

# Modern Slavery Statement

2021-2022



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# Foreword

Modern slavery impacts millions of people around the world, devastating lives, homes, and communities. At IKEA, our vision is to create a better everyday life for the many people. Having a positive impact on people, society, and the planet is at the centre of everything we do – from our relationship with our co-workers to our relationship with our customers and the communities we operate in. This requires a commitment to ensuring modern slavery is not present within any aspect of our business.

The IKEA *'People & Planet Positive'* Strategy is a roadmap for the sustainability agenda across IKEA and the entire value chain. The 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.

At IKEA Australia, we continue to ensure modern slavery is not present within any aspect of our business through strict compliance with the 'IWAY Supplier Code of Conduct'. This is the tool used by IKEA globally to secure compliance for environmental, social, and working standards applicable to all service partners and suppliers. We continue to raise IWAY awareness and support its implementation with new and existing suppliers and service partners. We are prepared to engage with suppliers to resolve any issue of concern.

We have also implemented rigorous monitoring, management, verification, and auditing processes. These include undertaking regular monitoring of salient human rights issues and engaging with external stakeholders and experts to inform our identification, response, and management of issues. We work collaboratively across our value chain to achieve our bold sustainability ambitions and commitments, continuously improve and ensure the fundamental protection of people, and uphold the respect of human rights in every 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.

We are equally committed to driving IKEA Australia co-worker awareness of and engagement with our policies, processes, and practices to address modern slavery. Our Modern Slavery Working Group, led by co-workers from key functions across our business, continues to drive and develop the modern slavery risk management program to effectively engage in ongoing monitoring of our procedures, reviewing our systems, processes, and to identify where further improvements can be made and actions can be taken. This includes further development of co-worker training modules on the IWAY standard and anti-bribery and corruption workshops, which incorporate modern slavery.

IKEA Australia continues to contribute to the IKEA ambition to create a positive social impact for everyone across the IKEA value chain by 2030. We will achieve this by growing the IKEA business in an even more inclusive way, by 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. Our comprehensive approach ensures that, as a values-led business and employer, we are diverse and inclusive, integrate equality into all aspects of our business, and stand up for a better world by encouraging our many co-workers and customers to be leaders in social change.

We welcome the opportunity to share our ambitions and actions on eradicating 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 2021 to 31 August 2022 (Reporting Period).

Previous IKEA Australia modern slavery statements are available on our website.

This statement has been approved by the Board of IKEA Australia in its capacity as principal governing body of IKEA Australia on 06 March 2023.



A handwritten signature in black ink, appearing to read 'Mirja Viinanen'.

**Mirja Viinanen**  
Board Member, CEO  
and Chief Sustainability Officer  
IKEA Australia  
06 March 2023

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	<u>Foreword (page 3)</u>
Describe the structure, operations and supply chain of the reporting entity	<u>1. Our structure, operations and supply chain (page 6)</u>
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	<u>2. Identifying our modern slavery risks (page 10)</u>
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	<u>3. Actions taken to assess and address our modern slavery risks (page 15)</u>
Describe how the reporting entity assesses the effectiveness of such actions	<u>4. Measuring the effectiveness of our actions (page 25)</u>
Describe the process of consultation with any entities that the reporting entity owns or controls	<u>5. Consultation (page 27)</u>
Any other information that the reporting entity considers relevant	<u>6. Other Information – Broader contributions and planned future actions for IKEA Australia (page 28)</u>

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## 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 is part of the "INGKA Group" of companies and operates IKEA stores under franchise with Inter IKEA Systems B.V. 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 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. Other subsidiaries of IKEA Australia (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

As of 31 August 2022, IKEA Australia operates 10 home furnishing product retail stores in 5 states and 1 territory around Australia and has an online presence servicing Australia exclusively.

IKEA Australia employed 3,688 co-workers as of 31 August 2022, through our stores in New South Wales, Victoria, Queensland, Western Australia, South Australia and Australian Capital Territory, including our Service Office, and Remote Customer Meeting Point. As of 31 August 2022, 316 co-workers were employed by IKEA Distribution. People are at the centre of the IKEA culture, and we see the people working within our organisation as being integral to supporting our approach to addressing modern slavery related issues.

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

## IKEA Australia supply chain

The IKEA Australia 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 and modern slavery risks and actions, including information from the 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 stores the products (other than the food products) in distribution warehouses and arranges for them to be delivered to the IKEA Australia stores and CDCs.

Our direct relationships for purchasing of almost all retail products are predominantly with Inter IKEA Group. Inter IKEA Group in turn have their own extended supply chains. In the last financial year, Inter IKEA Group has partnered with more than 1,600 direct suppliers in more than 50 markets, including home furnishings, food suppliers,

transport service providers and suppliers of components for home furnishing products. There are millions of workers who, through our suppliers, source, make and transport our products and components, provide food for our restaurants, and supply essential services to IKEA companies.

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

From product development and material sourcing to production, transportation and product end-of-life, Inter IKEA Group is involved every step of the way. All products sold from IKEA Australia are designed and developed in accordance with strict global requirements that Inter IKEA Group puts on both the product and the suppliers. Inter IKEA Group believes in building long-term relationships with

their suppliers and places a strong emphasis on supplier development. The average length of collaboration between Inter IKEA Group and home furnishing suppliers is currently 11 years.

## Business operation supply chain

To conduct our retail operations, IKEA Australia procures goods and services predominantly 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 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, insurance, external legal counsel, consulting, professional, personal development, temporary staff, recruitment, and welfare training programs.
- **Marketing:** This includes marketing agencies and public relations agencies
- **Mobility and travel:** This includes vehicle and airplane travel bookings and accommodation bookings.

- **Hospitality and catering:** This includes in-store restaurant and beverage services, as well as external catering events.

During the reporting period IKEA Australia had active contracts with 203 suppliers. 159 suppliers were based in Australia while the remaining 44 were based in various countries overseas including China, Thailand and Turkey. Of the 203 suppliers, 151 were subject to the requirements and processes of IWAY.

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### **Risk of modern slavery in our operations**

The IKEA Australia recruitment processes adhere to the required employment laws and regulations, and we have policies in place to mitigate human rights risks in our business. All IKEA Australia co-workers are paid above award rates as per their employment contract or enterprise agreement. There is no opportunity for a co-worker to be hired by IKEA Australia and not receive the rates of pay as per our agreement or their contracted salary. Furthermore, all IKEA Australia policies and practices including recruitment, meet or exceed the requirement set by the Australian government (e.g working hours, leave entitlements, overtime, rest breaks, superannuation, etc.)

### **Retail supply chain risks**

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

Inter IKEA Group is working to strengthen its systematic approach to identifying, prioritising and mitigating the salient human rights risks in alignment with the UNGPs and OECD guidelines. Inter IKEA Group recognise the gaps and are working with human rights due diligence experts to strengthen the methodology and approach.

That said, the IWAY System is designed to ensure that sustainability impacts, including human rights risks (such as workplace health and safety, wages and working hours) are identified before any supply agreement is entered into and then continuously identified, monitored and managed over time. Inter IKEA Group work to understand the specific local contexts and take a consistent and risk-based approach to securing good social, environmental and working conditions. Some key risks that were identified and addressed in FY22 include:

### **Continued impact from COVID-19 and world events**

During FY22, Inter IKEA Group resumed travel, as deemed safe across regions, allowing it to perform physical on-site audits of our suppliers. While travel has not fully resumed to the same extent as before the pandemic, this hybrid approach has allowed for flexibility and the reinstatement of the IKEA level of quality in verification activities.

While the impact of COVID-19 has lessened and allowed for the resumption of travel in most areas, other safety issues, most notably the devastating war in Ukraine, have restricted travel and business operations in Ukraine, Russia and Belarus. It has been recognised that this may limit Inter IKEA Group's oversight over modern slavery risks in this region and its scope to mitigate such risks. The United Nations and other bodies have also recognised the increased modern slavery risks that may arise from the war in Ukraine, such as the exploitation of people displaced by war. 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.

## Migrant workers

Migrant workers are a vulnerable group of workers in the value chain, and during FY22, there are new complex corridors of migration arising, where the risks of exploitation are increased. Inter IKEA Group placed more emphasis on strengthening the dialogue with our suppliers on topics such as working hours, fundamental labour rights and the responsible recruitment of migrant workers during the reporting period.

## Belarus

Due to the human rights challenges in Belarus and the unpredictable environment, Inter IKEA Group decided to stop all new business development in June 2021. Inter IKEA Group continued to investigate the next step regarding leaving the market without risking the livelihoods of thousands of people directly or indirectly employed in the IKEA supply chain. The war in Ukraine and the international sanctions accelerated these exit plans. [In June 2022, Inter IKEA Group and Ingka Group announced it would further scale down the IKEA business in Russia and Belarus after an initial pause in March 2022.](#)

## Cotton sector

Cotton is one of the most widely used materials to make IKEA furniture. Pakistan, China, India and Brazil are key sourcing markets for IKEA cotton, among others. Based on risks of forced labour connected to supply chains in the cotton sector, in FY22, Inter IKEA group continued to put emphasis on physical segregation and end-to-end traceability to minimise risks of a negative social impact from our cotton supply chains. Since 2015, Inter IKEA Group has used 100% Cotton from More Sustainable Sources (**CMSS**) in all products and productions made from virgin cotton. Better Cotton (**BC**), a multi-stakeholder organisation that sets social and environmental criteria for more sustainable cotton, is one of our approved schemes for CMSS, and therefore historically we have been using BC licensed cotton on a global scale.

Inter IKEA Group cotton teams working across the globe are responsible for ensuring that all cotton used in IKEA products meet the demands of compliance in our supply chain. By having teams on the ground in areas where it has previously been challenging to work responsibly, traditional ways of working can be challenged, with the overall industry improved. Our compliance culture and values are what guides us in the work we do. Inter IKEA Group are conducting business in places where we, despite our efforts and ambitions, cannot ensure our requirements are being met due to non-transparent supply chains, or if it is recognised that our initiatives can't create the impact we aim for, we will always investigate alternatives.

There is follow-up on the ground and changes are made, including at times diverting our supply chains. By using CMSS, prioritising compliance, and working with partnerships and initiatives on the ground, we believe that we can contribute to a better global cotton industry.

Read more about our approach to cotton and how we minimise the risks here: <https://about.ikea.com/en/about-us/our-view-on/cotton>

### **Natural fibre sector**

During the IWAY audits and verification activities performed in FY22, no suspected or confirmed cases of child labour were identified at IKEA suppliers. In FY21, we identified risks of negative impacts on children working in the lower tiers of the supply chain in the natural fibre industry. To address this risk, Inter IKEA Group works with the Centre for Child Rights and Business to better understand the situation and, with a community-level approach, tackle the root causes of these issues. We've also engaged other relevant stakeholders to address child rights issues more broadly and make them aware of our ambitions, as well as learnings and good practices from our experiences. This will continue to inform our broader supply chain management.

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

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

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, cleaning, security service suppliers, and any permanent or semi-permanent on-site service providers such as trolley collectors.

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

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

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

The detailed risk assessment that we undertake in respect of each of the suppliers in our supply chain is described in section 3.

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.

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## Retail supply chain risks and actions - IKEA globally

A key part of the IKEA Australia 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. Further information about how the Inter IKEA Group secures compliance with IWAY is detailed in our Modern Slavery Statement for 2020/21 that is available on our website.

During the year Inter IKEA Group continued the work of integrating IWAY 6 (introduced in September 2020) across the IKEA value chain. While IWAY 6 puts a bigger focus on supporting suppliers with their continuous development journey, compliance with mandatory IWAY requirements is, and remains, the foundation of our partnership.

During FY22, the IWAY audits performed at Inter IKEA Group suppliers, found the most common IWAY Must deviations - connected to labour topics - included:

- Insufficient systems for working hours registration, including overtime, were found at 13 suppliers.
- Non-compliance regarding the accident insurance requirement was identified at seven suppliers. The accident insurance requirement was strengthened in IWAY 6 and now includes occupational illnesses. (Including illnesses is new in some regions, which has led to non-conformities, despite implementation support to suppliers.)

The IWAY Must requirements include ensuring that no child labour is used at the supplier operations, there is no forced, prison, bonded or involuntary labour, and there is no corruption or use of bribery related to the IKEA business.

Like all IWAY deviations, this is taken very seriously and follows the IWAY process of identifying the root causes of issues, ensuring suppliers implement corrective actions, as well as phasing out suppliers who don't address the issues in a reliable and consistent way. During FY22, Inter IKEA Group phased out nine suppliers due to non-compliance of any IWAY requirements (social, environmental, animal, etc).

## Key policies

To mitigate human rights risks in our business, IKEA Australia applies the INGKA Group Policy on Human Rights and Equality and the IKEA Employment Standards. For suppliers, the IKEA Code of Conduct, IWAY, sets the requirement to respect human rights and labour rights in the supply chain.

In January 2022, Inter IKEA Group updated its policy on human rights following an Inter IKEA Group-wide human rights baseline assessment. You can read more here [The Inter IKEA Group approach to human rights due diligence](#)



## Human rights

IKEA Australia is committed to respecting human rights across operations and the value chain. 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.

Inter IKEA Group is committed to conducting human rights due diligence to secure that its operations, products, strategic and day-to-day decision making, and its business relationships are mitigating adverse impacts.

The Ingka Group Policy on Human Rights and Equality is the basis of our approach, and we are also guided by the IKEA Employment Standards, our Code of Conduct and IWAY. The Human Rights and Equality policy is based on the UN Guiding Principles on Business and Human Rights, Children's Rights and Business Principles, as well as 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.

## Children's rights

For Ingka Group, our approach is based on the Children's Rights and Business Principles, developed by Save the Children, the UN Global Compact and UNICEF. We look at all aspects of our business from a child's rights perspective, and our key commitments include:

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

In FY22, Inter IKEA Group revised the social chapter of the IKEA Sustainability strategy. In the updated strategy Inter IKEA Group strengthened its commitment to respect children's rights across our operations, with particular focus on securing child safeguarding, inclusion and empowerment of children and youth and ensuring family-friendly practices. The IKEA Sustainability strategy applies to all legal entities under the IKEA brand (Inter IKEA Group, Ingka Group, including IKEA Australia). During FY23 we are developing the necessary strategic goals and plans to operationalise our commitment.

In FY22, Inter IKEA Group also undertook planning for an acceleration of our young workers inclusion programme, in line with our commitment in the [IKEA action pledge for elimination of child labour](#).

During FY22, Inter IKEA Group identified where the risks to youth unemployment and lack of educational opportunities are highest, and worked with suppliers to plan for an acceleration of programmes that strengthen the inclusion of young workers in its supply chain. Building on learnings from pilot initiatives in Vietnam and Indonesia, Inter IKEA Group is now planning to accelerate the scale of these programmes.

During FY22, Inter IKEA group stayed focused on its efforts to prevent and address child rights risks in deeper supply chains, and continued to work closely with expert partners, such as the ILO Child labour platform. We continuously review our approach and improve our practices. As mentioned above, we continued focusing on child rights in natural fibre supply chain, working with The Centre for Child Rights and Business. We have also engaged other relevant stakeholders to address child rights issues more broadly and make them aware of our ambitions, learnings, and good practices. This work will continue to inform our broader supply chain management.

## Responsible wage practices

IKEA takes a holistic approach to responsible wage practices, putting equal focus on equality at work, pay principles, competence, dialogue and a living wage.

Inter IKEA Group have made a commitment that Responsible Wage Practices (**RWP**) will be an integrated part of IKEA operations, as well as aiming for all IKEA business partners and suppliers to have the same, by 2030. In FY21, Inter IKEA Group developed the IKEA Responsible Wage Practices Framework and Assessment Methodology. This framework and methodology takes a holistic approach to the subject of wages by placing equal focus on pay principles, equality at work, competence, enabling dialogue and a living wage. This year Inter IKEA Group conducted the first RWP baseline assessment throughout organisations working under the IKEA Brand. In FY23, Inter IKEA Group will further its work by focusing on conducting gap analyses and establishing pilot programs in its supply chain. Inter IKEA Group are also engaging with peer brands and other companies and NGOs to learn, share and inspire each other to move the topic of living wage into the global agenda.

The INGKA Group approach to providing fair incomes across the value chain is focused on placing equal value on five practices: Equality at work, Pay principles, Competence, Dialogue and Living wage. RWP is a shared initiative that we have developed together with Inter IKEA Group and partners to handle wage

practices – to make sure that all co-workers can live a decent life. INGKA Group conducted a baseline assessment that included unit Management team’s self-assessment surveys, Line manager’s questionnaires and a living wage benchmark. In FY23 INGKA Group will conduct a co-worker perception survey.

### **Equality, Diversity and Inclusion (EDI)**

In FY22, Inter IKEA Group strengthened the IKEA strategic commitments on Equality, Diversity and Inclusion both in the Sustainability and the People Strategy providing common direction to all organisations across the IKEA value chain. It is about accelerating diversity at all levels, embedding equality into the Policies and processes and building inclusive capabilities, to make IKEA relevant, meaningful, and inspiring for the many diverse co-workers and customers.

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

#### **IWAY Compliance Process**

We mitigate our potential human rights risks in the IKEA Australia business by setting standards for suppliers and monitoring compliance under the IWAY program. Before engaging in a business partnership, a potential service provider is provided with detailed information about the IWAY standard and is risk assessed for their ability to comply with our modern slavery expectations. The process by which this occurs is set out in further detail in our modern slavery statements for FY20 and FY21.

Once a supply chain partnership is commenced, 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 believes 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 information under the IWAY heading).

During the reporting period there were 153 suppliers subject to IWAY in the business operations supply chain. Of these 153 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.

IKEA Australia continues to demonstrate its commitment to eliminating modern slavery from our business operations supply chains, through our 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.

### **FY22 statement**

Through FY22 IKEA Australia continued to *'Be People and Planet Positive'* – a *Fair and Inclusive* brand, company and employer with Fair and Inclusive ambitions. In the FY21 MSS report we identified actions to take during FY22, below is described how we delivered against those actions.

#### **1. Continue to apply IKEA established standards for business ethics and the IKEA Code of Conduct.**

During FY22 we continued to apply IKEA established standards for business and the IKEA Code of Conduct through the following activities:

- The People and Planet Positive Commercial Review is a tool to support securing integration and clear ownership of sustainability in day-to-day operations, commercial agenda and the meeting with the co-worker, customer and the local neighbourhood. This includes the topics of IWAY and modern slavery.
- Refresher training for People and Planet Positive topics (including IWAY and Modern Slavery) were completed at stores. To secure ongoing refreshers some units have added this content to their Code of Conduct annual refresher sessions. This content has also been updated in IKEA Welcome package which all new co-workers go through as part of onboarding.
- Internal Yammer posts by stores to keep IWAY and Modern Slavery top of mind throughout the year.
- Anti-Bribery and Corruption training was secured for co-workers
- Continued application of the IWAY process for assessing, onboarding and working with supply partners
- To mitigate human rights risks in our own operations, IKEA Australia applies the INGKA Group Policy on Human Rights and Equality and the IKEA Employment Standards.

**2. Continue IWAY 6.0 awareness and support implementation with our suppliers/service partners both new and existing.**

The Procurement and Sourcing teams completed IWAY 6.0 contract amendments for all applicable suppliers. This ensures that all applicable suppliers have been communicated with regarding the new version of IWAY and also agreed to comply with the updated requirements.

Australia was the first market to complete an audit of the Digital Platform Work Section at one of our assembly providers. With diligent preparation by the supplier and support from the IKEA business team, the supplier achieved a compliance rate of 100% for this section.

As a result of the audits undertaken in FY22 we were able to identify some areas where we can better support suppliers and the business in IWAY compliance. These were, collecting feedback on the IWAY process, and Preparation, explaining and closing out audit outcomes, and improved templates for new suppliers implemented for the first time. In FY23 we aim to create processes and templates to better support these areas.

**3. 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.**

Inter IKEA and Ingka worked together on a joint project to develop a learning solution for IWAY Implementation Support Skills. This training once published will provide key stakeholders in the IWAY process with foundational content on their role in the IWAY process and give guidance on practical actions they will be able to take in providing implementation support to suppliers.

The IKEA Australia 'Welcome' content is a two-day induction program that new co-workers attend. In August we updated the content for IWAY 6 and added content related to the Modern Slavery Act and the IKEA Modern Slavery Statements. All new co-workers from FY23 onwards will run through this content as part of their onboarding.

**4. Share learnings and insights with our suppliers/service partners to support and combat the modern slavery issues confronting Australia today.**

The supplier who was audited for the Digital Platform Work Section were able to implement good solutions for presenting platform workers with options for certain insurance coverage, and assessing and communicating occupational health and safety risks to platform workers.

The assembly supplier created a simple guidance document with infographics and external independent links that the DPW workers could access to learn more about the options they might consider as independent contractors. While as per legislation the supplier is not required to provide things like insurances the DPW requirements look to secure that workers are at least informed of their rights and options accessible to them to ensure a secure and safe work life.

### **iReview**

A new digital solution “iReview” was implemented in March of 2022 to support the Third-Party Compliance (TPC) compliance review process. iReview replaced the previous way of working, where reports were stored in SharePoint and findings from the reviews were shared via Excel spreadsheets. The TPC team partnered with PwC to develop a more reliable, robust, and centralised solution.

The new system provides functionality to maintain supplier and site information, order and schedule compliance reviews, and track any open corrective actions through to resolution. Other benefits of iReview include the ability to have an overview of the status of all compliance activities and corrective actions at the click of a button. iReview also allows suppliers to submit evidence to close corrective actions. Reviewers and Business Owners can also send comments to suppliers within the system. In addition, iReview consists of a reporting module and users can export data to Excel for further analysis.

### **5. 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 – ongoing commitment to secure gender balance in all levels and functions; chosen names; and implementation of LGBT+ Co-worker Resource Group
- Integrating equality into all aspects of our business – Skills for Employment Program supporting Refugees and Asylum Seekers on their employment integration into Australian workforce; Family Friendly Workplace Accreditation; and updated our Domestic & Family Violence Rule
- Standing up for a better world by encouraging our co-workers and customers to be leaders for social change – Partnered with UNHCR on a fundraiser to bring attention to the support needed for all Refugees.

**6. 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.**

A representative of IKEA Australia attended the UNGCNA (United Nations Global Compact Network Australia) in-person consultation with Professor James McMillan on the review of the Modern Slavery Act in Sydney on 6 September 2022. This consultation involved many industry specialists to review the impact of Australian Modern Slavery statements, including challenges and improvements that can be made to the Act.

A representative of IKEA Australia attended UNGCNA Modern Slavery COP events covering:

- Modern slavery response plans
- Reporting high-risk due diligence findings to the Australian Federal Police
- Measuring the effectiveness of actions
- Developing innovative ways to engage suppliers
- Supporting SMEs in their own risk management

**7. 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.**

During FY22 no material modern slavery concerns were identified.

**8. 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.**

In FY22 IKEA Australia re-adjusted its approach to managing IWAY and Modern Slavery risk by combining the two topics and forming a working group and a forum.

**9. Update our standard form contracts to extend IWAY**

Modern slavery has been added to our general purchase conditions and giving agreement templates

## 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 the 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 sub-contractors to ensure IWAY compliance and consistent implementation throughout all of the areas in which IKEA operates.

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.

The decision to give suppliers an opportunity to remedy a major non-compliance is based on the supplier's attitude and willingness to work with us to improve. If the supplier is unable to rectify the major non-compliance within the two-week timeframe, we will then look to phase out the supplier and terminate the contractual relationship.

If the supplier is unable to remedy a non-compliance that is not a major non-compliance, the supplier is given the opportunity 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.

Tier 1 suppliers (direct suppliers) are requested to communicate and verify IWAY 'Must' requirements to their own suppliers, It is the responsibility of Tier 1 suppliers to audit their sub-contractors and ensure IWAY Must compliance. IKEA Australia requires its direct suppliers map their sub-contractors and that mapping be provided to us on request.

Suppliers in Tier 2 onwards are defined as 'sub-contractors' 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 these sub-contractors, the IKEA direct supplier must confirm to IKEA that the IWAY Musts are adhered to.



# Measuring the effectiveness of our actions

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## IWAY Compliance Commitment

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 at minimising the risk of modern slavery in our supply chain is mainly through annual self-audits which must be completed by all 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 its 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 and assess how our actions compare with those of our peers.

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. We use these grievance mechanisms to determine whether our actions are effective at minimising instances of modern slavery, or if no such instances are identified, whether we have effectively created a culture where our co-workers feel empowered to speak up about modern slavery.

# Consultation

Relevant business units of IKEA Australia, INGKA Group and Inter IKEA Group have been consulted for the preparation of this statement. Further, IKEA Australia undertook regular consultation and shared learnings internally (such as 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 – Broader contributions and planned future actions for IKEA Australia

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### **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.

#### **IKEA Australia FY23 actions**

We have identified actions to take during FY23 to continue to identify and mitigate modern slavery risks in our value chain.

1. IWAY reviews will be completed with 7 high IWAY risk suppliers.
2. We will create a list of suppliers for active implementation of IWAY that will cover high risk suppliers as well as high spend suppliers.
  - From this list business owners will work on a schedule for requesting and reviewing IWAY self-assessments from suppliers.
  - From this list we will also re-start supplier site visits with suppliers who have processing or manufacturing operations.
3. We will perform a self-assessment for IWAY against our own operations to identify areas for improvement. The purpose of this is to ensure we are operating at a similar standard to that of which we require our suppliers via IWAY.
5. We will review the available learning content for IWAY and Modern Slavery to create a standardised learning guide for different types of co-workers in our business. This will include how we manage refresher trainings.
6. We will roll out new learning solutions from the global IWAY learning package, targeted at business owners and how they can support their suppliers in IWAY implementation
7. We will update our internal shopping platform, iShop with IWAY risk information. The purpose of this is to highlight to co-workers when ordering products and services whether or not they are buying from suppliers that have been assessed for IWAY risk or not.
8. We will continue to develop tools and content to support business owners and suppliers with IWAY implementation and compliance.
9. We will review how we communicate IWAY and the Modern Slavery Statement to co-workers in a clear and simple way.

# Appendix

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## **Grievance mechanism**

Breaches of IWAY compliance by third parties contracted within our supply chain are mostly detected through compliance verification activities at suppliers, such as IWAY reviews or initial assessments.

To gain further control, a grievance mechanism is under development by Inter IKEA Group to provide a solution that serves the whole IKEA brand with first pilots to begin in FY24. We aim to fulfil our commitments by engaging stakeholders and providing a means by which individuals can bring serious noncompliance issues with the IKEA code of conduct for suppliers of our direct business partners to our attention.

