

# Modern Slavery Statement

2020/2021



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## Foreward

IKEA Pty Limited (**IKEA Australia**) is one of the many companies working under the IKEA brand globally to deliver the vision to create a better everyday life for all people. Everything we do, from our relationships with our co-workers to our customers and the communities we operate in, is centered on delivering this vision and having a positive impact on people, society and the planet.

Our 'People & Planet Positive Strategy' is our roadmap for our sustainability agenda across IKEA and the entire value chain of our products' life-cycle. Our value chain includes sourcing and extracting raw materials, manufacturing, transporting of products, retail activities in stores, customer travel to stores, services to customers, product use in customers' homes, and product end-of-life.

We are committed to working collaboratively across this value chain to not only achieve our bold sustainability ambitions and commitments, but to continuously improve and ensure the fundamental protection of people, upholding the respect of human rights in every aspect of our business.

Strong monitoring and management are key in delivering this commitment, including verification and auditing. At IKEA Australia, we do this through the 'IWAY Supplier Code of Conduct', which is the principal tool used by IKEA globally to secure compliance for environmental, social, and working standards applicable to all service partners and suppliers. Modern slavery impacts millions of people around the world. Through strict compliance with this Code of Conduct, IKEA Australia is committed to ensuring modern slavery is not present within any aspect of our business. We also strive to use our leverage in the market to make a positive difference beyond this compliance to address the issue of widening inequality across the world.

An ambition of Inter IKEA Group is to create a positive social impact for everyone across the IKEA value chain by 2030. IKEA Australia will contribute to this ambition by growing the IKEA business in an even more inclusive way, respecting and encouraging diversity and promoting decent and meaningful work across the IKEA Australia value chain, enabling people to provide a good life for themselves and their families.

We welcome the opportunity to share our ambitions and actions on modern slavery and to collaborate to drive change on a broader scale with like-minded suppliers and business partners.

This statement is given by IKEA Australia, pursuant to section 13 of the *Modern Slavery Act 2018 (Cth)* (**Modern Slavery Act**), and covers the activities of IKEA Australia and the entities it owned and controlled for the financial year 1 September 2020 to 31 August 2021 (**Reporting Period**).

This statement has been approved by the Board of IKEA Australia in their capacity as principal governing body of IKEA Australia on 24 February 2022.



**Mirja Viinanen**

Board Member,  
CEO and Chief  
Sustainability Officer  
IKEA Australia

This Statement was prepared to meet the mandatory reporting criteria set out under the Modern Slavery Act. The table below identifies where each criterion is addressed within this Statement.

Modern Slavery Act Mandatory Criteria	Heading and page reference
Identify the reporting entity	Foreward (page 3)
Describe the structure, operations and supply chain of the reporting entity	Our structure, operations and supply chain (page 5)
Describe the risks of modern slavery practices in the operations and supply chain of the reporting entity, and any entities that the reporting entity owns or controls	Identifying our modern slavery risks (page 9)
Describe the actions taken by the reporting entity and any entity that the reporting entity owns or controls, to assess and address those risks, including due diligence and remediation processes	Actions taken to assess and address our modern slavery risks (page 14)
Describe how the reporting entity assesses the effectiveness of such actions	Measuring the effectiveness of our actions (page 24)
Describe the process of consultation with any entities that the reporting entity owns or controls	Consultation (page 26)
Any other information that the reporting entity considers relevant	Other Information – IKEA’s broader contributions and planned future actions (page 27)

# Our structure, operations and supply chain

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- 7 Retail supply chain
- 8 Business operation supply chain

### Our structure

IKEA Pty Limited, ACN 006 270 757 (**IKEA Australia**) is a company incorporated in Australia. Our registered office is located in New South Wales. References in this statement to “we”, “us”, “our” or IKEA Australia are references to IKEA Australia and the entities we own or control. The ultimate parent company of IKEA Australia is INGKA Holding B.V., a company registered in the Netherlands.

IKEA Australia operates as a franchise under the “INGKA Group” of franchise companies. The worldwide IKEA franchisor is Inter IKEA Systems B.V. which is owned by Inter IKEA Holding B.V.. We refer to Inter IKEA Holding B.V. and all of its subsidiaries including IKEA of Sweden AB, IKEA Marketing & Communications AB, IKEA Supply AG and IKEA Food Supply AG as the “**Inter IKEA Group**”.

IKEA Distribution Services Australia Pty Ltd, ACN 001 264 179 (**IKEA Distribution**) (a wholly owned trading subsidiary of IKEA

Australia) is responsible for furniture and furniture accessories distribution within Australia. IKEA Australia’s other subsidiaries (IKEA Trading Pty Ltd, Ashpark Pty Ltd, Cebas Pty Ltd and Sabec Pty Ltd) did not have any material activities in the relevant period.

### Our operations

IKEA Australia operates 10 home furnishing product retail stores in 5 states and 1 territory around Australia and also has an online presence servicing Australia exclusively.

IKEA Australia employed 3,689 co-workers as of 31 August 2021, through our stores in New South Wales, Victoria, Queensland, Western Australia, South Australia and Australian Capital Territory, including our Service Office, and Customer Support Centre. As of 31 August 2021, 296 co-workers were employed by IKEA Distribution. People are at the centre

of IKEA culture, and we see the people working within our organisation as being integral to supporting IKEA’s approach to addressing modern slavery related issues. Our recruitment strategy ensures that we recruit people that share our values. All of our recruitment processes adhere to the required employment laws and regulations, and we expect all businesses with whom we interact to abide by all applicable laws when recruiting.

Within Australia, 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 warehouse, distribution and services are by and large provided by IKEA Distribution.

### **IKEA Australia supply chain**

IKEA Australia'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 Australia by the Inter IKEA Group. In this statement, we have included information provided by Inter IKEA Group about its supply chains, modern slavery risks and actions, including from the Inter IKEA Sustainability Report. IKEA Australia 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 either stores the

products (other than the food products) in distribution warehouses and arranges for them to be delivered to IKEA Australia's stores and CDCs.

IKEA Australia's direct relationships for purchasing retail products are 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 1,600 direct suppliers in more than 50 countries to source home furnishings. From data provided by Inter IKEA Group, we have ascertained that approximately 660,000 people are involved in production, and millions more people work in extended supply chains.

Production and sourcing of IKEA retail products is carried out predominantly in Europe, Asia-Pacific and North America, which include wood, natural fibres, textiles, plastics, food and agriculture, metals and electronics.

Inter IKEA Group's integrated supply chain and scale gives unique influence, as well as responsibility, throughout the entire product procurement process. From product development and material sourcing to production, transportation and product's end-of-life, Inter IKEA Group is involved every step of the way. All products sold from IKEA are designed and developed in accordance with strict global requirements that Inter IKEA Group puts on both the product and the suppliers. Inter IKEA Group believes in building long-term relationships with their suppliers and places a strong emphasis on supplier development. The average length of collaboration with their suppliers is currently 11 years. Inter IKEA Group tries to understand the specific local contexts and take a consistent approach to securing good social, environmental, and working conditions.

## Business operation supply chain

In order to conduct our retail operations, we procure goods and services mainly from other businesses based in Australia:

- **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 freight hardware and driver logistics services to transport and unload stock between stores and customer delivery from stores or CDCs.
- **Retail services:** This includes retail showroom fit outs, back-office furniture and fit outs, stationery and branded items, knowledge subscription services, document management services, courier and postal services, as well as printer maintenance services and document printing services.
- **Facilities management:** This includes the services that support our retail operations including leasing, office maintenance, utilities, cleaning and security.
- **Professional services:** This includes taxation, external legal counsel, consulting, professional, personal development, and welfare training programs.
- **Mobility and travel:** This includes vehicle and airplane travel bookings and accommodation bookings.
- **Hospitality and catering:** This includes for in-store restaurant and beverage services, as well as external catering events.

The key areas of outsourcing in our Business operation supply chain are for cleaning, security and 'last mile' transport. The majority of our key suppliers were Australian businesses and the remaining suppliers were based in Europe, Asia-Pacific and North America.



# Identifying our modern slavery risks

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### **Retail supply chain risks**

Inter IKEA Group is the primary supplier of IKEA Australia's Retail supply chain and modern slavery risks are identified and addressed by Inter IKEA Group to ensure a consistent approach across the group of companies.

Inter IKEA Group have identified a range of potential human rights risks within the retail supply chain, including modern slavery and forced labour, illegal recruitment practices, unacceptable remuneration practices, excessive hours, unsafe working conditions, harassment, and threats to freedom of association rights. Specifically, modern slavery risks may arise in respect of furniture, textiles and metals being sourced from certain regions in Europe and Asia which have known to have higher risks of modern slavery due to the use of forced labour or migrant workers. For example, Inter IKEA group have identified the risk of forced labour in the procurement of IKEA's cotton products and the risk of modern slavery practices in the procurement of IKEA's food products due to the seasonal, base-skilled labour often used in the agriculture and food industry. In FY21, Inter IKEA Group has continued to assess and take action to mitigate the risks of modern slavery in its supply chain, including in key areas of forced and bonded labour, child labour and use of migrant workers, as described further below in the *"Actions taken to assess and address our modern slavery risks"* section.

### **IWAY audits**

Through the regular IWAY audits of suppliers conducted during FY21, Inter IKEA Group identified non-compliances relating to working hours, involving two distinct types of issues: working hours exceeding the maximum limit defined in IWAY of 60 hours per week or the legal limit, and lack of transparency and manipulation of working hours registered by suppliers. Inter IKEA Group recognises that the risk here is the lack of a transparent and reliable system that complies with legislation can be an indication of, and lead to issues of forced labour. Inter IKEA Group is following the IWAY process of identifying root causes to the issue, securing those suppliers implement corrective measures and phasing out suppliers who do not address the issues in a reliable way. During FY21, 12 suppliers were phased out due to IWAY non-compliance. During the audits and verification activities performed in FY21, no suspected or confirmed cases of child labour were identified.

## Impact of COVID-19

Inter IKEA Group recognises the ongoing impact of the COVID-19 pandemic and the acceleration of climate change on the rates of poverty, child labour and inequality. The IKEA business remains committed to taking responsibility along our full value chain, leading with our human rights agenda and our children's rights roadmap.

During FY21, the largest challenge was the travel and safety restrictions connected to COVID-19, which limited Inter IKEA Group's ability to perform regular audits of our suppliers to the same extent as before the pandemic. Where physical audits were not possible, remote verification activities were performed, as detailed further below in the "Due Diligence, Audits and Remediation of Suppliers" section. While remote audits are better than no compliance and monitoring activities at all, they present limitations, such as reaching out to workers to hear their voices and inputs in a truly independent way. The IKEA commitment to human rights and decent and meaningful work in the IKEA value chain is more important than ever and Inter IKEA Group continues a close dialogue with suppliers to enable this work.

## Responsible sourcing – Cotton

Cotton is one of the primary materials used in our various products – from sofas and cushions to bedsheets and curtains. Each year, IKEA uses approximately 0.7 per cent of all cotton grown around the world. Since 2015, Inter IKEA Group has used 100% Cotton from More Sustainable Sources (**CMSS**) in all 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.

In light of allegations of forced labour, the cotton harvest from the 2020-21 season in Xinjiang, China was not approved by BCI, ending the ability for IKEA to verify compliance to its Supplier Code of Conduct. Therefore, Inter IKEA Group does not currently have direct business relationships, suppliers, or sub-suppliers in the Xinjiang region. IKEA continues to source cotton from other regions in China, where Inter IKEA Group has cotton experts and auditors securing traceability and following up on its standards, including human rights, related to global cotton sourcing.

Together with the Good Cotton Practices Association, a strategic partner of the BCI in Turkey, Inter IKEA Group participated in developing a project to raise awareness with policy makers on decent working conditions and employment practices in cotton fields, increasing the capacity of major players and mobilizing public and social services.

## Responsible sourcing – Food

Food products inspired by Swedish traditions are an important part of our offering and the IKEA experience. In sourcing our food products, we are aware of the elevated risk of modern slavery occurring in particular foods and particular geographical areas as discussed below.

### IKEA coffee and chocolate

Cocoa, coffee and palm oil are known high risk commodities, where modern slavery risks may be present including child labor and exploitation of seasonal, base-skilled labor. Sourcing UTZ/Rainforest Alliance certified, and organic coffee is part of Inter IKEA Group's efforts to ensure our food ingredients are responsibly sourced and produced under good labour conditions for farmers and workers while protecting the environment. Coffee is one of the most valuable commodities globally and provides the livelihoods of around 25 million farmers in Central America, Africa and Asia. Since 2008 all coffee at IKEA has been UTZ/Rainforest Alliance certified. Farmers that are part of the UTZ/Rainforest Alliance programme generally gain higher yields, better incomes and better living conditions while protecting the environment.

The UTZ/Rainforest Alliance certification contains several requirements that are directly related to protecting workers from forced labor and other forms of modern slavery. In FY21, Inter IKEA Group used 100% UTZ certified coffee and 50% UTZ certified cocoa in our range. 100% of IKEA Branded chocolate tablets are UTZ certified.

## Protecting berry pickers in Sweden

Fruit and vegetable picking may carry additional risks of modern slavery due to the seasonal nature of the work. Every year, 3,000 to 5,000 Thai workers travel to Sweden to work as berry pickers. In FY21, together with International Organization for Migration, Inter IKEA Group representatives met with the Thailand Overseas Employment Administration of the Ministry of Labour to discuss ways to increase the transparency of the recruitment processes of Thai berry pickers and to promote fair and ethical recruitment.

Inter IKEA Group delivered communication material created to support seasonal migrant workers travelling to Sweden to work in the berry industry. The communication material explains working and living conditions in Sweden and provides information about workers' rights and employment contracts.

For more information on the Inter IKEA Group's work to prevent forced labour click [here](#).

### **Business operation supply chain risks**

The detailed risk assessment that we undertake in respect of each of the suppliers in our supply chain is described below under the “Risk Assessments” section.

Our assessment for the Reporting Period demonstrated to us that in operating our IKEA Australia business we have risks of causing, contributing or being directly linked to modern slavery in our deliveries, assembly, warehousing, cleaning, security service suppliers, and any permanent or semi-permanent on-site service providers such as trolley collectors. The modern slavery risks arise primarily from the potential for employment or subcontracting of unskilled workers by suppliers in these categories.

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

We have explained the effectiveness of the IWAY program in ensuring these risks are unlikely to arise, or how they are managed immediately and efficiently when they do, under the “Actions taken: Due Diligence, Audits and Remediation of Suppliers” section.

# Actions taken to assess and address our modern slavery risks

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### **Retail supply chain risks and actions - IKEA globally**

A key part of IKEA Australia's supply chain is the supply of home furnishings and food products, which are supplied to IKEA Australia by the Inter IKEA Group. The risks in the Retail supply chain are assessed and managed by Inter IKEA Group through the implementation of IWAY. The Inter IKEA Group secures compliance with IWAY by:

- requiring all its direct suppliers to comply with the standards set out in the IWAY Supplier Code of Conduct;
- requesting direct suppliers to communicate the 'IWAY Musts' to their own suppliers and critical sub-suppliers of IKEA's direct supplier must confirm to IKEA's satisfaction that the IWAY Musts are adhered to;
- due diligence and audits of the supply chain by the Sustainability Risk & Verification team against the IWAY Standard; and
- taking steps for continuous improvement or ultimately termination of contracts if the supplier does fail to fulfil the IWAY requirements within the given time frames.

### **IWAY 6.0 launched – a total system upgrade**

During FY21, IKEA suppliers and service providers were introduced to the next generation of IWAY, including improved ways of working and new topics, such as biodiversity and conservation, worker competence development, road safety, animal welfare and digital platform work. IWAY 6.0 is a total system upgrade. The revision involved many IKEA co-workers, suppliers, other multinational companies, and non-governmental organisations. One important change is a shift in the focus of efforts from audits only, to a combination of audits and implementation support to suppliers and service providers. This shift strengthens the collaboration with suppliers, which supports the aim for the coming years to reach beyond direct suppliers and service providers to implement IWAY further and create a truly sustainable IKEA value chain. A global IWAY learning offer is available for all IKEA co-workers. Targeted training has been held to ensure that relevant IKEA co-workers who work with suppliers learn about the changes.

Further detail of the implementation of IWAY in the Reporting Period, and the way that the global system interacts with IKEA Australia, is provided in "Appendix A: IWAY - The IKEA Way of Purchasing Products and Services".

In addition to implementing IWAY, the other steps taken by Inter IKEA Group to assess the risks of modern slavery, and the actions taken in respect of some of those risks are described below.

## Key Policies

To mitigate human rights risks in the IKEA business, IKEA Australia applies the INGKA Group Policy on Human Rights and Equality and the IKEA Employment Standards.

In FY21, the INGKA Group Policy on Human Rights and Equality was updated and expanded, with more detail on INGKA Group's policy standpoints and focus areas, and clearer links to external, international human rights standards, as detailed further below. In FY22, the policy will be launched to co-workers, raising awareness of the policy through training for all co-workers, and developing more detailed guidance for people in key functions.

## Human Rights

IKEA is committed to respecting human rights across operations and the value chain. Human rights are a precondition for a decent life, and they belong to all human beings everywhere. Respecting human rights is about how we act as co-workers and as a company every day through our business processes, the decisions we make and in our business relationships.

IKEA Australia follows The INGKA Group Policy on Human Rights and Equality which was updated in FY21. This policy is based on the UN Guiding Principles on Business and Human Rights and Children's Rights and Business Principles and other well-established international standards including 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.

As noted above, the retail products of IKEA Australia are supplied by Inter IKEA Group. In FY21, Inter IKEA Group signed a statement supporting and encouraging EU legislation on mandatory human rights due diligence for all businesses operating in the EU. Due diligence processes are intended to help businesses identify, prevent, mitigate, and account for how they address the negative impacts of their business activities. Good regulation can support companies in integrating respect for human rights into their business, improving human rights throughout global value chains.

Inter IKEA Group will continue to work to:

- clarify expectations with business partners, always basing them on international human rights standards;
- conduct human rights due diligence across business operations and value chain to identify our prioritised human rights impacts;
- put the needs of people affected first when addressing human rights issues;
- be transparent about how to work with human rights and the actions to take; and
- be outspoken about point of view, while influencing others to create positive change and promote human rights.



## Children's rights

Children's rights are one of the key areas in the updated INGKA Group Policy on Human Rights and Equality. Our approach is based on the Children's Rights and Business Principles, developed by Save the Children, the UN Global Compact and UNICEF. Our key commitments include:

- never tolerating any form of child or forced labour, modern slavery or mistreatment of workers; and
- supporting fair work for young workers, parents, and caregivers.

In FY21, Inkgas Group and Inter IKEA Group submitted an action pledge to the International Labour Organization (ILO) and Alliance 8.7 (a global partnership to tackle modern slavery and child labour), committing to further strengthen child rights in the IKEA supply chain in support of the UN's designation of 2021 as the International Year for the Elimination of Child Labour.

## Responsible wage practices

The IKEA Responsible Wage Practices Framework and Assessment Methodology was completed in FY21. This framework and methodology takes a holistic approach to the subject of wages by placing equal focus on equality at work, pay principles, competence, enabling dialogue, and a living wage. It will create a wage system that's fair, inclusive and for the many. The aim is to enable people and families in the IKEA value chain to live a decent life, wherever they are.

This new assessment methodology was adjusted and finalised after an extensive validation exercise in 2021, spanning 65 units in 22 countries and four continents. Inter IKEA Group is conducting baseline assessments throughout the Group and in FY22 will provide different IKEA companies with the means to define baselines from which to set goals, initiate pilots, and implement activities. A number of selected suppliers have been invited to pilot the new Responsible Wage Practices Framework, which will help the IKEA business better understand how to work with this approach within our supply chains.

## Equality and diversity

In FY21, Inter IKEA Group continued to promote gender equality in its operations through new and existing initiatives on both global and market levels. Inter IKEA Group has inclusion approaches that help to create work environments that are safe and welcoming for all people. The aim is to achieve diversity and equality at all levels across all IKEA businesses. In FY22, Inter IKEA Group will undertake a review and update the Fair and Equal section of its Sustainability Strategy.

In FY21, INGKA Group launched a global roadmap for their IKEA retail operations to integrate the topic of ethnicity, race and nationality into business decisions to support a workforce that reflects the multicultural diversity of the communities where INGKA Group operates and ensure inclusive business practices. The INGKA Group also partnered with the World Economic Forum and 47 global businesses to advance racial and ethnic justice through The Partnering for Racial Justice in Business initiative, which aims to build equitable and just workplaces for professionals with under-represented racial and ethnic identities.

## Other actions

In FY21, Inter IKEA Group also:

- continued active support and participation in the International Organization for Migration, International Recruitment Integrity System (**IRIS**) and the Leadership Group for Responsible Recruitment to contribute to responsible recruitment and reduce migrant worker risks. Inter IKEA Group continued to 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. Inter IKEA actively supports IRIS, including by sharing best practices and advances in stakeholder efforts to promote ethical recruitment.
- Launched Inter IKEA Group’s standards for gig economy workers to protect people working via digital platform companies in our supply chain.

### **Business operations supply chain risks and actions - IKEA Australia**

IKEA Australia continues to demonstrate its commitment to eliminating modern slavery from IKEA Australia business operations and supply chains, through its continued use and implementation of IWAY. We explain below our due diligence review and the ongoing steps that IKEA Australia has been taking throughout the Reporting Period, through IWAY and other programs, to address our modern slavery risks and to ensure that our market influence is used to build better communities.

### **The IWAY Forum and Modern Slavery Working Group**

The existing IKEA Australia IWAY Forum is responsible for reviewing the IWAY program and ensuring that through IWAY, IKEA Australia is effectively dealing with risk and compliance across the business, which supports our approach to identifying, assessing and addressing the risk of modern slavery in our operations and supply chains. The IWAY Forum is comprised of our Country Procurement Manager (Chair), Country CFO, Country Business Risk and Compliance Manager, Country Customer Fulfillment Manager, Country Sustainability Manager, Sustainability Developer (facilitator) and Customer Fulfillment Sourcing Manager.

We are currently in the process of optimizing our approach to effectively integrating our modern slavery risk management program with our day-to-day risk management framework. Going forward, the Modern Slavery Working Group will work more closely with the IWAY Forum to identify modern slavery risks and to monitor and continuously improve our modern slavery risk management program. We have identified that regular meetings with the Modern Slavery Working Group comprised of staff who are more involved in operational actions will have the greatest impact on our modern slavery risk management program and will implement this new approach in FY22.

## 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 utility providers and government related businesses as well as some marketing/media agencies and financial institutions, which are exempt because they are considered low 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 (**PIRA**) to demonstrate the prospective supplier’s ability to comply with our expectations, including in respect of modern slavery. The PIRA addresses workforce items under “Supplier Characteristics” which covers topics such as: whether the supplier works in shifts, overnight or seasonally; whether they employ young people (under 18 years); whether they use sub-contractors and if so to what percentage; and whether they employ prison workers or migrant workers. The PIRA also facilitates an assessment of IKEA’s level of influence with the supplier, by seeking information about IKEA’s level of spend with the supplier compared to the supplier’s overall revenue and level of impact within IKEA, by considering whether the supplier will be working at an IKEA Australia site or in our customer’s homes (and if so to what extent). The PIRA also considers the supplier’s sustainability performance which captures items such as workplace health and safety. Each PIRA 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 PIRA 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 audit or verification that we will implement under our IWAY protocols. To manage the risks associated with subcontracting and outsourcing, we require our Tier 1 suppliers to communicate our IWAY requirements with their suppliers as described further below. During the reporting period there were 170 suppliers subject to IWAY in the business operations supply chain. Of these 170 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 audits with.

During the reporting period, we identified that contractors were on site that were paid by a third party, and not the supplier. This issue was identified by a co-worker at the site and appropriately escalated, followed by engagement with the supplier. The supplier has now hired those contractors as employees and has implemented an auditing system of their contractor hiring process.

## **Policies and Procedures**

INGKA Group policies and procedures include but not limited to the INGKA Group Policy on Human Rights and Equality, the INGKA Group Policy on Sustainability, the INGKA Group Policy on People, the INGKA Group Policy on Anti-Bribery and Corruption, the INGKA Group Policy on Raising a Concern, the IKEA Code of Conduct, and IWAY, our Supplier Code of Conduct (discussed separately in detail in "Appendix A: IWAY - The IKEA Way of Purchasing Products and Services") (**Policies and Procedures**).

These Policies and Procedures were all in force during the Reporting Period.

## **Training and Communication**

IKEA Australia has taken steps during the Reporting Period 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 Australia 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 (Inside IKEA).

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

In the Reporting Period, we conducted a Service Office level training on IWAY and what responsibilities Service Office co-workers have in relation to ensuring IWAY processes are followed and that our suppliers are implementing and acting in the spirit of IWAY. As part of the IKEA Australia routine Code of Conduct training for all staff, topics such as Ethical Conduct with our suppliers were covered. In addition, selected IKEA Australia personnel took part in training workshops to help embed the implementation of the INGKA Group Policy Anti-Bribery and Corruption Policy. The training workshops include a component about the link between modern slavery and corruption.

In FY21, INGKA Group launched the IWAY Academy, which is the hub where all INGKA Group co-workers can find everything they need to know about IWAY. It is constantly updated with the latest information and co-hosted by the INGKA Procurement Sustainability and Business Risk & Compliance teams. Relevant IKEA Australia co-workers had access to the IWAY Academy during the Reporting Period.

### **Our supply chain**

We also mitigate our potential human rights risks in our IKEA Australia 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.

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 collegiately to provide training and encourage compliance wherever appropriate. IKEA Australia 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).

In FY21, INGKA Group also launched the Supplier Support Hub which is a SharePoint based hub that suppliers can access (permission granted) and get more information about IWAY. They can find short videos, best practices and documents/ presentations describing the process in more detail to support strengthened implementation. IKEA Australia’s suppliers will have access to the Supplier Support Hub in FY22.

### **Due Diligence, Audits and Remediation of Suppliers**

As explained above, a supplier's risk rating will direct the level of audit and remediation to be implemented under IWAY.

Suppliers are required under their IWAY Compliance Commitment (explained further under the "Measuring our Effectiveness" heading below) to prepare an annual compliance self-assessment. Copies are required to be provided if requested by IKEA Australia. Depending on the response, IKEA Australia, with support from the Ingka Procurement Sustainability and Business Risk & Compliance teams will conduct announced and unannounced audits of suppliers and critical sub-suppliers 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 auditors.

During the Reporting Period, we completed remote reviews for the first time due to the ongoing impacts of the COVID-19 pandemic which prevented the overseas based IWAY trained auditors being able to travel to Australia. These FY21 audits were completed with the support of third party IWAY trained auditors.

We do recognise that a remote audit is not as robust as an audit conducted face to face with the supplier. Once travel to Australia is possible for our auditors, face to face audits will resume. In addition to this, we continue to use the self-assessment tool to maintain conversation with suppliers.

We completed full audits (addressing all IWAY compliance issues) on 4 suppliers falling into our high-risk areas of parcel delivery, home delivery, security services and trolley collection services. All suppliers scored well in the audit and no non-compliances were related to modern slavery.

Under the IWAY system, if we find that suppliers are not meeting our standards, we will agree on an action plan with the supplier to correct this. Major non-compliances must be rectified within 14 days and all remaining issues within 90 days.

# Measuring the effectiveness of our actions

- 25 IWAY Compliance Commitment and audits
- 25 Listening and Learning



### **IWAY Compliance Commitment and audits**

All businesses in the IKEA Australia supply chain are required to signify their commitment to implement the IWAY expectations by signing an IWAY Compliance Commitment (ICC). The ICC allows IKEA Australia 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 Australia measures the effectiveness of IWAY is mainly through annual self-audits which must be completed by all of the non-exempt suppliers in our supply chain with detailed responses required across the following modern slavery related topics:

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

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

### **Listening and Learning**

IKEA Australia 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. Our Raising a Concern Policy supports our co-workers, the people engaged by our supply chain and members of the public to come forward with their concerns about any modern slavery practices, including anonymously under Australian whistle-blower protection laws where they apply. 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.

# Consultation

Relevant business units of IKEA Australia, INGKA Group and Inter IKEA Group had been consulted for the preparation of this statement. Further, IKEA Australia undertook regular consultation and shared learnings internally (such as from literature reviews and attending seminars) with representatives of the various teams across IKEA Australia including IKEA Distribution Services Australia Pty Ltd. In addition, a draft of this statement was provided to the Board of IKEA Australia with an opportunity to provide comment.

# Other information: IKEA's broader contributions and planned future actions

- 28 Collaboration within IKEA Australia units and partners
- 28 IWAY development/outlook for FY22

### Collaboration within IKEA Australia units and partners

IKEA Australia will continue to engage with its co-workers and partners and look for new methods in which it can improve ways of working to eliminate the risks of modern slavery in its supply chain.

Throughout FY22, IKEA Australia will:

- Continue to apply IKEA's established standards for business ethics and the IKEA Code of Conduct.
  - Continue IWAY 6.0 awareness and support implementation with our suppliers/service partners both new and existing.
  - Further develop the training modules for our own co-workers to create awareness of the updated IWAY standard and to capture training about modern slavery in our Anti-Bribery and Corruption workshops.
  - Share learnings and insights with our suppliers/service partners to support and combat the modern slavery issues confronting Australia today.
  - Drive awareness of and engagement with our policies, processes and practices to address modern slavery in line with our People & Planet Positive strategy which ensures that we are:
    - Diverse and inclusive
    - Integrating equality into all aspects of our business
    - Standing up for a better world by encouraging our co-workers and customers to be activists for social change
- Continue to undertake regular monitoring of salient human rights issues and engage with external stakeholders and experts to inform our identification, response, and management of the issues.
  - If a material concern is identified, either through our own IWAY audit checks or through our stakeholders, we will engage with suppliers individually to resolve the issue.
  - Further develop our modern slavery risk management program and the role of the Modern Slavery Working Group in effectively engaging in ongoing monitoring of our procedures, reviewing our systems, processes, and identifying where further improvements can be made and actions can be taken.
  - Update our standard form contracts to extend the IWAY compliance requirement and include specific obligations on our suppliers relating to procurement and recruitment practices and modern slavery risks.
  - Continue to 'Be People and Planet Positive' – a Fair and Inclusive brand, company and employer with Fair and Inclusive ambitions.

### IWAY development/outlook for FY22

INGKA Group and Inter IKEA Group will continue to develop and improve IWAY 6.0, with an updated version 6.1 currently being developed. Further actions and developments are planned for FY22, and we will update on these developments in our next statement.

# Appendix A

30	IWAY - The IKEA Way of Purchasing Products and Services
30	Principles
31	Sections
31	The IWAY Requirements
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35	IWAY Musts and Sub-suppliers
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## **IWAY - The IKEA Way of Purchasing Products and Services**

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.

In FY21, Inter IKEA Group celebrated 20 years since IWAY was introduced to IKEA suppliers. 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.

1. IWAY principles are supported by effective routines and open dialogue
2. Business is conducted lawfully and with integrity
3. Children are protected and opportunities for learning and family life are promoted
4. Fundamental labour rights are respected
5. Workers have time over, are paid responsibly and have opportunities to develop competence
6. Workers' health and safety are protected
7. Working and living conditions are suitable
8. The planet is protected
9. Resources, including water and waste, are managed in a sustainable and circular way
10. Animals live decent lives

## 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.

- **Must:** Requirements that must be met at all times when doing business.
- **Basic:** Requirements that must be met within 12 months of first delivery of 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.

### **FY21 implementation updates**

During the Reporting Period IWAY Version 5.2 was effective and implemented by IKEA Australia for auditing purposes while IWAY 6.0 was being introduced and rolled out to our suppliers. By FY22, IWAY 6.0 will be fully implemented by IKEA Australia.

During FY21, the INGKA Group started/deepened the implementation of IWAY in new areas:

- Implementation of Digital Platform Work Section to selected suppliers (refer further below).
- Roll out of IWAY approach for Construction sector.
- Roll-out of IWAY roles and responsibilities model (**ARC model**) for Customer Fulfilment (CFF).
- CFF facilitated workshop around clarifying roles and responsibilities (based on ARC model) and creating a priority-based roadmap for IWAY implementation.

The new Digital Platform Section was developed by Inter IKEA Group to prevent exploitative work practices for digital platform companies in our value chain that use gig economy workers. Digital platforms are businesses that connect independent contractors with customers that need their services such as home delivery, assembly, and installation. There is a risk that these workers may not be covered by national employment

and social protection, as they may not have conventional employment contracts. The IWAY standards mean that digital platform companies must put measures in place to respect rights such as minimum wages, working hours, grievance processes and freedom of association. They also include measures to prevent forced labour, child labour and discrimination, and require platform companies to pay for any uniforms and marketing equipment that workers are required to use.

In FY22, these standards will be rolled out to all digital platform companies in Inter IKEA Group's direct supply chain, through the IWAY process. These businesses provide services for IKEA customers in around 20 countries. The sustainability teams and reviewers in all countries, including Australia, have been provided training on the new standard.



### IWAY implementation at IKEA Australia

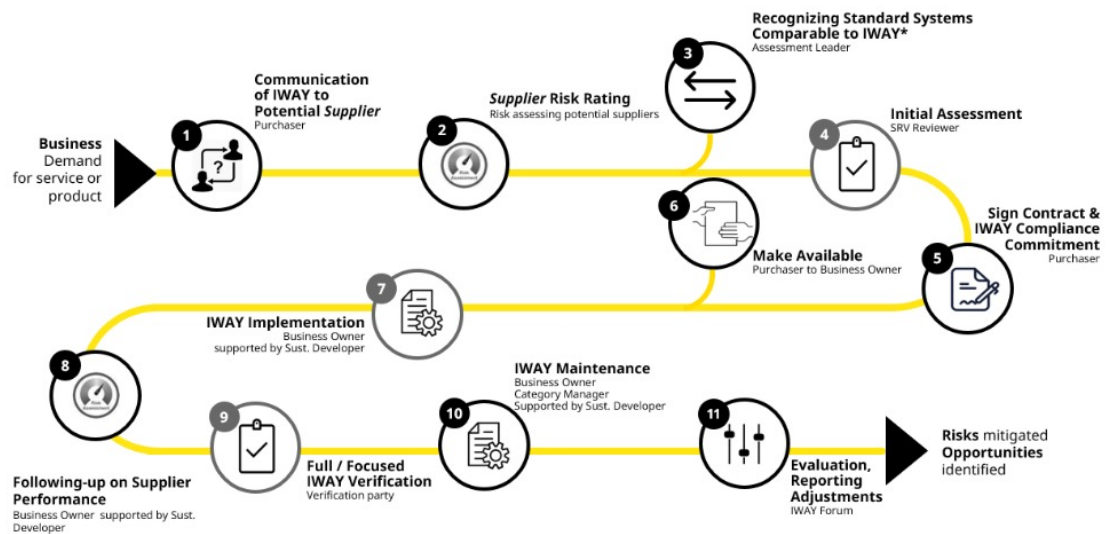
We have a 10-step process to manage risks in our supply chain (see below). Suppliers are reviewed and reassessed in a continuous IWAY cycle. Sustainability developers in our procurement team build relationships with suppliers and offer training to help them understand and apply IWAY. For the highest risk suppliers, we conduct IWAY reviews to check compliance with our standards. This is done by a trained team, Sustainability Risk & Verification Reviewers who are independent from our procurement team.

Our suppliers are responsible for communicating IWAY requirements to their sub-suppliers and for ensuring high-risk sub-suppliers 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 Australia. 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

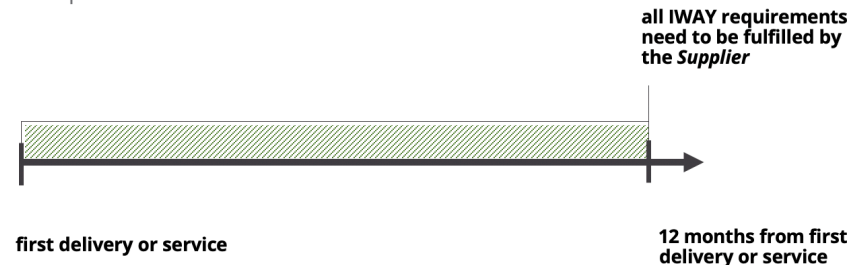
Where we find non-compliance with an IWAY Must, the supplier may be given two weeks to remedy the situation, depending on the severity of the non-compliance. The decision to give them an opportunity to remedy is based on the supplier’s attitude and willingness to work with us to improve. If the supplier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

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

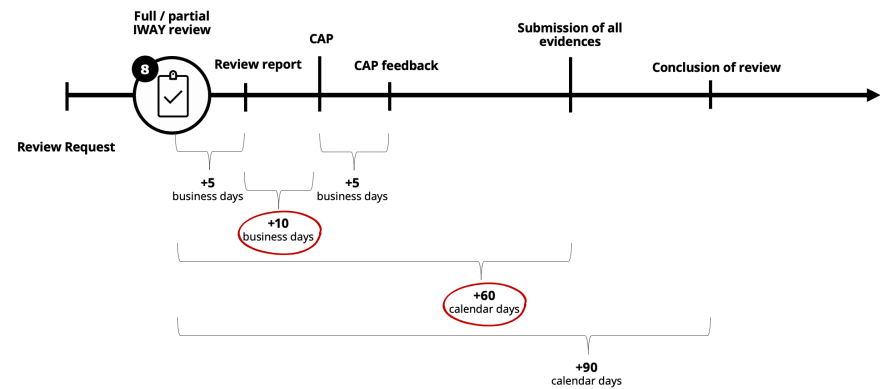
For ‘sub-suppliers’, IKEA Australia’s direct supplier must confirm to our satisfaction that the IWAY Musts are adhered to.

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

### IWAY implementation



### Verification timeline



## **IWAY Musts**

IKEA Australia 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.

## **Sub-suppliers**

Suppliers will often engage their own suppliers (IKEA sub-suppliers) 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 sub-suppliers. It is the responsibility of Tier 1 suppliers to audit their critical sub-suppliers and ensure IWAY Must compliance. IKEA Australia requires its direct suppliers map their sub-suppliers and that mapping be provided to us on request.

Sub-suppliers are defined as critical if the processes they perform are considered to be potentially highly harmful for the environment, health and safety of workers, or they are operating in an industry/geography or supply setup that is prone to child labour or forced or bonded labour. For such 'critical sub-suppliers', 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 Australia 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 Australia supplier.
- Sustainability developers support suppliers in IWAY implementation. They are also responsible for providing training on IWAY and other sustainability topics and issues, supporting business teams in their daily work with IWAY. Sustainability risk and verification teams and third-party auditors are responsible for annual IWAY audits of IKEA Australia suppliers. They review and follow-up action plans in the case of noncompliance.

IWAY trainers are internal experts with expertise in the working of IWAY. Internally, there are three levels of IWAY training at a minimum.

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

In December 2020, the INGKA Group Sustainability Committee approved a new global governance setup for IWAY. One of the major changes was to merge verification with implementation into the same governance body. This meant that the former SCWG (Sustainability

Compliance Working Group) was dissolved, and a new body was created called Global IWAY Forum (**GIF**). GIF supports INGKA Group with operational expertise, advice and guidance connected to implementation and verification of IWAY requirements to support consistency and successful implementation of IWAY across INGKA Group. The members of the GIF are senior leaders from different functions across the company.

GIF's roles and tasks are:

- providing input and steering on IWAY roadmaps;
- advising on IWAY steering documents (rules, standard operating procedure and guidelines), KPI, business solutions and training material;
- defining IWAY specifications for approval in the relevant decision-making body;
- interpreting and confirming exceptions to IWAY requirements based on set criteria and approach. This includes

securing alignment and confirmation of new types of exceptions with the relevant line organisation/ decision making body;

- providing guidance on IWAY issues raised by line organisations;
- analyzing IWAY performance to understand continuous development needs for the IWAY process, system and framework; and
- directing IWAY Calibration Group in tactical cases.

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

The role of the IWAY Council is to:

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

