject to the IWAY responsible sourcing of products, services, materials and components processes. IKEA UK is continuing to map its business operation supply chain and assess modern slavery risks, particularly for its suppliers based overseas.

4.3 Inter IKEA Group - Supply Chain Risks

During FY23, through external monitoring and engagement with credible external sources, Inter IKEA Group identified the following risks of potential adverse impacts associated with our retail supply chain in relation to people or the environment.

As noted above, Inter IKEA Group is the primary supplier of the IKEA UK Retail supply chain. Inter IKEA Group's actions to identify and address modern slavery risks therefore greatly influence the overall risk of modern slavery in the IKEA UK Retail supply chain.



Forced labour risks

During FY23, Inter IKEA Group identified forced labour and recruitment risks for vulnerable groups of workers within its supply chains. This includes new complex corridors of migration arising (such as from Asian countries to Eastern European countries), where the risks of exploitation of migrant workers is increasing. Risks of exploitation broadly relate to both:

- a) the recruitment phase, where migrant workers are at risk of being charged extensive recruitment fees that lead to forced and bonded labour; and
- b) the employment phase, where workers are at risk of being exploited, by not being offered minimum working and social conditions, going against the fundamental labour rights as defined by the International Labour Organisation.

Cotton sector

Inter IKEA Group also identified the risk of forced labour in the cotton sector, including in Pakistan, China, India, and Brazil. With cotton as a key raw material used in IKEA products, minimising this risk has long been prioritised for IKEA supply chains.

Seasonal and migrant workers

Every year, 3,000 to 5,000 Thai workers travel to Sweden to work as berry pickers and can be vulnerable to exploitation. It was identified that the charging of recruitment fees for migrant seasonal workers from Thailand to Sweden in the berry picking industry is a risk impacting the retail supply chain.

Migrant workers in Southeast Asia and East Asia are at risk of forced labour in Southeast Asian supply chains across sectors in sending and receiving countries.

Geopolitical and country-specific risks

When the war began in Ukraine, Inter IKEA Group paused operations in Ukraine to prioritise the safety and security of co-workers and partners across the value chain. Since then, Inter IKEA Group have continuously monitored the situation both from a humanitarian and a business perspective and have remained in close dialogue with partners in Ukraine, with months of evaluation, risk assessments, auditing and conducting heightened human rights due diligence and discussions. During FY23, Inter IKEA Group were able to restart operations with a few direct partners in the southwestern region of Ukraine, where the situation is most stable. Whilst safety and security of people is always the top priority, there is an identified risk associated with recommencing operations in Ukraine.

Transportation risks

Inter IKEA Group has identified there are human rights risks within the seafaring industry which relate to recruitment fees, the wellbeing of seafarers on-board, access to shore leave and working hours. The maritime industry has not adequately addressed these human rights issues to date, and therefore, it has been identified they remain linked to the modern slavery risks associated with the seafaring industry.

The smuggling of people across cross border transport networks (such as into European countries) is an identified risk within the retail supply chain. Based on monitoring systems, during FY23 there is a



continued risk for both criminal people smuggling as well as refugees moving illicitly across countries via transport companies, putting the safety of those people at risk.

5. Actions taken to assess and address our modern slavery risks

5.1 Inter IKEA Group

Inter IKEA Group is committed to taking action to assess and address the modern slavery risks that were identified within the retail supply chain during FY23.

Forced labour risk prevention

During FY23, Inter IKEA Group placed more emphasis on strengthening the dialogue with suppliers on topics such as working hours, fundamental labour rights and the responsible recruitment of migrant workers and workers from other vulnerable groups. In addition, co-workers were trained to increase internal awareness surrounding forced labour and strengthen the ability to identify and handle cases of forced labour.

Inter IKEA Group is also a founding member of the Leadership Group for Responsible Recruitment and continues to support the 'Employer Pays Principle', which states no worker should pay for a job, and the employer should bear the costs of recruitment.

These measures work towards continuing to improve co-worker and supplier awareness on how to prevent, identify and manage cases of forced labour.

Cotton sector

During FY23, Inter IKEA Group continued to use physical segregation of the cotton for IKEA supply chains and end-to-end traceability to address the risk of forced labour. Inter IKEA Group takes steps to ensure when cotton is sourced from high-risk regions, it is procured from areas within those regions which have not been identified as having a prevalence of forced labour.

This practice enables Inter IKEA Group and their implementation partners to know where the materials come from so that compliance can be verified with internal and external requirements, including those connected to forced labour.

Seasonal and migrant workers

Together with the International Organization for Migration, IKEA representatives met with the Thailand Overseas Employment Administration of the Ministry of Labour to discuss ways to increase the transparency of the recruitment processes of Thai berry pickers and to promote fair and ethical recruitment. Communication material has been created to support seasonal migrant workers travelling to Sweden to work in the berry industry, with an aim to improve worker awareness about their rights as well as strengthen collaboration with government. The material explains working and living conditions in Sweden and provides information about workers' rights and employment contracts. This is the first time this type of supporting information is available in Isaan, the predominant dialect of Northeast Thailand, where most migrant workers employed in the berry supply chain come from.



The responsible recruitment of migrant workers continues to be a particularly critical area of focus. During FY23, the IKEA business collaborated with the International Organization for Migration on a project concerning the human rights of migrant workers. The aim was to gain deeper insights into the risks linked to cross-border recruitment and to enhance our ability to support suppliers. Training was held for 363 IKEA co-workers and over 700 workers of suppliers based in different offices around the world. Training sessions will continue in FY24.

The project results showed that there is a need of an industry-wide collaboration and collective action on the topic of responsible recruitment of migrant workers. To better protect migrant workers in supply chains and prevent challenges and risks associated with the labour migration process both in country of origin and country of destination businesses need to focus their efforts in three areas: reviewing their auditing system, providing trainings to ensure they have good understanding of the labour migration process and are able to identify risks as per local migration context, and ensure access to effective grievance mechanism and remediation process.

Geopolitical and country-specific risk prevention

The continued conflict in Ukraine demands agility as the reality on the ground is constantly changing. Inter IKEA Group is continuously assessing the situation and responding with support and relief in various ways, including monetary and in-kind donations, and taking a risk-based approach to restarting operations. Inter IKEA Group continues to monitor the conflict through regular risk evaluations to remain operating safely, if at all, in the region.

Inter IKEA Group has been able to secure a stepwise, risk-based approach to respond to the needs of suppliers in Ukraine while prioritising safety and security of people across the supply chain.

Transportation risk prevention

During FY23, to address the risks associated with seafarers' rights and wellbeing, Inter IKEA Group began to develop requirements for ocean carriers with a view to addressing the issue of human rights at sea. The requirements that will be a part of the IKEA supplier code of conduct are being developed in collaboration with our ocean transport service providers and other external stakeholders.

Inter IKEA Group is in the process of enhancing internal awareness and competence surrounding seafaring to gain a deeper understanding of the complexities within the industry, including identifying the extent of these issues in supply chains and evaluating the necessary steps for improvement. In 2024, Inter IKEA Group is planning to introduce a new set of IWAY requirements related to seafarer wellbeing in the IWAY Standard. Inter IKEA Group is keeping a close collaboration with ocean suppliers to ensure that the same vision is shared and can work together to implement effective strategies which mitigate the prevalent risks.

Inter IKEA Group intends to have a better overview of the scale of these problems from FY24 and beyond and will then calibrate mitigation measures and requirements.

In relation to people smuggling risks, during FY23 Inter IKEA Group implemented more robust driver education and driver safety handbooks for our service providers. Inter IKEA Group also implemented increased reporting requirements which require, in addition to reporting smuggling cases to the appropriate authorities, each case to be analysed internally to identify and improve upon identified weaknesses. Inter IKEA Group is also reviewing mechanisms for sealing our transports to ensure tracking of trucks and opening of loads.



Inter IKEA Group has increased and will continue to work toward raising awareness amongst co-workers and service providers across our supply chains. This includes providing education on how to respond to smuggling if people are discovered, and the subsequent steps to take to maximise safety, health, and security.

The IWAY Standard and IWAY System

All mitigation measures described above are taken in addition to the existing, globally mandated requirements for suppliers that are intended to mitigate and prevent risks across the supply chain.

The IWAY System is an important part of the IKEA sustainability due diligence process.

By securing supplier compliance with IWAY, the Inter IKEA Group is better able to assess and address modern slavery risks within its supply chains, including by:

- requiring all its direct suppliers to comply with the IWAY Standard;
- requesting direct suppliers to communicate the mandatory IWAY requirements (IWAY 'Must' and IWAY 'Basic') to their own suppliers. In addition, critical sub-suppliers of direct suppliers must confirm that the mandatory IWAY requirements are adhered to;
- ensuring due diligence and audits, both announced and unannounced, of the supply chain by IKEA IWAY auditors and independent third-party auditors, are conducted to verify compliance against the IWAY Standard and other standards; and
- taking steps for continuous improvement or ultimately phasing out a supplier if the supplier fails to fulfil the IWAY requirements within the given time frames.

Protecting children's rights in the value chain

Inter IKEA Group has set a strategic commitment to operationalise its contribution to resilient societies and promote and respect human rights, in line with the UN Guiding Principles on Business and Human Rights (UNGPs) and the Children's Rights and Business Principles (CRBPs) by 2030.

Inter IKEA Group, together with the Centre for Child Rights and Business, is working to create awareness on children's rights and risks, as well as to strengthen child protection efforts deeper in our supply chain. In FY22, Inter IKEA Group completed pilot projects to better understand the risks and impact on children in the natural fibres supply chain, in which materials are often harvested in the wild. Inter IKEA Group developed child protection guidelines and piloted child protection training for suppliers, sub-suppliers collectors and harvesters. During FY23, Inter IKEA Group supported the opening of a child-friendly space in the village of a sub-supplier for one of our key rattan furniture suppliers in Indonesia. Young children of rattan workers can now access the facilities, where they're supervised by trained caregivers. This improves child safety by ensuring children are not left unattended or join their parents at the rattan processing site. Farm workers who are parents have received additional training on children's rights. Youth in the community have received life skills such as training on children's rights and basic literacy skills on personal health. During FY24, the Centre for Child Rights and Business will continue the project in Indonesia and in Vietnam. The IKEA business, together with our suppliers, will use the knowledge gained to create awareness deeper in our supply chains.

5.2 Ingka Group

We are committed to mitigating risk for Ingka Group suppliers, especially those risks we have identified as high or critical risk.



IWAY compliance and education

For high and critical risk suppliers, audits have been conducted to assess compliance with IWAY. Through IWAY, we have increased consistent monitoring of our contracting parties under responsible recruitment regimes to ensure their compliance with wages and working conditions prescribed under Australian awards and legislation.

During FY23, the following measures were taken to address modern slavery risks for Ingka Group suppliers.

All suppliers in scope have signed the IWAY Commitment, representing 75% of our total procurement spend. We updated our IWAY process and developed a new standard operating procedure which increases our focus on high and critical risk suppliers.

Based on a successful pilot in FY22, we have been rolling out IWAY Advanced & Excellent requirements to encourage strategic suppliers to adopt best practices. These focus on equality, diversity, and inclusion and include targets for FY25 relating to gender balance and employment of people from marginalised and underrepresented groups.

Globally, 4,500 co-workers completed e-learning training on IWAY. In FY24 we will do a deep dive training session on modern slavery for sustainability developers in Procurement and third-party risk specialists in Business Risk and Compliance to further deepen the knowledge on modern slavery risks.

Supply chain audits

We completed 200 IWAY reviews of Ingka Group suppliers. Most of our IWAY reviews are conducted by our own audit team, but we also commission some external audits to help provide an independent perspective. During the FY23, 4% of the reviews were conducted by an external auditor. In addition, 6.5% of the reviews were unannounced.

Key findings from the audits undertaken were:

- Failure to comply with the IWAY Must criteria was identified in 36% of IWAY reviews.
- The largest number of non-compliance issues related to working hours, wages and benefits, occupational health and business ethics.
- The highest number of non-compliances were identified in Russia ², India, Poland and France.

The majority of the non-compliances were identified among suppliers of last mile delivery and facilities management services. We developed several initiatives to address these challenges and improve compliance among suppliers in these sectors, including that suppliers are expected to agree on an action plan to address major non-compliances within 14 days of the audit having been undertaken.

5.3 IKEA UK

The IWAY Country Forum

² IKEA stores in Russia (17 stores in total) were closed in mid 2022. The Ingka Centres MEGA shopping centres in Russia continued to operate in FY23. In September 2023 we announced an agreement to sell all our centres in Russia



An IWAY Country Forum has been set up in the UK to talk specifically about how we can take action to reduce the risks and ensure IWAY process compliance in the UK business. The IWAY Country Forum is comprised of our Country Procurement Manager, Country Procurement Sustainability Developer, Country Business Risk and Compliance Manager, Country CFF Sourcing Manager and the Country Third Party Compliance Specialist, with additional attendees invited to discuss specific IWAY-related topics. The IWAY Country Forum reports to the Risk Council where KPI overviews, updates and issues will be managed. The IWAY Country Forum meet on average once a tertial.

Risk Assessments

The process for identifying supplier risks, including for modern slavery, commences as part of the process of "onboarding" our suppliers, under the IWAY Supplier Code of Conduct. The IWAY system (described in more detail in "*Appendix A: IWAY - The IKEA Way of Purchasing Products and Services*") is designed to ensure that modern slavery risks (and other human rights risks) are identified before any supply agreement is entered and thereafter continuously identified, monitored and managed. The IWAY system is used with most of our suppliers, other than some sectors which are exempt because they are considered lower risk.

Before onboarding, potential suppliers are provided with an IWAY communications package, including the IWAY Standard and supporting contractual documents. These include a preliminary individual risk assessment questionnaire or Sustainability Risk Rating (**SRR**) to demonstrate the prospective supplier's ability to comply with our expectations, including in respect of modern slavery. The SRR also considers the supplier's sustainability performance which captures items such as workplace health and safety. Each SRR response is then assessed by our procurement sustainability developers and the prospective supplier is allocated a risk rating, including for modern slavery risks, using our IKEA supplier risk rating tool.

The IKEA supplier risk rating tool is based on three datasets which include the responses to the SRR questionnaire; any records held by us about the supplier (including about previous concerns, for example in respect of that supplier specifically, or with the category of goods and services they are supplying); and advisory data provided by external experts that assesses the supplier's risk in line with the category of industry in which the supplier works and their geographic location. We then finally apply our local knowledge and experience to allocate a final risk rating to the supplier.

The risk rating we apply to our suppliers directs the level of ongoing dialogue and support we will provide, and the level of review or verification that we will implement under our IWAY protocols. To manage the risks associated with subcontracting and outsourcing, we require our Tier 1 suppliers to communicate our IWAY requirements with their suppliers as described further below. During FY23 there were 197 suppliers subject to IWAY in the business operations supply chain. Of these suppliers the vast majority returned a low or medium IWAY risk rating. For the high risk rated suppliers we selected a portion to perform full IWAY review with.

Our supply chain

We also mitigate our potential human rights risks in our IKEA UK business by setting standards for suppliers and monitoring compliance under the IWAY program. This is explained in more



detail in *"Appendix A: IWAY - The IKEA Way of Purchasing Products and Services"*, however, before engaging in a business partnership, a potential service provider is provided with detailed information about the IWAY standards and is required to perform a risk assessment to demonstrate their ability to comply with our modern slavery expectations. The main focus of IWAY is to secure decent and meaningful work for workers and to respect children's rights.

Once a supply chain partnership is on foot, and if concerns about labour practices arise across any aspect of a partner's business, we will work together to provide training and encourage compliance wherever appropriate. IKEA UK considers that this type of support promotes the most beneficial and enduring mitigation to modern slavery practices in our supply chains in the longer term.

It is made very clear in IWAY, however, that any significant or ongoing failure to meet our expectations will result in a termination of the business relationship (see further under the IWAY heading).

6. Measuring the effectiveness of our actions

6.1. Inter IKEA Group

Internal reviews

Inter IKEA Group conducted a comprehensive internal review in 2021. Based on the findings from this review, Inter IKEA Group has since been working to strengthen its systematic approach to identifying, prioritising, and mitigating salient human rights risks at an Inter IKEA Group level in alignment with the UNGPs and OECD guidelines. The gaps have been recognised and work is underway with human rights due diligence experts to strengthen the methodology and approach.

IWAY System

Inter IKEA Group has robust processes in place to implement and verify compliance with IWAY requirements in its value chain. IWAY is an end-to-end process that commences when a potential new supplier is evaluated and ends when the supplier relationship is discontinued. While the IWAY process itself serves as a measure to identify, prevent, mitigate and assess risks to human rights and the environment in IKEA's operations and supply chain, it also involves actions which ensure the consistent assessment of the effectiveness of those measures. This enables IKEA to adapt and strengthen its actions to continually improve its response to modern slavery.

The following measures are taken to diligently and regularly assess the effectiveness of the risk mitigation activities which both Inter IKEA Group and our suppliers undertake:

Initial risk assessments Before the start of a new business partnership, risk assessments are conducted to evaluate whether a potential new supplier is capable of, and willing to, meet the IWAY requirements.

A risk assessment of each existing supplier is performed annually and builds on the assessment of six parameters. Some of the parameters include:

- country and industry risk indices, provided by independent external risk data analysis providers connected to human rights, including child labour, forced labour, women's and girls' rights, as well as other topics such as corruption, environmental regulatory framework, freedom of association, wages, water quality, biodiversity and other matters;



- general industry characteristics; and
- results from previous verification activities at the supplier, when applicable.

A risk assessment is undertaken to identify IWAY activities which each supplier is expected to implement, allocate the necessary resources and determine the relevant frequency and focus of IWAY compliance verification activities.

IKEA supplier support

Inter IKEA Group teams located in different regions around the world play an important role in supporting suppliers to implement the IWAY requirements. They keep daily contact with suppliers, provide training on specific topics, facilitate peer learning and provide capacity-building projects, by, for example, helping to develop and execute performance improvement plans. In providing this support, there are regular updates on the status of our mitigation activities, which helps ensure vigilance to whether the measures suppliers are taking are effective in assessing and addressing modern slavery risks.

IWAY audits

Verification activities are used including internal and external third-party audits to complement the implementation of IWAY by suppliers and as a tool to continuously develop the business. Audits are a critical tool to understand whether the supplier achieves the positive impacts that that are intended by working with IWAY.

Each year Inter IKEA Group performs more than 1,000 verification activities across both new and existing IKEA suppliers. An IWAY audit includes three mandatory elements:

- A site tour to observe and assess all requirements directly on site;
- Interviews of workers engaged in different capacities; and
- A system review of IWAY-related systems through a documentary and solution review.

If a supplier is identified as non-compliant following an IWAY audit (which suggests a mitigation measure may be falling short of effective), the supplier is required to correct the non-compliance within an agreed timeframe, address its root cause and take steps to prevent the issue from recurring. The supplier may request support for the implementation of corrective measures which may include the provision of training, peer learning or capacity-building projects.

The supplier is required to implement the planned actions and present evidence of the actions. The non-compliance is then closed and verified by the IWAY auditor within no more than 90 days of the audit date.

There are business consequences, including phasing out a supplier in circumstances where a supplier does not implement the relevant corrective actions or fails to properly address issues to fulfil IWAY requirements.

Supplier management governance forums

Continuous updates concerning IWAY-related risks, including with respect to modern slavery and supplier IWAY performance are shared in supplier management governance forums attended by the relevant IKEA management teams.



IWAY system review and evaluation

To assess the performance of IWAY, regular oversight and evaluation activities are performed, led by a function in the Inter IKEA Group that is fully independent from the development, implementation, and verification of IWAY.

Through this process, there is evaluation if IWAY is delivering on the expected sustainability impacts as defined, namely:

- improved environmental impacts;
- decent and meaningful work;
- respect for children's rights; and
- improved welfare for animals.

There is regular assessment of the IWAY system and whether it is consistently applied across the IKEA franchise. There are consistent reviews, revisions and updates for IWAY, to help ensure it remains effective in reflecting global changes and assessing modern slavery risks. By analysing internal and external inputs and trends, results of oversight and evaluation activities and comments and feedback from suppliers, organisations and external stakeholders, IWAY's success and effectiveness is diligently monitored, so the system can continue to improve and evolve.

6.2. Ingka Group

Human rights baseline assessment

During the FY23, Ingka Group conducted a company-wide human rights baseline assessment. This aimed to identify any gaps in our internal policies and processes and ensure we are fully aligned to the UN Guiding Principles on Business and Human Rights as well as current and upcoming human rights legislation.

The assessment found there was a shared understanding of the importance of human rights due diligence across our business and that we have some key policies and procedures in place to protect human rights in our own operations and the wider value chain. It also identified some gaps and opportunities to strengthen our work both internally and in our supply chain. One of the recommendations arising from the assessment is that we should extend our grievance mechanism to our value chain, further develop our governance structure, and remedy frameworks and ensure we integrate human rights due diligence in all processes where there could be human rights risks. The baseline assessment has provided valuable insight into the effectiveness of our current approach and how we can further improve and deepen our understanding of what is required to maximise modern slavery risk mitigation efforts. We have created an action plan to ensure we address all gaps identified in the baseline assessment and elevate the voices of rightsholders and impacted communities in our human rights' due diligence.

6.3 IKEA UK

IWAY Compliance Commitment and reviews

We regularly monitor, follow up and analyze IWAY performance in our supply chain. We do this by tracking performance, trends and deviations both on country, global and industry level. The aggregated findings are published both each tertial as well as yearly with all relevant internal stakeholders. These stakeholders are then accountable for taking the findings back to their organizations for a deeper analysis and to, if needed, put corrective actions in place. This includes



developing new KPIs or changing ways of working to address the aggregated identified deviations on a systematic level and thereby making our actions more effective in the future.

The above work is led by the Global IWAY Council, supported by the IWAY Calibration Group, see above under IWAY Governance for more information. Besides the above, the IWAY Calibrations Group plays a crucial role throughout the year in assessing how we implement and verify on IWAY, aligning ways of working across Ingka and ensuring expectations are met.

As an outcome of our human rights baseline assessment conducted in FY23 and referenced at paragraph 6.2 above, we are also making a bigger review of our entire tracking process of our human rights due diligence processes and intend to strengthen it even more.

All businesses in the IKEA UK supply chain which are not considered out of scope are required to sign their commitment to implement the IWAY expectations by signing an IWAY Compliance Commitment (**ICC**). Consultancy services and financial and insurance services are out of scope from IWAY. The ICC allows IKEA UK to audit and verify their business operations and, in turn, their supply chains against the IWAY Standard Operating Procedure. The ICC ensures transparency and drives continuous improvement in responsible sourcing and labour rights through a 10-step process.

The way in which IKEA UK measures the effectiveness of IWAY is mainly through annual self-reviews which must be completed by all of the non-exempt suppliers in our supply chain with detailed responses required across the following modern slavery related topics:

- Business Ethics
- No Forced and Bonded Labour
- Child Labour and Young Workers
- Worker Health & Safety
- Recruitment, Working Hours, Wages and Benefits

See *Due Diligence, Reviews and Remediation of Suppliers* section above for further details.

Listening and Learning

IKEA UK understands that modern slavery cannot be eliminated by IKEA's actions in isolation. We take every opportunity to learn from our corporate peers and we work as closely as possible with government and other important human rights stakeholders to improve our contribution to the collective ambition to eradicate modern slavery practices globally.

We also welcome opportunities to improve through complaints and concerns. Training about receiving and managing such a complaint was included in the Anti-Bribery and Corruption workshops. Additionally, the Ingka Group operates the Trust Line service for IKEA personnel (co-workers only) through which they can anonymously raise any concerns they may have.

7. Training and Communication

IKEA UK has taken steps during FY23 to ensure that the expectations expressed in our Policies and Procedures are embedded in our everyday business through training and communication.

Our co-workers



We respect and promote the human rights of our IKEA UK co-workers by introducing our people to our steering documents during onboarding, to the level of detail relevant to their role, and encouraging them to stay informed via refresher training and promoting accessibility via the intranet (IKEA Inside).

Our co-workers are also encouraged to participate in and learn about IKEA UK's modern slavery objectives through informal communication forums such as "Yammer" and intra-team "huddles".

As part of the IKEA UK routine Code of Conduct training for all staff, topics such as Ethical Conduct with our suppliers were covered.

In FY22 Ingka Group launched a new people strategy, setting a path for the next 10-year journey, aiming to prepare us as individuals – and collectively as an organisation – to thrive. The strategy outlines the long-term ambitions across three pathways: work-life, inclusion and democratic learning.

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.

Supplier IWAY 6.0 Support Hub

Our suppliers have access to IWAY 6.0 Support Hub. This gives our suppliers a good introduction to IWAY and its requirements and training materials.

This statement has been approved by our Board of Directors of IKEA Limited on 22 March 2024, Board of Directors of IKEA Distribution Services Limited on 22 March 2024 and IKEA Properties Investments Limited on 22 March 2024, 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.



Appendix A: IWAY - The IKEA Way of Purchasing Products, Services and Components

IWAY is the IKEA way for responsibly procuring products, services, materials, and components. It sets requirements and ways of working for all IKEA suppliers and service providers on environmental, social, and working conditions, as well as animal welfare. IWAY creates the base for continual development towards a more sustainable IKEA value chain.

Throughout the last two decades, we have built a credible and robust system that we can rely on to support, challenge, and actively work towards together with our suppliers and service providers. IWAY is regularly revised and updated, to address changes and challenges in the world and in the IKEA value chain. This allows IWAY to remain a system that is agile and relevant to meet the defined sustainability impacts.

With IWAY we create impact in 4 main areas by:

- Promoting positive impacts on the environment
- Securing decent and meaningful employment for workers
- Respecting children's rights
- Improving the welfare of animals in the IKEA value chain

IWAY serves as a tool for risk assessment, development, compliance and verification and its purpose is to ensure that IKEA only works with suppliers and businesses that share its values and working standards.

IWAY 6.0 is structured according to:

Principles

The 10 IWAY Principles define the IKEA standpoint on responsibly procuring products, services, materials and components.

The IWAY Principles and requirements are based on internationally recognised standards and principles. These reflect our commitment to the UN Guiding Principles on Business and Human Rights and are based on the Ten Principles of the UN Global Compact. In developing our requirements, we have also been guided by the UN Sustainability Development Goals and the ILO Centenary Declaration for the Future of Work, among others.



IWAY principles



Sections

The sections group IWAY requirements and are applicable depending on the activities or setups of suppliers. The IWAY General Section applies to all IKEA business partners, and suppliers may have additional requirements under the Accommodation, Animal Welfare, Digital Platform, Forestry or Transport Sections.

The IWAY Requirements

IWAY requirements are based on a 4-step staircase model: Must, Basic, Advanced and Excellent. IWAY Must and IWAY Basic are the minimum requirements that need to be in place for all suppliers and service providers who do business with IKEA. Together with our business partners, our ambition is to continually improve and develop beyond the minimum, to reach IWAY Advanced and IWAY Excellent levels.

THE IWAY REQUIREMENTS

MUST

Requirements that must be met at all times when doing business.

BASIC

Requirements that must be met within 12 months of first delivery or service.

ADVANCED

Requirements that go beyond minimum compliance and define additional steps towards more sustainable practices.

These may or may not be applicable depending on the priorities set by the relevant IKEA organisation.

EXCELLENT

Requirements that go beyond minimum compliance and define additional steps towards more sustainable practices.

These may or may not be applicable depending on the priorities set by the relevant IKEA organisation.

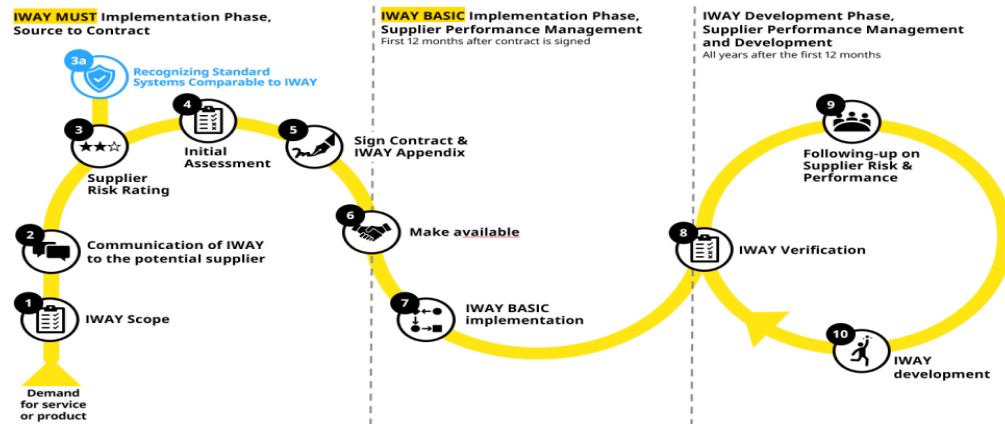
IWAY implementation in IKEA UK

We have a 10-step process to manage risks in our supply chain (see below). Suppliers are reviewed and reassessed in a continuous IWAY cycle. Sustainability developers in our procurement team build relationships with suppliers and offer training to help them understand and apply IWAY. For the highest risk suppliers, we conduct IWAY reviews to check compliance



with our standards. This is done by a trained team, Third Party Compliance Specialists are independent from our procurement team.

3. IWAY Process



Our suppliers are responsible for communicating IWAY requirements to their subcontractors and for ensuring high-risk subcontractors comply with the critical parts of IWAY (**IWAY Musts**). We support suppliers throughout this process.

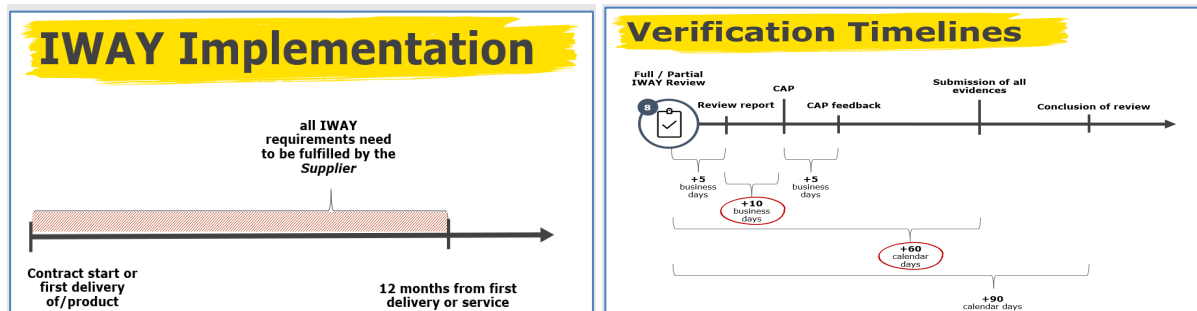
We follow strict routines to ensure compliance with IWAY requirements in UK and IE. This includes an audit of suppliers to establish whether their organisation has processes and procedures in place that secure compliance with (amongst other considerations) legal expectations on the treatment of the environment, 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, and verification of the ages of employees. 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 is given 10 business days to remedy the situation. 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 10 working day timeframe, we will then look to phase out the supplier and 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 to ensure long term solutions have been implemented to prevent the non-compliance from reoccurring. 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.



For 'subcontractors', IKEA UK and IE's direct supplier must confirm to our satisfaction that the IWAY Musts are adhered to.

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

IWAY Musts

IKEA UK&IE requires that all direct suppliers comply with IWAY. 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. Under IWAY 6.0, suppliers are also required to implement the IWAY Basic requirements within 12 months from the first delivery date to achieve full compliance.

Subcontractors

Suppliers will often engage their own suppliers (IKEA subcontractors) who are a step removed from day-to-day contact with IKEA personnel and are not in a contractual relationship with IKEA directly. This can make it challenging to ensure that they share the IKEA approach to important issues such as the environment and human rights. Tier 1 suppliers (direct suppliers) are requested to communicate IWAY Must requirements to their own suppliers, and to register them on Inter IKEA Group's IKEA tracking system to identify critical subcontractors. It is the responsibility of Tier 1 suppliers to audit their critical subcontractors and ensure IWAY Must compliance. IKEA UK requires its direct suppliers map their subcontractors and that mapping be provided to us on request.

Subcontractors 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 subcontractors', the IKEA direct supplier must confirm to IKEA's satisfaction that the IWAY Musts are adhered to.

Who is involved in IWAY implementation?

At IKEA UK&IE the following groups are responsible for 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 UK & IE supplier.
- Sustainability developers support business teams in their daily work, backing the training on IWAY and other sustainability topics and issues. Third Party Compliance Specialist and third-party auditors are responsible for annual IWAY reviews of IKEA UK & IE suppliers. They review and follow-up action plans in the case of noncompliance.

At Ingka Group, the Sustainability Committee (chaired by the Ingka Group Chief Financial Officer and with members of Group Management) is responsible for setting sustainability requirements. The role of the Sustainability Committee is to establish the IWAY specifications for Ingka Group, to monitor and mitigate sustainability risks and follow-up on IWAY compliance. The Sustainability Committee is supported by the INGKA Group Global IWAY Forum (as detailed below). On a country level, we have local IWAY Forums.

In December 2020, the Ingka Group Sustainability Committee approved a new global governance setup for IWAY. One of the major changes was to merge verification with implementation into the same governance body. This meant that the former SCWG (Sustainability Compliance Working Group) was dissolved, and a new body was created called Global IWAY Forum (**GIF**). GIF supports Ingka Group with operational expertise, advice and guidance connected to implementation and verification of IWAY requirements to support consistency and successful implementation of IWAY across Ingka Group. The members of the GIF are senior leaders from different functions across the company.

GIF's roles and tasks are:

- providing input and steering on IWAY roadmaps;
- advising on IWAY steering documents (rules, standard operating procedure and guidelines), KPI, business solutions and training material;
- defining IWAY specifications for approval in the relevant decision-making body;
- interpreting and confirming exceptions to IWAY requirements based on set criteria and approach. This includes securing alignment and confirmation of new types of exceptions with the relevant line organisation/ decision making body;
- providing guidance on IWAY issues raised by line organisations;
- analyzing IWAY performance to understand continuous development needs for the IWAY process, system and framework; and



- directing IWAY Calibration Group in tactical cases.

At Inter IKEA level, IWAY is governed through the IWAY Council. The IWAY Council has the mandate to make decisions on IWAY related topics on a tactical and strategic level. In certain circumstances, local governance bodies can escalate questions and requests to the IWAY Council. These include requests for long-term exceptions to the IWAY requirements or exceptions to the mandatory requirements outlined in the IWAY Framework and its appendices.

The role of the IWAY Council is to:

- ensure alignment related to IWAY across the IKEA franchise system, including escalation to relevant bodies where needed;
- validate IKEA organisation's IWAY roadmaps and issue recommendations;
- review progress against IKEA organisation's IWAY roadmaps;
- validate IKEA organisation's ways of working related to IWAY and issue recommendations;
- monitor compliance with IWAY across the IKEA value chain; and
- approve exceptions in line with the principles on Exceptions Management described in the IWAY Framework.