



## Modern Slavery Statement



### Welcome from Mostafa El Garaa Interim Country Retail Manager and Chief Sustainability Officer, IKEA UK and Ireland

At IKEA we are driven by our vision to create a better everyday life for the many people. This aspiration is embedded throughout every part of the IKEA business and value chain. We recognise that modern slavery remains a persistent and serious global issue that requires urgent and ongoing attention. As a responsible business, we view addressing modern slavery not just as a legal obligation but as a moral imperative that aligns with our core values.

To tackle this issue, we are committed to identifying, preventing, mitigating, and rectifying any human rights infringements within our value chain. Our efforts are grounded in the UN Guiding Principles on Business and Human Rights (UNGP), ensuring a robust framework for our actions. A key element of our approach is IWAY, our comprehensive code of conduct. IWAY sets clear standards for environmental, social, and working conditions, and it applies to all our service partners and suppliers. By implementing IWAY globally, we strive to create secure, transparent, and ethical working environments across every aspect of our operations. Through this approach, we aim to foster a culture of transparency, collaboration, and accountability, and by working together with our partners, we are making meaningful progress toward a world where every individual can work with dignity and respect.

### 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 2025 ("FY25") 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. The IKEA Ltd Board plays an active role in overseeing the assessment of modern slavery risks and following up on the effectiveness of the measures we have in place. The Board receives regular reporting on modern slavery matters at its Board meetings twice a year, ensuring continued senior-level scrutiny and accountability. 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.



As a franchise model, different parts of the IKEA value chain are managed by separate entities. This statement reflects actions taken: (i) directly by IKEA limited in the UK in relation to its local operations; (ii) by Ingka Group in relation to the management and operation of IKEA retail businesses; and (iii) by Inter IKEA Group in relation to product design, sourcing and supply chains.

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.

| <b>Criteria recommended by statutory guidance</b>  | <b>Heading and page reference</b>                      |
|--|--|
| Organisation structure, business and supply chains | 1. Our structure, operations and supply chain (page 4) |



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|---|--|
| Policies in relation to slavery and human trafficking   | 2. Our Policies and Procedures (page 7)<br><br>Appendix A: IWAY - The IKEA Way of Purchasing Products and Services (page 30)       |
| Due diligence processes in relation to slavery and human trafficking in its business and supply chains  | 3. Due Diligence Processes (page 13)   |
| 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 13)<br><br>5. Actions taken to assess and address our modern slavery risks (page 16) |
| Key performance indicators to measure effectiveness of steps being taken  | 6. Measuring the effectiveness of our actions (page 23)  |
| 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 28)   |

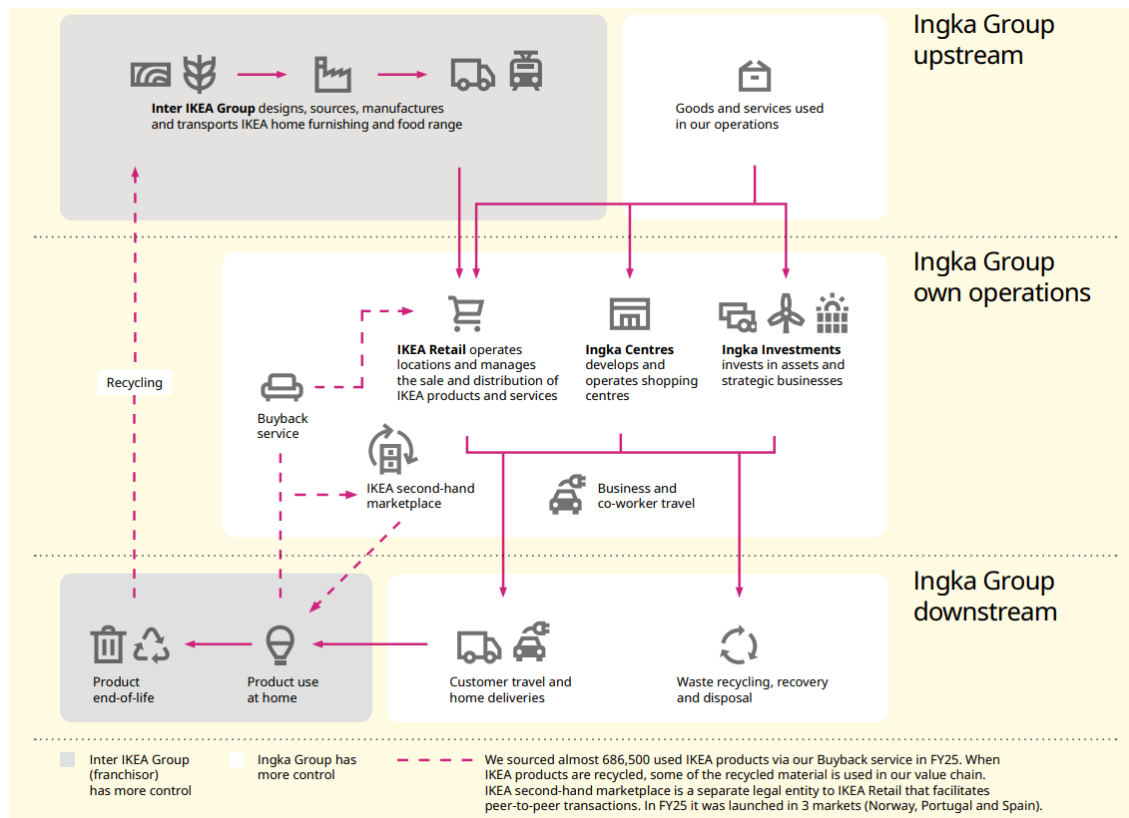


## 1. Our structure, operations and supply chain

### 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 independent groups of companies with different management and different owners.



Inter IKEA Systems B.V., a Dutch company, is the owner of the unique IKEA Concept and the worldwide IKEA franchisor.

The Ingka Group is currently operating a significant number of IKEA Retail Businesses in Europe, North America and the Asia Pacific under franchise agreements entered into with Franchisor. IKEA Limited is part of the Ingka group, which includes INGKA Holding B.V. and affiliated companies.

By entering into a franchise agreement with the various franchisees under the Ingka group, Inter IKEA Systems B.V. offers the opportunity to operate an IKEA Retail Business, using the IKEA Retail System and the IKEA Marks for the offer and sale of IKEA Products from sales channels in a designated territory. As a consequence of the IKEA UK being a franchisee, IKEA UK purchases the IKEA Products through the authorized suppliers, one of them being IKEA Supply AG (box 3 in the illustration).

IKEA Limited (IKEA UK) is a company incorporated in the UK. Its registered office is located in London. 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 Inter IKEA Systems B.V., IKEA of Sweden AB, IKEA Marketing & Communications AB, IKEA Supply AG and IKEA



Industry 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 January 2026, IKEA UK operates 20 full sized stores, 4 Plan and Order Points, 6 small stores, 3 fulfilment properties, 3 distribution centres, 1 remote customer meeting point, 1 order and collection point ,1 Service Office and 1 Wind Farm.

IKEA Limited employs 9,988 co-workers, throughout our stores in the UK, including our Service Office and Customer Support Centre and IKEA Distribution employs 1,404 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 Inter 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 many more 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. The biggest materials sourced by suppliers include wood, metal, paper, textiles and plastics.

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.

### Business operation supply chain

In order to conduct our retail operations, IKEA UK procures 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 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 facilities management, including cleaning and trolley collection, security, dishwashing, play areas, marketing services, CDCs operations and 'last mile' transport.

During FY25, IKEA UK had active contracts with 830 suppliers. 98.3% 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
- the International Labour Organization's (ILO) commitment to workers' rights
- 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 Group is governed according to the governance system for sustainability.

Key roles and responsibilities for sustainability, including human rights, in FY25 included:

- **Management Board**, which formally approves the sustainability strategy taking into account advice from the Supervisory Board, who have a broad range of competencies including ESG.
- **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. They manage the Group sustainability function with responsibility for the execution of sustainability strategy



across Ingka Group.

- **The Group Sustainability Management Team (GS MT)** is responsible for the development of sustainability strategy, policy, governance and communication and oversees the sustainability performance across Ingka Group. The GS MT role is to support the integration of sustainability into the Retail, Centres and Investment businesses as well as acting as external and internal advocates for Ingka Group's People and Planet Positive agenda. With their centre of expertise function they enable and equip all Ingka Group and local country management teams and co-workers across the business to lead and deliver on its strategic ambitions.
- **The global Ingka cross-functional Sustainability Leadership Team (SLT)** ensures alignment throughout Ingka Group on sustainability topics. Chaired by the Chief Sustainability Officer with members drawn from key functions and the three Ingka businesses. Group Sustainability (one of eleven Group functions) drives the delivery of targets by defining its strategic direction, setting clear performance criteria, and supporting the business with subject matter expertise and thought leadership.
- **Country Retail Managers are also the Chief Sustainability Officer (CSO)** for their country. This is designed to help embed sustainability into the core business and broaden ownership of the sustainability strategy. Country CSOs are accountable for delivering Ingka Group's 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.
- **ESG Project Management Office** (environmental, social, governance) in the Group Finance function leads on the reporting transformation for Ingka Group, ensuring its readiness for CSRD at a function, country and business level. It brings together leaders from Group functions such as Sustainability, Risk Management, Business Steering, People & Culture, Finance, Digital, Communications, Legal & Governance and Public Affairs. This ensures business accountability for ESG topics. The Ingka Group ESG Forum and ESG Steering Group support implementation of the ESG transformation journey.

### Human Rights

The Ingka Group Policy on Human Rights and Equality is the basis of the 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.

Ingka Group has a long-standing commitment to embedding and implementing due diligence across our business. The approach is aligned to the relevant OECD frameworks and the UN Guiding Principles on Business and Human Rights (UNGPs), reflecting the principle of "Protect, Respect and Remedy". Ingka Group is in the process of developing a company-wide Human Rights and Environmental Due Diligence (HREDD) framework to strengthen its approach. This will help to identify, prevent and manage potential and actual human rights risks within operations and



value chain and help to comply with changing regulation, such as the EU Corporate Sustainability Due Diligence Directive (CSDDD), EU Forced Labor Regulation and EU Deforestation Regulation.

During FY25 Ingka Group conducted multiple assessments of its current processes to evaluate strengths and opportunities for improvement in relation to human rights and environmental due diligence and establish the priorities for our HREDD framework. Ingka Group continued to develop the HREDD framework and to integrate it into the business. IWAY, the IKEA supplier code of conduct is one of the key tools in its HREDD framework. Ingka Group continues to focus on implementing IWAY in its supply chain.

In FY25, Ingka Group continued developing a group-wide Third-Party Risk Management framework earlier and more effective risk identification. This included the launch of standardised due diligence processes in addition to IWAY, addressing key risk areas such as Digital, Legal/Anti-Bribery and Corruption, Health and Safety and Business Continuity, supported by Ariba. Ingka Group will continue to strengthen these practices throughout 2026.

### Children's rights

Ingka Group wants to support, protect and empower the children and families that come into contact with our business through our products, stores, marketing and supply chain.

Ingka Group's children's rights commitment is set out in its Policy on Human Rights and Equality and it has detailed principles for child participation and safeguarding. The Ingka Group approach is based on the Children's Rights and Business Principles developed by Save the Children, the UN Global Compact and UNICEF.

In FY24, Ingka Group developed a roadmap to strengthen the approach to child rights across all aspects of the business. It is based on three priorities:

- **Keeping children safe and protected:** putting appropriate child safeguarding measures in place, never tolerating any form of child labour in its supply chain and making sure products are safe and marketed responsibly.
- **Being a family-friendly business:** supporting co-workers who are parents and caregivers through Ingka Group policies and workplace practices.
- **Reflecting young peoples' views:** listening to young people's opinions and ideas and collaborating with them to shape the future of the business.

### 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. Ingka Group defines 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 Ingka Group's Total Rewards offer which comprises several core components: culture and values, purposeful jobs, choice-driven benefits, supporting wellbeing and sustainability, performance appreciation and safeguarding a decent standard of living.



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

#### Responsible Wage Practices Framework (RWP)

Ingka Group's Responsible Wage Practices framework is the 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. Ingka Group has rolled out the RWP framework to all countries.

In FY25, Ingka Group began piloting a fair income roadmap with selected suppliers, designed to help Ingka Group support living wages in its supply chain, in collaboration with IDH - The Sustainable Trade Initiative.

In line with our commitment to offer a fair and sustainable rate of pay, hourly paid co-workers received a further increase in FY25 as part of our annual wage review. We remain the largest accredited Living Wage Foundation retailer and have continued to pledge to meet the Real Living Wage. From 1 January 2025, hourly paid co-workers received updated rates of £13.85 in London, £13.25 in Outer London, and £12.60 across the rest of the UK (Provincial). These rates were then further increased From 1 January 2026 to £14.80 in London, £14.15 in Outer London, and £13.45 in Provincial locations, representing our ongoing investment in ensuring fair and sustainable pay for all co-workers.

#### Gender-equal pay

Ingka Group is committed 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. It uses an annual Gender Equal Pay assessments across the markets to identify and address any gender pay gaps. Ingka Group has updated its gender equality approach for the years FY25-27 and is extending it to include people who identify as gender non-binary.

In FY25, Ingka Group continued an inclusive approach to development and succession, contributing to increased representation of women to 45.5% (FY24: 42.0%) in Group Management (including its Management Board) and to 50.0% (FY24: 45.8%) of CEOs in Ingka Retail. On Ingka Group's retail country boards, women represented 47.5% (FY24: 49.5%) of registered members and 52.7% (FY24: 49.2%) of registered members and permanent invitees. Women continued to make up 25.0% of our Supervisory Board. Ingka Group also maintained gender balance in management/ leadership positions (49.8%, compared with 49.9% in FY24) and among all co-workers (53.4% women, compared with 53.6% in FY24).

#### 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. Ingka Group also aims to provide an inclusive retail experience that meets customers' diverse needs.



Ingka Group wants its business to reflect the diversity of our world to inspire a more inclusive everyday.

Ingka Group has a new global Equality, Diversity and Inclusion Plan setting out its ED&I goals and actions up to FY27. Through this plan, Ingka Group aims to increase its impact by focusing on:

- **Building and sustaining diverse teams** that reflect the diversity of society with a focus on gender, including people who identify as non-binary, ethnic diversity in management, and disability inclusion.
- **Creating an inclusive culture** where all co-workers feel psychologically safe, respected, acknowledged, valued and confident being their unique selves.
- **Meeting more people with the IKEA brand** including ensuring its retail experiences are inviting, engaging and inclusive for customers of all backgrounds and abilities.

Each Ingka Group country will develop local action plans to drive progress on these priorities in FY25. Ingka Groups' Inclusion Sponsors Network helps embed ED&I in strategic decisions and encourages learning between different parts of the business. Sponsors are from country and Group function management teams.

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

### 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](#).

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

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



## Governance

Ingka Group's 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 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

Ingka Group determines if suppliers are in scope for its IWAY process based on their sector and the business relationship. Ingka Group requires all suppliers in scope to sign the IWAY Compliance Commitment. Ingka Group carries out a risk assessment for in scope suppliers and those identified as high and critical risk must meet additional requirements (see IWAY implementation). Ingka Group assesses 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. Ingka Group mitigates ethical risks in its supply chain through supplier training and engagement, integrating IWAY into our contracts and supplier discussions and through a program of audits.

The IWAY process covers Ingka Group's business operations suppliers and Ingka Centres suppliers.

## 2.2 Inter IKEA Group

### Human Rights

The Inter IKEA Group Sustainability strategy recognises Inter IKEA Group's responsibility to respect human rights and understand the impact its business has on both people and the communities where it operates. The IKEA business is values-based and strives to put caring for people at the heart of its decision-making. Inter IKEA Group's responsibility includes everyone in the IKEA value chain: IKEA co-workers, workers at its business partners and people working in other parts of its value chain, its customers as well as the communities where it operates.

### Children's rights

Inter IKEA Group is committed to contributing to resilient societies and to respecting and promoting human rights, in line with the UN Guiding Principles on Business and Human Rights (UNGPs) and the Children's Rights and Business Principles (CRBPs).

Children are a key stakeholder in the IKEA business. The business interacts with them in a variety of ways every day, both directly and indirectly. For instance, children are involved in the process of product development to ensure that their needs, dreams, opinions, and ideas are heard which helps IKEA to develop an inclusive offer. Through Inter IKEA Group's international digital panel – the Kids Advisory Panel – it gets input from 40 advisors between the ages of 6-14 from different parts of the world. There is a big responsibility to understand the impact the brand has on children throughout the entire IKEA value chain and always act in their best interest.

Inter IKEA Group is committed to being a child-friendly business, securing child safeguarding, family-friendly practices and inclusion and empowerment of children and youth. Inter IKEA Group is committed



to having a consistent approach to child safeguarding and apply these standards equally across all areas of Inter IKEA Group legal entities irrespective of their location. Reporting and acting on concerns are an important part of safeguarding children. Inter IKEA Group is committed to respecting children's rights in all operations and recognises the responsibility to ensure children are not harmed as a result of any direct or indirect contact with Inter IKEA Group operations.

#### Inter IKEA Group policy on environmental and social responsibility

This policy refers to Inter IKEA Group's climate, biodiversity and water agendas which span through its entire value chain – from raw material extraction to product use and transportation, Inter IKEA group sites, consumer and employee travel. The policy highlights Inter IKEA Group's targets with respect to:

- reducing GHG emissions across our total value chain;
- reducing freshwater use;
- the identification and elimination of all other raw material sources that may potentially be linked to deforestation and the conversion of natural ecosystems across our global supply chain;
- sustainability due diligence and continuous improvement in environmental and social performance;
- continuous assessments of environmental impacts, risks and opportunities, following the double materiality assessment (DMA) approach;
- conducting business in a socially responsible way in accordance with Inter IKEA Group's commitment to respect human rights and children's rights and supporting the building of resilient communities where it operates;
- actively engaging with local communities where Inter IKEA Group operates to understand its impact and identify, prevent, mitigate and address those negative impacts. Inter IKEA Group also seeks to build lasting positive impact through its community engagement programmes.

#### Inter IKEA Group Policy on responsible sourcing

The Inter IKEA Group policy on responsible sourcing provides clear rules for the procurement of all the products, services, materials and components Inter IKEA Group uses. This applies to items directly included in the IKEA product range, as well as those critical to business operations, but not directly incorporated into IKEA products.

While Inter IKEA Group recognises and proactively implements sustainability due diligence across its value chain and operations, Inter IKEA Group acknowledges that new regulations are continuously introducing new, specific and stringent requirements. In response, Inter IKEA Group is preparing and enhancing its due diligence processes downstream as well as upstream and adapting its internal risk management practices to align with new standards. Inter IKEA Group will initially focus this policy on the ways of working with the IWAY Standard, given Inter IKEA Group's experience of it over many years.

#### 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.

### **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 fulfil 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**

Ingka Group aims to focus on the most salient human rights impacts – those at risk of the most severe negative impacts. Assessing the human rights impacts of Ingka Group's business activities is an ongoing process and Ingka Group is continually learning and developing its approach. A range of potential human rights risks have been identified within the business operation supply chain, including:

- modern slavery and forced labour;
- low wages;
- undocumented cash wages;
- excessive hours;
- unsafe working conditions; and
- threats to freedom of association rights.

In FY25, the risks remain unchanged from FY24, the modern slavery risks primarily involved the engagement of unskilled and migrant workers and subcontracting related to the following services:

- deliveries;
- assembly services;
- integrated facilities management (cleaning, trolleys, technical maintenance, general maintenance);



- security service suppliers; and
- temporary labour hire.

The starting point for Ingka Group's risk assessment is the 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 Ingka Group sees opportunities and where it has its 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.

During the coming FY, Ingka Group will strengthen its risk assessment process for human rights by conducting a new company wide human rights risk assessment of its operations and entire value chain to identify and prioritise the most salient risks, considering risk factors such as sector, geography and commodity. The findings will be used to update or develop mitigation plans for its most salient risks and will be continuously updated as part of the overall risk assessment process detailed above.

## **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 IKEA UK business operation supply chain have been identified in accordance with paragraph 4.1 above.

Our assessment for FY24 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.



Suppliers in the business operation supply chain are largely contracted globally through Ingka 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 FY25, through external monitoring and engagement with credible external sources, Inter IKEA Group identified the following risks of potential adverse impacts associated with Inter IKEA Group's 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 FY24 and into FY25, 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 migrant workers from countries of South East Asia and South Asia to East Asia, to Central and Southern and Northern Europe), where the risk 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.

##### Inorganic Materials

Inter IKEA Group identified the risk of poor working conditions within the supply chain for extraction and mining of inorganic materials and particularly the impact on small scale miners. IKEA remains a relatively small consumer of inorganic materials. However, these materials are critical in applications such as furniture, appliances, lighting, tableware, and cookware. They are also integral to products designed for healthier and more sustainable living, such as air purifiers and rechargeable batteries.

##### Regions with high migrant workers

Inter IKEA Group identified risks in upholding the IKEA Code of Conduct (IWAY), especially in regions with many migrant workers and weaker local regulations. Advancing human rights and fair working conditions through responsible recruitment practices is a supply priority.



## **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. Inter IKEA Group has continuously monitored the situation both from a humanitarian and a business perspective and has remained in close dialogue with partners in Ukraine, with the long-term goal to restart operations as soon as necessary evaluations and reviews are feasible.

Safety and security of people is always the top priority, as is the commitment to respect human rights and conduct heightened human rights due diligence, taken together with the business responsibility under international humanitarian law during times of armed conflict. At the same time, Inter IKEA Group are committed to long-term partnerships and recognise the needs of partners in Ukraine to move toward normalised operations, where possible.

## **Transportation risks**

Inter IKEA Group has identified 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, modern slavery risks associated with the seafaring industry remain.

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 there is a continued risk for both criminal people smuggling as well as refugees moving illicitly across countries via transport companies, putting their safety at risk.

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

### **5.1 Ingka Group**

Ingka Group is committed to mitigating risk for Ingka Group suppliers, especially those risks identified as high or critical risk.

Ingka determine if suppliers are in scope for the IWAY process (mentioned below) through a risk-based approach determined by sector and business relationship. All suppliers in scope are required to sign the IWAY Compliance Commitment. All in scope suppliers are risk rated and those identified as high and critical risk must meet additional requirements. The risk rating is based on internal and external data and factors such as the supplier's industry and location and the characteristics of the business they run.

#### IWAY Initial Assessment

IWAY Initial Assessments are carried out 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 the 'IWAY Must' mandatory requirements. IKEA will not proceed to work with any suppliers that fail to meet these standards.

#### IWAY Implementation

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

The risk level of suppliers we work with is monitored on an ongoing basis and IKEA may carry out further IWAY reviews based on risk and performance.



During FY25, Ingka Group updated the IWAY Standard Operating Procedure and strengthened IWAY performance follow-up processes. Improvements include a new dashboard to monitor and follow up on key performance indicators across all countries where Ingka Group operates, and new processes to facilitate the escalation of issues. Ingka Group provided enhanced support for suppliers in implementing IWAY expectations, with a focus on those operating in higher-risk sectors. For example, Ingka have introduced IWAY consultants on construction sites in India. Ingka Group has also strengthened its focus on IWAY implementation during supplier meetings to help identify and address challenges.

#### IWAY verification

During FY25, Ingka Group conducted IWAY reviews of existing suppliers, focusing on those classified as high or critical risk. Reviews are carried out through a combination of Ingka Group internal audit teams and external audits, which are commissioned to provide an independent perspective. Ingka Group has enhanced support for suppliers in higher-risk sectors, including last mile deliveries, facility services and construction. The key findings from these reviews, including the number of reviews conducted and the types of non-compliances identified, are set out in Section 6 below.

Suppliers are expected to agree on an action plan to address major non-compliances within 14 days of the audit. If suppliers do not meet this deadline action is then taken which can include exiting the supplier relationship as a last resort.

The key findings from the IWAY reviews undertaken during FY25, including rates of non-compliance and specific cases identified, are summarised in Section 6.1 below.

- As part of the IWAY review process, where suppliers are found not to fully comply with IWAY Must criteria, Ingka Group follows up to ensure they address these. Where suppliers fail to address non-compliance with IWAY Musts, Ingka Group puts action plans in place to apply business consequences up to and including ending the relationship with them. The outcomes and findings from these reviews are summarised in Section 6.1 below.
- Where IWAY reviews of existing suppliers identify cases of child labour or bonded labour non-compliance, Ingka Group takes immediate action to ensure the non-compliance is resolved. This includes requiring the removal of offending contractual clauses and following up to confirm resolution. The specific findings from FY25 reviews, including cases of bonded labour identified, are reported in Section 6.1 below.

During FY25, there was a focus on improving performance among suppliers of last mile delivery services, a sector which had been identified through the IWAY review findings as having a relatively higher rate of non-compliance. Suppliers were engaged on preventative actions, carried out more frequent follow-ups after audits and conducted root-cause analysis of the most common IWAY deviations. The performance outcomes from this focused engagement are reported in Section 6.1 below.

#### **Children's Rights**

Ingka Group makes its stance on child labour clear to suppliers through the IWAY Standard on Preventing Child Labour and Supporting Young Workers. Ingka Group believes 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.

In FY25, there were no cases of child labour identified in the Ingka Group supply chain. This finding is also summarised alongside other IWAY review outcomes in Section 6.1 below.



## **Corporate Sustainability Due Diligence Directive (CSDDD)**

Ingka Group believes businesses have a responsibility to provide transparency on human rights through due diligence reporting. Together with Inter IKEA Group, Ingka Group has supported the adoption of the proposal for a Corporate Sustainability Due Diligence Directive (CSDDD) and Forced Labour Ban and Ingka Group continues to engage with EU institutions and policy makers to support the implementation of CSDDD, including through the development of practical implementation guidelines.

### **5.2 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 FY25.

#### **Forced labour risk prevention**

During FY25, 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 continues to work with multi-stakeholders including businesses, governments, NGOs and business partners to strengthen the protection of migrant workers and create systemic change on responsible recruitment. In FY25, Inter IKEA Group, IOM & the Swedish Business Council collaborated to drive the ethical recruitment agenda and advance human rights and fair working conditions for migrant workers in Dubai, UAE. In February 2025, IOM, Inter IKEA Group & ETI Sweden brought together 20+ stakeholders, including private companies in Sweden for a consultation on how we can improve recruitment and employment practices of seasonal migrant workers from Southeast Asia.

Between September and November 2025, IOM delivered four training sessions on "Ethical Recruitment and Employment of Migrant Workers" for IKEA suppliers in Bulgaria, Czech Republic, Poland, Romania, Slovakia, and Türkiye. The first two sessions were conducted across all six countries and were attended by 189 and 163 participants respectively. The last 2 sessions were held only in Bulgaria, Czech Republic, Poland, Romania, and Slovakia, attracting 95 participants for Session 3 and 93 for Session 4. Altogether, representatives from approximately 99 suppliers took part in these trainings.

The International Organization for Migration (IOM) and Inter IKEA Group launched their first global partnership to promote the rights and wellbeing of migrant workers employed across the IKEA supply chain. After a decade of collaboration, the new three-year partnership will leverage the strengths and expertise of both organisations to ensure meaningful inclusion and employment for migrant workers and realise the potential of migration as a powerful driver for sustainable development. In line with the United Nations Guiding Principles on Business and Human Rights (UNGPs) and human and labour rights conventions, IOM and Inter IKEA Group will strengthen ethical recruitment, promote decent work and enhance access to effective remedies, to improve the working and living conditions of migrant workers across the supply chain.

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 FY25, Inter IKEA Group continued to use physical segregation of cotton and end-to-end traceability to address the risk of forced labour. Inter IKEA Group takes steps to ensure cotton in the supply chain did not come from regions with a high risk 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.

### Inorganic Material Sector

During FY25, Inter IKEA Group continued mapping supply chains back to their sources for inorganic raw materials. Through these efforts, the main players in upstream sourcing are identified and a deeper understanding of the supply chain's impact on direct inorganic suppliers is gained. The focus on improving working conditions for small-scale miners continues.

The partnership with the international non-profit Pact continued, which aims to identify risks and build knowledge about the sustainability impacts of inorganic extraction and mining to improve responsible sourcing and minimize negative impacts on people and planet. Together, they are working to find ways to improve the working conditions in small-scale mining directly, as well as building knowledge of how to create long term positive impact in the industry by including small scale miners.

Additionally, Inter IKEA Group remains a member of the Responsible Minerals Initiative (RMI) and continue efforts to promote social and economic development in mineral production and sourcing. This includes continued investigation into how to address environmental, but also social risks within waste supply chains. Several stakeholders are engaged to try and identify the principles and processes to secure good practice.

### Regions with high migrant workers

In FY25, Inter IKEA Group organised supplier code of conduct training including the topic of responsible recruitment for IKEA teams and business partners in Malaysia. This training aims at strengthening their capacity to ensure responsible recruitment and employment of workers in the value chain.

Based on observation, IKEA business partners and service providers are highly motivated and are proactively adopting measures to ensure responsible recruitment within their facilities. They believe that addressing the risks early on is essential not only for preventing potential issues but also for protecting the rights of workers, which ultimately benefits their businesses as well.

### **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. All delivering suppliers and sub-contractors continue to be annually evaluated according to a special working instruction applicable to our partners in High Risk and Conflict affected areas. This evaluation includes the mandatory IWAY requirements and those aspects of IWAY that are tailored to conflict situations. We also secure that our operations are aligned with International Humanitarian Law as well as to ensure that the rights of the workers are respected.

After months of evaluation, risk assessments, auditing and conducting heightened human rights due diligence and discussions, Inter IKEA Group were able to restart operations with a few direct partners



in the southwestern region of Ukraine since FY23, with the addition of more suppliers and sub-contractors where the situation is most stable and have obtained a better risk picture and are more skilled at managing these risks. Inter IKEA Group continue to monitor and conduct further evaluations.

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

### **Transportation risk prevention**

During 2023, Inter IKEA Group started the process of enhancing internal awareness and competence, gaining a deeper understanding of the complexities within the industry which included identifying the extent of these issues in supply chains and evaluating the necessary steps for improvement.

During FY24, to support supply partners in their efforts to enhance seafarers' wellbeing, Inter IKEA Group entered a three-year partnership with The Mission to Seafarers, a leading international seafarer welfare charity. The partnership centres around a training program called 'All you need to know about Seafarers'. The program is designed to assist in the identification, assessment, prevention and mitigation of actual and potential negative impacts on human rights when contracting shipping services, helping to ensure that seafarers are properly protected and supported. In FY25, Inter IKEA Group have fully rolled out the training "All you need to know about Seafarers" to the business team working with Ocean carriers, all the Sustainability Specialists that will support the carriers with IWAY implementation as well as Supply Chain Operation's management.

A new set of IWAY requirements related to seafarer wellbeing (IWAY Ocean Transport Section, version 6.0) were introduced and are being implemented by ocean suppliers. Inter IKEA Group are keeping a close collaboration with Ocean suppliers to ensure there is a shared vision and that together the proper actions can be taken to mitigate risks. The dialogue with Inter IKEA Group service providers around the requirements in the IWAY Ocean section has reached a more mature stage as these requirements are becoming part of the contracts during FY25.

An initiative for collecting data directly from the seafarers is under development together with Mission to Seafarers and a selected number of service providers.

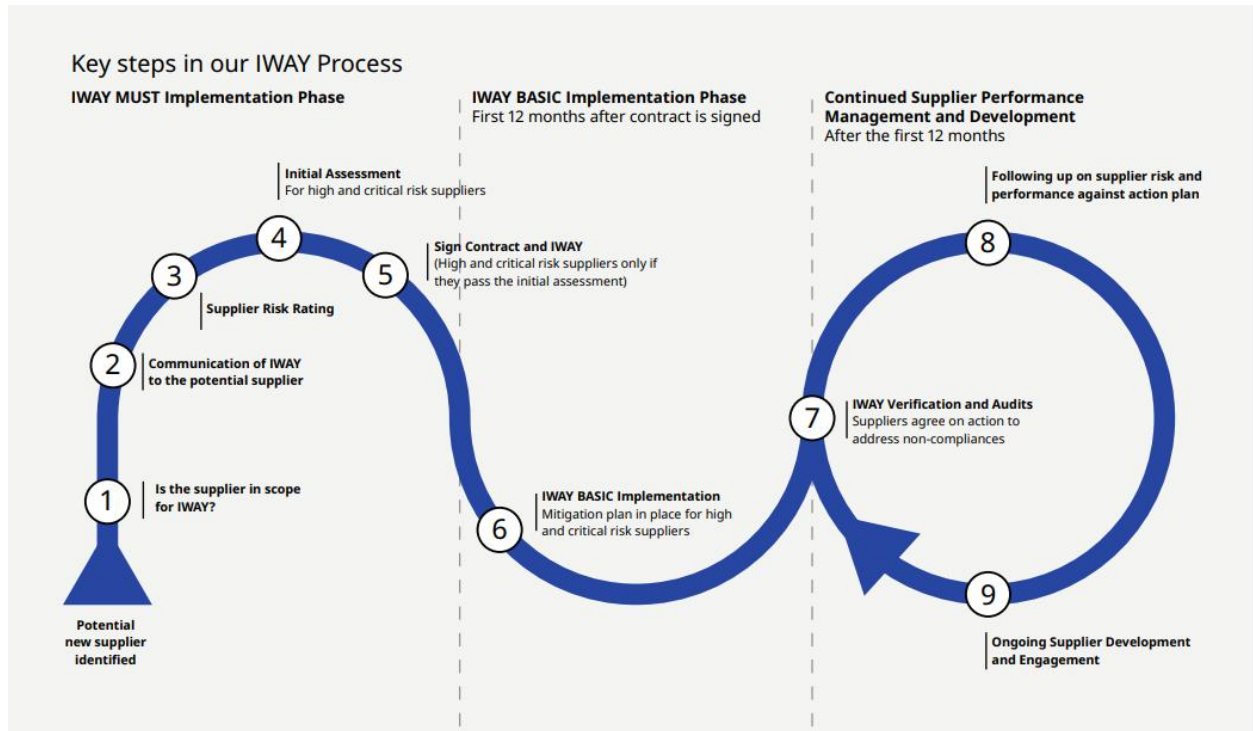
In relation to people smuggling risks, during FY25, the implementation of more robust driver education and driver safety handbooks for service providers has been completed. There has also been an implementation of increased reporting requirements requiring, in addition to reporting smuggling cases to the appropriate authorities, each case to be analysed internally to identify and improve upon identified weaknesses. There is also a current review of mechanisms for sealing transports to ensure tracking of trucks and opening of loads.

Inter IKEA Group have increased and will continue to work towards raising awareness amongst co-workers and service providers across the supply chain. 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.



The IWAY Standard is the IKEA supplier code of conduct and includes requirements for suppliers, common rules as to ways of working for all IKEA organisations working with IWAY in their supply chains 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 optimisation 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 recognised standards and principles (such as the United Nations Guiding Principles on Business and Human Rights, the Ten Principles of the United Nations Global Compact, the International Labour Organisation Centenary Declaration for the Future of Work and the International Labour Organization Labour Standards), as well as regional and national laws and regulations.

You can read the IWAY Standard here: <https://www.ikea.com/global/en/our-business/how-we-work/iway-our-supplier-code-of-conduct/>

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 made a commitment to respect children's rights throughout all their business operations. The children's rights agenda is part of the broader human rights approach. As product users and store visitors, children are a key stakeholder in the IKEA business. All children have the right to participate in society and have their voice heard in matters that concern them (see UN Convention on the Rights of the Child, article 12). As a business, Inter IKEA also want to be part of promoting that right and to actively engage children as a stakeholder in their business through leading by example in their entire value chain. For instance, they involve children in the process of product development to ensure that they hear their needs, dreams, opinions, and ideas which helps develop an inclusive offer. Through their international digital panel – the Kids Advisory Panel –Inter IKEA get input from 40 advisors in the age of 6-14 from different parts of the world.

Inter IKEA Group are committed to having a consistent approach to child safeguarding and apply these standards equally across all areas of Inter IKEA Group legal entities irrespective of their location. Reporting and acting on concerns are an important part of safeguarding children.

What Inter IKEA stands for:

- committed to respecting children's rights in all IKEA operations, and recognise the responsibility to ensure children are not harmed as a result of any direct or indirect contact with Inter IKEA Group operations.
- act in the best interests of children in all its business decisions.
- zero tolerance for any form of child abuse.

## 5.3 IKEA UK

### The IWAY Country Forum

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. In addition, the IKEA Ltd Board oversees the assessment of modern slavery risks and the effectiveness of the measures in place to address them, receiving regular reports on these matters at Board meetings twice a year.

### 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. FY25 IKEA UK had 830 active suppliers (1 or more invoice present during FY). 98.3% of the indirect country spend is on goods or services with suppliers compliant/exempt from IWAY. 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. These metrics are also summarised in Section 6.3 below.

## **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 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 the Ingka Group business and that it has some key policies and procedures in place to protect human rights in its own operations and the wider value chain. It also identified some gaps and opportunities to strengthen its work both internally and in its supply chain. One of the recommendations arising from the assessment is that Ingka Group should extend its grievance mechanism to its value chain, further develop the governance structure, and remedy frameworks and ensure Ingka Group



integrates 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 the current Ingka Group approach and how it can further improve and deepen its understanding of what is required to maximise modern slavery risk mitigation efforts.

The new HREDD Framework mentioned in paragraph 2.1 above will help Ingka Group address the gaps and opportunities identified through the human rights baseline assessment in FY23. It aligns with the UN Guiding Principles on Business and Human Rights and relevant OECD frameworks and ensures it can meet upcoming human rights legislation.

### **How Ingka Group remediates negative human rights impacts**

Ingka Group takes seriously the responsibility to remediate any negative human rights impacts on people, society and the environment that it causes or contribute to. The Ingka Group approach, including deciding which impacts are prioritised for remediation, depends on how Ingka Group is connected to the impact and its nature and severity. If cases arise within the Ingka Group supply chain that are indirectly connected to Ingka Group, Ingka Group works with the supplier to support access to remediation, external experts or independent partners where necessary. As previously mentioned, as part of the work to develop a new HREDD framework Ingka Group is also exploring how to strengthen its approach to remedy.

### **IWAY**

Ingka Group regularly monitors, follows up and reviews IWAY performance in its supply chain. Ingka Group does 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 organisations for a deeper analysis and, if needed, putting 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. During FY25, Ingka Group conducted IWAY reviews of 223 out of approximately 6,000 existing suppliers, focusing on those classified as high or critical risk (FY24: 190). Key findings from these reviews were as follows: (a) suppliers did not fully comply with IWAY Must criteria in 74 (33.2%) of the 223 reviews; (b) by the end of FY25, 94.6% of the 223 suppliers reviewed had either passed their reviews or closed non-compliances with IWAY Musts within the allocated timeframe; (c) the most commonly identified non-compliances related to reliable systems for recording working hours, minimum wages and proof of accident insurance; (d) the highest rates of non-compliance were found among suppliers providing last mile deliveries, facility services and construction; (e) Ingka Group identified no cases of child labour through IWAY reviews but found two instances of non-compliance with IWAY Musts related to bonded labour, both in the EU - one involving a transport sub-contractor and the second a call centre service provider, where contractual clauses included financial penalties if workers chose to leave in certain circumstances (these clauses have since been removed and the non-compliances resolved); and (f) where suppliers failed to address non-compliance with IWAY Musts, Ingka Group put action plans in place to apply business consequences up to and including ending the relationship.

The above work is led by the Global IWAY Forum, supported by the IWAY Calibration Group. In addition, 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.

### **Ingka Group grievance mechanisms**

Ingka Group promotes an open culture of trust, fairness and honest communication. If co-workers have



a concern at work, they are encouraged to raise this with the person involved in the first instance, where this is appropriate, or with their line manager, local Business Risk and Compliance manager or People & Culture representative.

In the EU and UK, the Trust line, an internal grievance mechanism, is available to people who have a working relationship with Ingka Group, such as contractors, suppliers and volunteers, to report any potential breaches of the law observed in Ingka Group. Co-workers can also use Trust line for serious work-related misconduct and breaches of the law in a work-related context. Guided by our Group Rule on Trust line Operations, the Trust line involves as few people as possible while processing a concern. All co-workers handling concerns are specifically trained and bound to confidentiality.

Co-workers can raise any concerns with their line manager, local Business Risk and Compliance manager or People and Culture representative. They can also use Ingka Groups' confidential Trust line to report concerns regarding serious workplace related misconduct. Concerns reported via Trust line are evaluated by Trust line managers within Ingka Group, and where an investigation is required, this is carried out by a designated manager within the People & Culture or Business Risk & Compliance functions. The majority of these concerns related to potential breaches of Ingka Group's Code of Conduct in its retail units. Ingka Group aims to offer appropriate external grievance mechanisms so people outside the organisation can report any human rights concerns relating to Ingka Group directly to Ingka Group.

As mentioned previously, as part of the work to develop a new HREDD framework, Ingka Group are exploring how to strengthen its grievance mechanisms for workers in the supply chain to report violations of IWAY.

## **ED&I**

The Ingka Group Inclusion Index helps it measure progress on creating an inclusive culture based on six questions in the global co-worker survey, which runs every second year. The next survey is due to run in 2026. FY24 result indicated that while the overall survey scores on inclusion are high, co-workers with underrepresented ethnicity, disability, and sexual orientation are less likely to feel included at work and more likely to report barriers to career progression. We are using the survey insights to inform our Equality, Diversity and Inclusion plan and have set specific actions in our countries and Group functions to directly address co-workers' feedback going forward.

## **6.2 Inter IKEA Group**

### **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 continuously and builds on the assessment of six parameters. Some of the parameters include:

- country 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 suppliers take ownership for implementing the sustainability requirements in their value chain to fit their business setup, and IKEA takes responsibility for providing support along the way. To secure this way of working, sustainability development is a continuous journey:

- First, IKEA suppliers are required to fulfil all IWAY Must requirements at all times (prior to first delivery or service). This is defined in every business contract between IKEA and suppliers.
- A new supplier has a focus on securing compliance with all IWAY Basic requirements (within latest 12 months after the first delivery or service) and any additional requirements. Once a supplier has implemented the sustainability requirements, they focus on monitoring and maintaining their compliance and integrating these processes in their daily operations.
- At the next stage in the implementation journey, suppliers focus on continuous improvement. For example, they look for ways to assess the effectiveness and efficiency of their implementation activities. They can review existing ways of working to find potential improvements. Some suppliers may also start implementing the next level of IWAY requirements, IWAY Advanced and/or IWAY Excellent.

IKEA teams located in different regions around the world play a significant role in supporting our suppliers to implement the sustainability requirements. They keep daily contact with suppliers, developing the business to reach our common goals. They also provide trainings on specific topics, facilitate peer learning, and provide capacity-building projects, by, for example, helping to develop and execute performance improvement plans.

### **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 are intended by working with IWAY.

Each year Inter IKEA Group performs 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.

In FY25, more than 720 verification activities were performed in the Inter IKEA Group supply chain. Inter IKEA closely monitors IWAY Must KPIs which include forced labour risks, whenever any non-conformity with requirements to prevent forced labour occurs, it is immediately reflected in IWAY Must KPIs. Inter IKEA are in the process of implementing other performance indicators which will support working more efficiently with forced labour risks (e.g. measuring specific exposure to business impact). These performance indicators will be implemented in due course.

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.

During FY25, due to IWAY Must non-compliance Inter IKEA Group ended its partnership with 9 suppliers and has started a process of collaboration termination with 2 suppliers.

In FY25, Inter IKEA Group identified 40 cases of non-conformity by Suppliers with IWAY Must requirements. 41% of non-conformities were related to lack of transparency and unreliability of attendance records for working hours. Another significant contributor to the non-conformities was related to lack of accident insurance (21%) and not paying minimum legal wage (21%). Non-compliance with business ethics requirements accounts for 11% of all cases. The remaining 6% were caused by Forced and Bonded Labour non-conformities (4%) and severe occupational health and safety hazards (2%).

Inter IKEA Group have also identified 5 Indirect suppliers with cases of IWAY Must non-conformities. There were in total 12 non-conformities in relation to IWAY Must requirements. None of the suppliers complied with requirements related to transparent and reliable records for working hours. There were 3 non-conformities related to not paying minimum wage and 3 non-conformities related to not securing accident insurance. There was also one case of forced and bonded labour during which employees were asked to pay 50 000 INR as a deposit which was returned after 12 months of employment. After the finding was identified, the practice was eliminated by the supplier and confirmed by workers. All cases of IWAY Must non-conformities occurred in India. Corrective actions have been implemented for all 5 suppliers.

In FY25, there were no non-compliance cases related to child labour and 2 identified cases of non-conformity to the IWAY requirements on the responsible recruitment of migrant workers and prevention of forced labour.

The first case occurred in United Arab Emirates during which it was identified that workers were required to pay back some recruitment fees unless they remained in their employment for 12-18 months. The deviation is still open, and it is being discussed with the supplier how to resolve it. The second case occurred in Serbia because a work agency representative kept passports of migrant workers locked in a safe to which only a security worker has access. Workers were unable to gain access to the safe without assistance from the security worker or an agency representative. The practice was immediately



terminated during the verification activity; the passports were returned to the workers and a personal safe was installed in the room of each worker.

**Securing compliance with IWAY requirements on the responsible recruitment of migrant workers is an important area that IKEA co-workers are working on in all the markets where we operate. IKEA suppliers are required to address non-compliance and put action plans in place based on the identified root cause. Additionally, we work with external stakeholders, such as the IOM, to rectify cases of non-compliance with requirements on responsible recruitment.**

### **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 oversight and evaluation**

Within IWAY there is a built-in global oversight and evaluation mechanism to the IWAY System to ensure that it is applied consistently across IKEA. This is done by performing reviews on the system itself, including the different organisations and verification parties, with the aim of ensuring that IWAY is delivering what it should, support improvement of the system, as well as to ensure that the organisations are working in aligned ways. Activities are carried out annually, and the focus of the assessment is decided by the Responsible Sourcing Council. Inter IKEA Group Sustainability is responsible to provide oversight and evaluation of IWAY and its implementation across the IKEA franchise system. This includes all components of the IWAY System, namely the IWAY Standard and its respective IWAY Sections, and the IWAY Framework and its appendices, and how all actors in the IWAY System, including IKEA organisations and verification parties (internal or third-party) operate. The oversight and evaluation assignment are performed by the Sustainability Impact and Assessment team and is independent from all IKEA organisations implementing IWAY, as well as from the development of the IWAY System itself.

## **6.3 IKEA UK**

During FY25, IKEA UK had 830 active suppliers. 98.3% of the country spend on procurement goods and services contracts was subject to IWAY. The vast majority of suppliers returned a low or medium IWAY risk rating, with a portion of high-risk-rated suppliers selected for full IWAY review. The IKEA Ltd Board plays a key role in following up the effectiveness of the measures taken to address modern slavery risks, receiving regular reporting on performance and outcomes at Board meetings twice a year. The following paragraphs set out how IKEA UK monitors and measures the effectiveness of these actions.

### **IWAY Compliance Commitment and reviews**

We regularly monitor, follow up and analyse 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.

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; and
- Recruitment, Working Hours, Wages and Benefits.

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

The effectiveness of our actions should be considered within the context of the mitigation plan, as defined in the IWAY SOP. Ongoing implementation activities are determined by the Supplier's IWAY performance level and may include continuous training, communication, regular engagement, and follow-up activities. These are led by Group Procurement and/or the IKEA UK, as part of ongoing supplier performance management.

FY25 audit activity identified serious but isolated IWAY Must breaches, primarily linked to sub-contractor management. While all cases were resolved, we have identified the need for

- stronger sub-contractor governance and verification;
- sustainable implementation of corrective actions; and
- continued focus on child labour risk mitigation across UK transport supply chains in FY26.

### ***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 FY25 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.

### ***The IWAY Global Training Programme***

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

#### **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.

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This statement has been approved by the Directors of IKEA Limited, IKEA Distribution Services Limited and IKEA Properties Investments Limited on 2 June 2026, 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

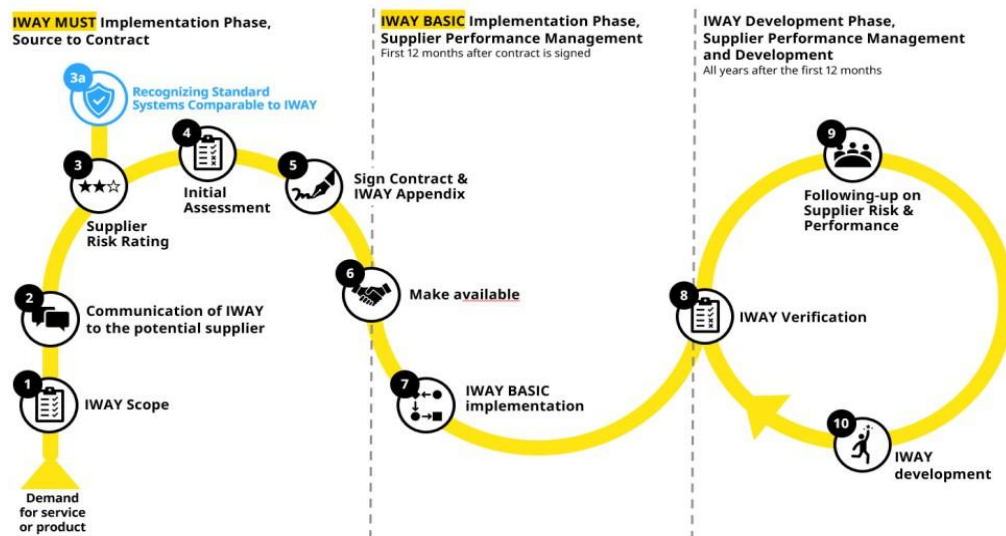
Requirements that go beyond minimum compliance and define additional steps towards more sustainable practices.  
These may or may not be applicable depending on the priorities set by the relevant IKEA organisation.

### 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



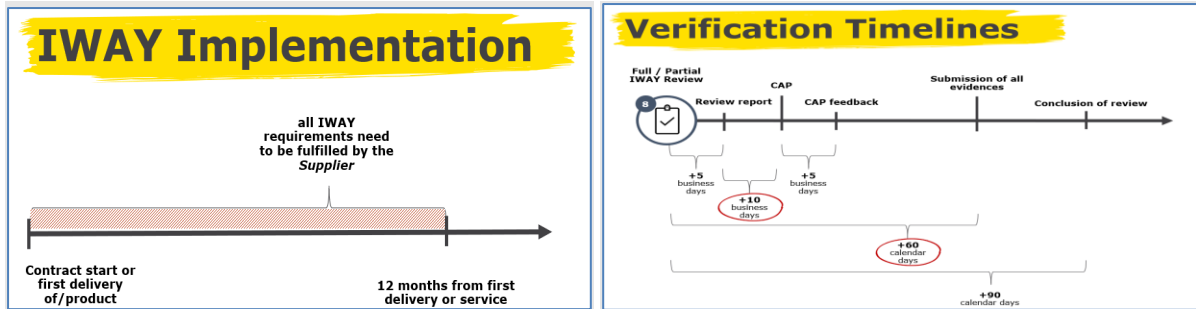
Our suppliers are responsible for communicating IWAY requirements to their subcontractors and for ensuring high-risk subcontractors comply with the critical parts of IWAY (**IWAY Musts**). We support suppliers throughout this process.

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;
- analysing 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.