

## Modern Slavery Statement



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

*“At IKEA, our vision is to create a better everyday life for the many people. The IKEA value chain touches millions of lives around the world, and across every link of that chain we’re committed to respecting and supporting human rights, based on the UN Guiding Principles of Business and Human Rights (UNGP).*

*As a brand, we take our responsibility to identify, prevent, mitigate, and remedy human rights violations across our value chain seriously. We see value in transparent ways of working and maintain a comprehensive global approach to ensure we can protect stakeholder human rights.*

*Although we’ve faced many adversities during this last unprecedented year, in many ways COVID-19 has been a catalyst for wider positive change – helping us to accelerate our transformation and focus more than ever on the urgent need to tackle climate change and regenerate our planet. As we build back from the pandemic, IKEA remains more determined than ever to create a more equal society, and build back stronger, fairer, and greener.*

*Looking ahead to a brighter future, we are determined to do all we can to fulfil our vision, for our co-workers, our business, our customers, and those in our supply chain. No one can do everything, but everyone can do something, especially when we work together.”*

### **Introduction**

This statement has been produced by IKEA Limited on behalf of itself and its subsidiaries, IKEA Properties Investments Limited and IKEA Distribution Services Limited (referred to as “we”, “us”, “our”) in compliance with the Modern Slavery Act 2015. It details the steps that we 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 2020 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 & IE and its significance is known by those involved in the management of our supply chain. Before the legislation came into effect, we contributed to the ‘Joint Committee on the draft Modern Slavery Bill’ in 2014, helping to support the development of the law on modern slavery. This statement explains in detail how we are actively working to protect the dignity and wellbeing of all workers in our operations and in our value chains and, in line with our values of caring for people and planet and taking responsibility, what we are doing to improve.

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

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, such as by striving to improve the work environment for IKEA co-workers and the many people throughout our direct and indirect supply chains involved in producing IKEA products.

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

## **Our People**

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

## **Our Business – One Brand, Many Companies**

To ensure the long-term growth and development of the IKEA business, we use a franchise system. That means many people and companies with different owners work under one IKEA Brand, dedicated to one IKEA vision: to create a better everyday life for the many people.

The worldwide IKEA franchisor is Inter IKEA Systems B.V which is owned by Inter IKEA Holding B.V. We refer to Inter IKEA Holding B.V and all of its subsidiaries as the “Inter IKEA Group”.

Ingka Group are the franchise and IKEA Limited and IKEA Ireland Limited are the UK & IE part of the Ingka Group of franchise companies. IKEA Limited carries out business in the UK and is engaged in retail, property and distribution operations. IKEA Ireland Limited carries out business in Ireland and is engaged in retail operations.

IKEA home furnishing products are designed, sourced, produced and supplied by two Inter IKEA Group companies: IKEA of Sweden AB and IKEA Supply AG. These form part of the ‘Range and Supply’ arm of Inter IKEA Group. Products are distributed to franchisees around the world and sold in 445 IKEA stores in 60 markets.

IKEA Limited currently runs 21 stores, 2 Order and Collection Points and 1 Planning Studio in the UK, whilst IKEA Ireland Limited currently runs 1 store and 1 Order and Collection Point in Ireland.

IKEA has around 9,500+ products in its home furnishing range. Inter IKEA Group has partnered with nearly 900 home furnishing suppliers in more than 50 countries to source its products; that means approximately 600,000 people are involved in production, and millions more people work in extended supply chains.

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

We believe one of the key factors that reduces the risk of modern slavery and forced labour is having long term and mutually beneficial partnerships with suppliers and service providers.

Inter Group has valued partnerships with external organisations such as the International Organization for Migration (IOM) and Leadership Group for Responsible Recruitment.

The IKEA business is a founding member of the Leadership Group for Responsible recruitment, and we support the Employer Pays Principle, which states that no worker should pay for a job, and that the costs of recruitment should be borne by the employer. The aim is to eliminate recruitment fees being charged to workers anywhere by 2026. The IKEA Guidelines on Responsible Recruitment communicate our expectations regarding recruitment practices for IKEA suppliers.

Established in 1951, IOM is the leading intergovernmental organisation in the field of migration, and works closely with governmental, intergovernmental, and non-governmental partners. The

IOM has long been a partner to and supported the IKEA business in developing its approach to ethical recruitment of migrant workers. Inter IKEA

Group also acts as a reference for the International Recruitment Integrity System (IRIS), a voluntary certification process for international recruitment that IOM is developing.

For more details on how we engage with our partners, please refer to our FY20 Sustainability Report [here](#).

## **Our Policies and Procedures**

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

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

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

## **The IKEA Way of Purchasing Products, Materials and Services**

### **IWAY Globally**

IWAY is the IKEA supplier code of conduct. It is our long-standing programme that communicates and ensures the minimum requirements on environmental, social and working conditions are met by all IKEA suppliers.

IWAY addresses issues such as child labour, forced or bonded labour, responsible recruitment, minimum wages, and excessive working hours. IWAY sets clear expectations on IKEA suppliers and is the basis for developing dialogue and shared values. We work together with suppliers to improve how they meet the requirements and, ultimately, become more sustainable businesses.

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

## **IWAY 6.0**

IWAY has been updated on a regular basis to take into account environmental and social developments and emerging issues in the global value chains ensuring it remains a relevant and effective tool to combat all risks to human rights in IKEA's supply chain. Over the past 20 years, we have also developed additional requirements for certain parts of the supply chain for example forestry and transport and clarified our position on specific topics such as the prevention of child labour and the support for employment of young workers.

During FY20, we finalised the revision of IWAY to align with the commitments and ambitions defined in our sustainability strategy. The new IWAY – **IWAY 6.0** – defines the expectations on suppliers when it comes to caring for people, the planet and animals. The updated IWAY includes new topics, such as biodiversity and conservation, animal welfare, and an increased focus on the competence development of workers.

It was an extensive revision, involving many IKEA co-workers, as well as suppliers, other multinational companies and non-governmental organisations. The revision introduces improved features and approaches that make it possible for IWAY to contribute to creating a positive impact for people, society and the planet. The updated IWAY 6 will be launched during FY21. The approach is to collaborate with our suppliers and continue the journey of implementing IWAY further down the IKEA value chain.

### **Who is involved in IWAY implementation?**

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

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

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

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

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

Both at Inter IKEA Group and Ingka Group, IWAY is governed through the Inter IKEA Strategic Sustainability Council and the IWAY Council. The Strategic Sustainability Council is responsible for approval of the IWAY Standard and system. The IWAY Council is responsible for the implementation and development of the IWAY Standard and goals. It is made up of senior management from various parts of the business including the CEO, Chief Sustainability Officer and Purchasing Manager.

At Ingka Group, the Sustainability Committee (chaired by Group CFO) is responsible for setting sustainability requirements, monitor and mitigate sustainability risks and follow-up on IWAY compliance. The Committee is supported by the Ingka Sustainability Compliance Working Group – with members from procurement, business risk and compliance, sustainability and distribution, along with business experts – oversees the compliance and development of our suppliers. They review the most severe sustainability compliance issues in order to share learnings. On a country level, IWAY is managed by the IWAY Country team. The role of the IWAY Country Team is to evaluate the IWAY risks of the suppliers in the country and define prioritization for reviews and other actions.

### **Ingka IWAY implementation in the UK**

The working method described below applies for all Ingka suppliers.

We can't operate alone. Ingka Group's suppliers provide critical products and services, from construction, security and cleaning, to home delivery, product assembly and food for our restaurants. We only work with suppliers and service providers who share our values, uphold our standards and want to have a positive impact on societies and communities.

Potential human rights risks in the retail industry include: modern slavery and forced labour, low wages, undocumented cash wages, excessive hours, unsafe working conditions, harassment and prevention of collective bargaining. This year health and safety was our main priority due to COVID-19 and we worked hard to ensure co-worker and customer safety as our stores reopened. Our sustainability risk and verification team increased their focus on health and safety with suppliers and home delivery service providers.

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

During the procurement process, each potential supplier is sent the IWAY Applicable sections documents and asked to respond to questions as part of a risk assessment process. Based on their responses, our IWAY Sustainability developers score them and give them a risk rating. The risk rating is informed by a tool developed by INGKA global organisation and third party data which creates risk profiles according to country and the type of activity the supplier is engaged in and the history between the supplier and IKEA. This external tool is a global one with a risk database that assists us in keeping up to-date with risks that change globally every tertial.

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

We focus our efforts on the highest risk suppliers in our supply chain. We use internal and external data to assess risks based on the suppliers' location and industry, and the individual characteristics of the business they run. All new suppliers are evaluated and given a risk rating of critical, high, medium or low. Suppliers are continuously reviewed and reassessed through a 10-

step process based on their risk rating. Sustainability developers in our procurement team support and train suppliers to help them understand and apply our standards

For those suppliers where we have evidence of strong IWAY competence and a low risk rating, we will conduct training and development courses for them. For all of our suppliers, continued IWAY compliance and a strong set of people values form part of the contractual commitments they make to IKEA when formal agreements are made.

At the end of each financial year we look at our supplier list and their respective risk profiles. All suppliers that receive a risk rating of critical or high are subject to an IWAY review to verify if they can meet IWAY requirements. Suppliers that have a medium risk rating can also be in scope for IWAY review depending on the decision of the Sustainability developer and the business team. The risk rating is reviewed several times per year and depending on the assigned risk rating, the verification approach for the coming year is decided.

We follow strict routines to ensure compliance with IWAY requirements in the UK. This includes an announced or unannounced review 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 review is comprehensive, and data is captured in interviews and written responses. Detailed questions focus on contracts of employment and ensuring fair employment terms and conditions; verification of the ages of employees; assessments of chemicals and handling measures used on site; evaluation of fire-fighting equipment, protective equipment and training; verification of emergency evacuation routines. Further ad hoc questions can also be asked of interviewees as prompted by the instincts of the reviewers. 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.

### **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 country. The attendees of this forum are the following roles: Country Procurement Manager, Country Procurement Sustainability Developer, Country Risk and Compliance Manager, Country CFF Sourcing Manager and the Country Sustainability Risk and Verifications Reviewer team. Some additional attendees can be invited to discuss specific IWAY-related topics. They will report to the Risk Council where KPI overviews, updates and issues will be managed. The IWAY Country Forum meet on average 3-4 times per fiscal year (at least once a tertial).

### **Procurement Transformation Project**

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

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

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

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

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

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

## **The IWAY Global Training Programme**

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

## **Securing IWAY Compliance Across Our Companies**

### **Inter IKEA Group Compliance**

Inter IKEA Group secures IWAY compliance of its home furnishing suppliers, global food suppliers, suppliers to components, transport and logistics providers, suppliers to the IKEA Catalogue and suppliers to all IKEA Industry manufacturing units. This contributes to drive positive change throughout the supply chain for all of products that IKEA sells. It does this in the following ways:

## IWAY Must requirements

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

## Sub-suppliers

Suppliers will often engage their own suppliers (IKEA sub-suppliers) who are a step removed from day-to-day contact with IKEA co-workers, and not in a contractual relationship with IKEA directly. This can make it challenging to ensure that they share IKEA's approach to important issues such as the environment and human rights. IKEA direct suppliers are requested to communicate IWAY Must requirements to their own suppliers, and to register them on the IKEA sub-supplier tracking system. It is the responsibility of IKEA direct suppliers to audit their critical sub-suppliers and ensure IWAY Must compliance.

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

IKEA supports suppliers throughout this process and works with them to address any potential issues

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

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

IKEA sustainability compliance auditors are trained on how to perform audits and how to follow up in the event of non-compliance. As co-workers, IKEA sustainability compliance auditors benefit from an understanding of how the business works so they are constantly learning about the suppliers and looking for ways to better work with IWAY to improve environmental and social performance across the IKEA supply chain. This connection helps to ensure that the supplier is both meaningfully assessed and supported throughout the audit process.

## **Ingka Group Compliance**

Any IWAY Must violations found during business visits need to be communicated to the respective Sustainability Risk & Verification Team for evaluation and conclusion of the IWAY Must non-

compliance. If an IWAY Must violation is confirmed, the outlined steps need to be followed. The Supplier (or Sub-Supplier) will:

- Provide a Corrective Action Plan within 3 business days from detection of violation. Corrective Action Plan needs immediate feedback by the SRV Reviewer.
- Provide the evidence that the corrective actions have been executed within 10 business days from the approval of the Corrective Action Plan.
- Any exception to this timeframe needs SRV Reviewer's approval and cannot exceed 5 additional business days.
- Extensions longer than 5 business days have to be approved by the Risk & Verification Team Manager.

In FY20, Ingka Group completed 196 Ingka Group supplier reviews, down from 416 reviews in FY19. The reasons we conducted fewer reviews included COVID-19, lower risk levels at suppliers, and some suppliers having been phased out. We were unable to conduct on-site reviews for six months, so we completed some virtual reviews with video tours instead. Despite significant disruption to our usual process, we completed all reviews required to check compliance at high and critical-risk suppliers, and we will return to on-site reviews where and when possible. We also conducted 142 initial supplier assessments to check compliance at potential new suppliers in FY20. New suppliers helped to meet increased demand in parts of our business this year, for instance in ecommerce and home deliveries. We found major non-compliances (issues related to critical "IWAY Musts") during 24% of supplier reviews in FY20, up from 21% of supplier reviews in FY19. Non-compliances were mostly related to working hours, accident insurance and minimum wages at suppliers in Russia, China, the Czech Republic, Slovakia and Poland. If we find that suppliers aren't meeting our standards, we agree on an action plan with the supplier to correct this. Major non-compliances have to be fixed within 14 days, and all remaining issues within 90 days. Major non-compliances are reported to the relevant Ingka Group decision making body. We will phase out suppliers who don't implement their corrective action plans in good time.

### **The Impact of COVID-19**

The COVID-19 pandemic has had a huge impact on people everywhere. Already vulnerable groups are being hit the hardest, which is increasing inequality and other risks associated with forced labour. Now, more than ever, it's important for us to live up to our commitments on fairness and equality, and our vision of a better everyday life for the many people. While we have not come as far as we thought with some initiatives, due to the challenges of 2020, we have not lost our focus. We have continued our projects on Responsible Wage Practices, our ongoing efforts to strengthen considerations for children's rights in our business operations, as well as our commitments to equality and decent work.

### **Securing livelihoods during the pandemic**

During the initial phase of the pandemic, we committed to ensuring income stability for co-workers, so they received their expected pay even if they were not able to perform their tasks. We also safeguarded basics such as medical insurance and pensions. We extended our Employee Assistance Programme to 31 countries. This helpline enables co-workers to access support on matters relating to legal and financial advice, family issues (including domestic violence), health

and nutrition, and dealing with grief and loss. Additional support was and is available as needed via our network of coaches and occupational health services. Each Ingka country was also given a budget to provide financial support to those most affected, including assistance with medical costs, food purchases and childcare costs.

### **Building resilience and adapting to change**

To support co-workers and leaders we launched a significant online competence development offer which included a series of specially developed training programmes to build resilience. Many co-workers had to adapt to a very different way of working, and many had to work from home, often with children and family members around. To help, we offered additional parental leave and flexible work arrangements. We also provided guidance on working and learning from home, helping co-workers to adapt to new routines, structure their day, learn and develop and stay in touch with colleagues. We sought co-worker views on our response to the pandemic. The survey was completed by over 23,000 people and showed that:

- 96% felt sufficiently updated on company policies and actions for Covid-19
- 89% felt that IKEA cares for co-workers' interests and safety during Covid-19
- 90% agreed they got sufficient support from their manager

### **Managing health and wellbeing**

Our work during the pandemic was underpinned by our existing systems for health, wellbeing and safety at work. These are designed to help co-workers to be healthy, to feel connected with colleagues and to maintain their work-life balance. Each Ingka Group country offers local health and wellbeing programmes, training and initiatives to encourage healthy living. In FY19, we appointed a Health and Wellbeing Leader in every country to address local priorities, and they played a key role in our response to the pandemic. We will launch a global health and wellbeing framework in FY21, to ensure consistency across countries. We track progress using our co-worker engagement survey. Questions on health and wellbeing were completed by 47,400 co-workers and responses show that:

- 64% feel supported to live a healthy lifestyle
- 61% feel supported to effectively deal with stress
- 59% feel supported to manage their financial life We'll use the findings to help us strengthen our approach.

### **Ensuring a safe work environment**

We want to ensure a safe and healthy work environment for everyone working at Ingka Group, and we are continuously strengthening our processes and ways of working. Our Group Rule on Safety and Security provides guidance on how all our locations should evaluate and mitigate safety risks and prevent accidents. In FY20, we updated it to include extensive respiratory virus prevention requirements. We also launched enhanced measures and controls to protect co-workers and customers from Covid-19. This included increased hygiene practices, protective screens around cash registers and customer service points, physical distancing and stricter

control of visitor numbers. We continued to apply these measures as we reopened our IKEA stores and have integrated them into our health and safety compliance processes. During FY20, we launched new safety and security induction training covering topics such as preventing accidents and evacuation procedures. It includes a face-to-face briefing and an online module for new co-workers, as well as an annual refresher module. Risk areas for co-worker safety at Ingka Group include sales, logistics and food areas, often when co-workers are handling material or using hand tools. We will be focusing on mitigation plans for these areas in FY21. Our accident frequency rate (severe accidents per million worked hours) was 7.99 in FY20 (FY19: 11.6). We made further improvements to our data collection, enabling us to separately track accidents and occupational diseases. This means our data isn't comparable year on year.

### **Supporting our suppliers and tenants**

To be there for our partners and build for the long term, we supported our small and medium-sized partners and suppliers by offering faster payment terms and, in some cases, offering loans. We maintained an open dialogue with each supplier to see what actions we needed to take together. Whenever possible, we have followed purchase agreements and adjusted to meet the new reality, without canceling future orders.

### **Helping the communities most in need**

With our size, reach and resources, we have a unique opportunity to help protect the health and livelihoods of those affected by the coronavirus pandemic. In March, we announced emergency relief of EUR 26 million, allowing our 30 country organisations to take more immediate action in their local communities. Supporting 600,000 people in 30 countries, in collaboration with over 1,000 NGOs, we prioritised the needs of high-risk groups and the people leading relief efforts, focusing on providing necessities such as face masks and gloves. Helping to make hospitals, medical centres and shelters feel a bit more like home, we also donated beds, bedding, food and toys. **Shortages in the availability of our products**

In the UK and IE, there are high levels of congestion in our ports, resulting in some shortages in availability and in longer-than-normal delivery times. We are working to increase availability and to improve our systems so that we can provide our customers with better information. We have also recruited more people into our Customer Support Centre so that our valued customers who are wanting to contact us are able to do so more quickly.

### **Key initiatives to address modern slavery**

#### **Protecting children's rights in the value chain**

During FY19 and FY20, we continued our work with the Centre for Child Rights and Corporate Social Responsibility (CCR CSR), to further understand children's rights risks in the natural fibre supply chain, specifically in the seagrass and rattan supply chain. The assessment found negative impacts on children, and we received a set of recommendations from CCR CSR on how to strengthen the protection of children's rights, including how to support both internal and external stakeholders in further understanding the root causes, and to mitigate risks of child labour and other children's rights risks. We are now taking the next steps to implement the guidelines in our natural fibre supply chain. We are also exploring how we can draw learnings from these recommendations and improve our broader supply chain management system, and work together with other stakeholders to enable a systematic change that will strengthen protection for children's rights.

## **Migrant workers**

In many countries and industries across the globe, migrant workers are the backbone of large parts of the economy; creating value for countries, industries and companies. In 2020, migrant workers were vital to keeping industries, including many parts of the agriculture industry, operating.

Unfortunately, migrant workers are often at risk of having to pay high fees in order to obtain employment. We are committed to contributing to responsible recruitment and are a founding member of the Leadership Group for Responsible Recruitment (LGRR). We support the Employer Pays Principle, which states that no worker should pay for a job, and that the costs of recruitment should be borne by the employer.

Through the collective efforts of LGRR and throughout the IKEA value chain, we focus on three areas to create systemic changes:

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

We continue to support the International Organization for Migration (IOM), as well as the development of IRIS as a member of the Advisory Committee. IRIS is a voluntary certification scheme for labour recruiters (also known as recruitment agencies) that ensures that responsible recruitment practices are implemented. IRIS defines a benchmark for responsible recruitment.

Inter IKEA Group actively supports IRIS through the following:

- Strategic and technical advice on the development and implementation of IRIS.
- Sharing best practices and advances in stakeholder efforts to promote ethical recruitment.

## **Recruitment & Migration Mapping Project in Thailand**

Together with the International Organization for Migration (IOM), we completed a ten-month partnership to implement safeguards to protect migrant workers from Cambodia, Myanmar and Laos employed in the IKEA supply chain in Thailand. This project has greatly supported our commitment towards the Employer Pays model. In Thailand alone, we have more than 4,000 migrant workers in our supply chain.

The outcomes of the project included the following:

- Identifying challenges. One main challenge was the language barrier between employer and migrant employees. Tools will be created to address this. Another challenge is the lack of awareness on rights and responsibilities of migrant workers for all stakeholders.

- Training 26 business partner companies. Sessions focused on international standards like the International Recruitment Integrity System (IRIS),<sup>1</sup> national law in Thailand and workers' countries of origin, effective grievance mechanisms, and increased risks of labour exploitation due to the COVID-19 pandemic.
- A guide for suppliers: mechanisms and practices to promote responsible recruitment and decent work in business operations.
- The Human Resources Guidebook on Employer Obligation and Cultural Sensitivity, a publication for IKEA business partners and the public, that aims to ensure a better working environment and to break down the barriers in workplaces between Thai workers and migrant workers (currently in development).

### **IKEA Social Entrepreneurs**

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

Since 2012, IKEA businesses have worked together with social entrepreneurs on a global and local level to design and produce handmade collections and offer tailor-made services in IKEA stores and online. All local partnerships are audited for IWAY Must requirements and all international partners are IWAY approved. To date, these partnerships have helped create jobs for some 20,000 artisans and local farmers around the world. During FY20 the IKEA business expanded the scope of how to work with social entrepreneurs both inside and outside the IKEA value chain through co-worker engagement, direct investments and accelerator programmes.

### **Responsible Sourcing – Cotton**

All IKEA products are produced in accordance with the IKEA IWAY Standard, our Supplier Code of Conduct. It sets out the minimum environmental and social standards expected from our suppliers, including compliance with local laws. We do not accept any form of forced, bonded or child labour.

Since 2015, IKEA has used 100% Cotton from More Sustainable Sources (CMSS) in all our products and productions. The Better Cotton Initiative (BCI) is one of our approved schemes for CMSS, and therefore historically we have been using BCI licensed cotton on a global scale.

Recently, allegations and reports of human rights violations have been raised in connection to the Xinjiang region, in China. In March 2020, Better Cotton Initiative decided to suspend their assurance activities in the region from the upcoming cotton season, which in turn also led IKEA to stop sourcing cotton from the Xinjiang region.

Today Inter IKEA Group does not have direct business relationships, suppliers, or sub-suppliers in the Xinjiang region. IKEA continues to source cotton from other regions in China (outside of Xinjiang). In those regions, we have cotton experts and auditors securing traceability and following up on our standards, including human rights, related to our global cotton sourcing. We will continue to monitor the situation, and should we encounter any information that suggests misconduct, we will take immediate action.

## **The Approach Going Forward**

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

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

## **Responsible Wage Practices**

IKEA responsible wage practices project takes a holistic look at the wage topic, considering not only the wage element in itself, but the extent to which the practices surrounding wages are fair, inclusive and for the many. It lays out a systemic approach through a set of organisational practices such as developing robust pay principles; strengthening dialogue; ensuring equality at work; paying living wages; and building competence related to the framework.

In FY20, we were able to further develop the responsible wage practices approach to be more relevant for the IKEA business and people. The health and economic crises due to the pandemic did however delay the initial plans to test the framework and assessment methodology more extensively in different parts of the IKEA value chain. In FY21, we plan to complete this work and start value chain integration, as we strengthen business readiness, processes, assessment methodologies, and more.

We understand that achieving this requires a journey of patience and hard work. Some milestones in responsible wages will be achieved faster, while others might require an entire system to change before we can reach our goals. With that said, we acknowledge that constant development is the key.

## **Creating the Next IWAY Standard**

We need to ensure that IWAY 6.0 is set up in the right way and addresses the relevant topics, to meet the new realities of today and our big ambitions for tomorrow. We want to continue to do better, improve social and environmental conditions and make IWAY more inclusive by including more sub-suppliers.

We will also look into covering new business areas. During FY20, we have been developing IWAY 6.0, the revised version of the IKEA supplier code of conduct. It will be further developed and implemented in different parts of the IKEA business during FY21. To ensure we have an inclusive process, and a relevant IWAY, we have during FY20:

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

introducing mechanisms connected to procurement processes that reward and incentivise strong IWAY performance.

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

The plan is to start rolling out the updated IWAY Standard and System in 2021, engaging with IKEA co-workers and suppliers to all IKEA companies to communicate expectations and ambitions.

Throughout FY21, IKEA will continue to:

- launch the implementation of IWAY 6.0 and provide necessary training and support for suppliers and more co-workers in the respective markets;
- work on an IKEA Responsible Wage Practices framework for the entire IKEA value chain;
- collaborate with influential partners and charitable partners to align approaches and effect positive change;
- as the pandemic is still ongoing, and local situations keep changing all the time, we will continue to focus on keeping IKEA a safe place to work and visit for co-workers and customers. We will continue to monitor, assess and readjust to this new reality, and ensure that the decisions we make are in collaboration with governments, local authorities and healthcare professionals;
- continue the ongoing work on responsible wage practices and start value chain integration;
- be open with challenges and share learnings to support other initiatives; and
- be People and Planet Positive – a Fair and Inclusive brand, company and employer with Fair and Inclusive KPIs for global ambitions.

This statement has been approved by our Board of Directors of IKEA Limited on 6<sup>th</sup> July 2021, Board of Directors of IKEA Distribution Services Limited on 7<sup>th</sup> July 2021 and IKEA Properties Investments Limited on 28<sup>th</sup> June 2021, 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.