

# Modern Slavery Statement

2022-2023



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# Foreword

The IKEA vision is to create a better everyday life for the many people.

The vision, combined with our ambitions for people, go across the full IKEA value chain, and we expect the same or higher standards of ourselves as we do of our suppliers and business partners.

At IKEA, we want to take a leading role in creating a fairer and more equal society and to improve the lives of the millions of people that interact with or are impacted by our company. Our sustainability strategy, People and Planet Positive, includes commitments to respect human rights and to ensure this is embedded into all aspects of our operations, including:

- Providing and supporting decent and meaningful work across the IKEA value chain
- Being an inclusive business
- Promoting equality

We believe everyone has the right to decent and meaningful work including a healthy and safe workplace, freedom from discrimination, job security, predictable working hours, financial stability, and training. However, many people working in supply chains do experience unfair and unsafe working conditions. This is not acceptable.

Through our Supplier Code of Conduct, IWAY, we work to ensure that human rights and labour rights in our supply chain are protected.

This is the tool used by IKEA globally to secure compliance for the environmental, social and working standards that are 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, ensuring the IWAY requirements are translated into reality and integrated into their operations.

In this report, we identify a range of potential modern slavery risks for our industry and the actions we are taking, both locally and globally to mitigate these risks.

One key risk area for IKEA Australia's business operations supply chain is the engagement of unskilled and/or migrant workers. IKEA supports the employment of unskilled and/or migrant workers, while also recognising that they can be more vulnerable to modern slavery risks than workers from other backgrounds. Risks such as abuses of working rights, hours and conditions, workplace health and safety, bribery and corruption are key considerations for unskilled/migrant workers.

The Modern Slavery Working Group, facilitated by leaders and co-workers from key functions across our business, continues to develop the modern slavery risk management program at IKEA Australia. The program is responsible for monitoring our procedures, reviewing our systems and processes and identifying where further improvements can be made such as co-worker training modules on the IWAY standard and anti-bribery and corruption workshops.

Assessing the human rights impacts of our business activities is an ongoing process and we are continually developing our approach and we know there is always more we can do.

When it comes to human rights, we don't have all the answers and need to work with others to address challenges and contribute to change. We are committed to driving positive change beyond our business and work collaboratively with others to address the root causes of negative human rights impacts on people, society and the environment here in Australia and around the world.

This statement is given by IKEA Pty Limited ACN 006 270 757 (**IKEA Australia**), pursuant to section 13 of the *Modern Slavery Act 2018* (Cth), and covers the activities of IKEA Australia and the entities it owned and controlled for the financial year 1 September 2022 to 31 August 2023 (Reporting Period). This statement has been approved by the Board of IKEA Australia in its capacity as principal governing body on 26 February 2024.



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

**Mirja Viinanen**  
Board Member, CEO  
and Chief Sustainability Officer  
IKEA Australia  
26 February 2024

This statement was prepared to meet the mandatory reporting criteria set out under the *Modern Slavery Act 2018* (Cth). The table below identifies where each criterion is addressed within this statement.

Page	Heading and page reference	Modern Slavery Act Mandatory Criteria
3	<b>Foreword</b>	Identify the reporting entity
6	<b>1. Our structure, operations and supply chain</b>	Describe the structure, operations, and supply chain of the reporting entity
11	<b>2. Retail Supply Chain</b>	
12	2.1 Identifying our modern slavery risks	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
14	2.2. Actions taken to assess and address our modern slavery risks	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
17	2.3. Measuring the effectiveness of our actions	Describe how the reporting entity assesses the effectiveness of such actions
21	<b>3. Business operation supply chain</b>	
22	3.1. Identifying our modern slavery risks	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
24	3.2. Actions taken to assess and address our modern slavery risks	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
28	3.3. Measuring the effectiveness of our actions	Describe how the reporting entity assesses the effectiveness of such actions
30	<b>4. Consultation</b>	Describe the process of consultation with any entities that the reporting entity owns or controls
31	<b>5. Other Information – IKEA's broader contributions and planned future actions</b>	Any other information that the reporting entity considers relevant

# 1

## Our structure, operations and supply chain

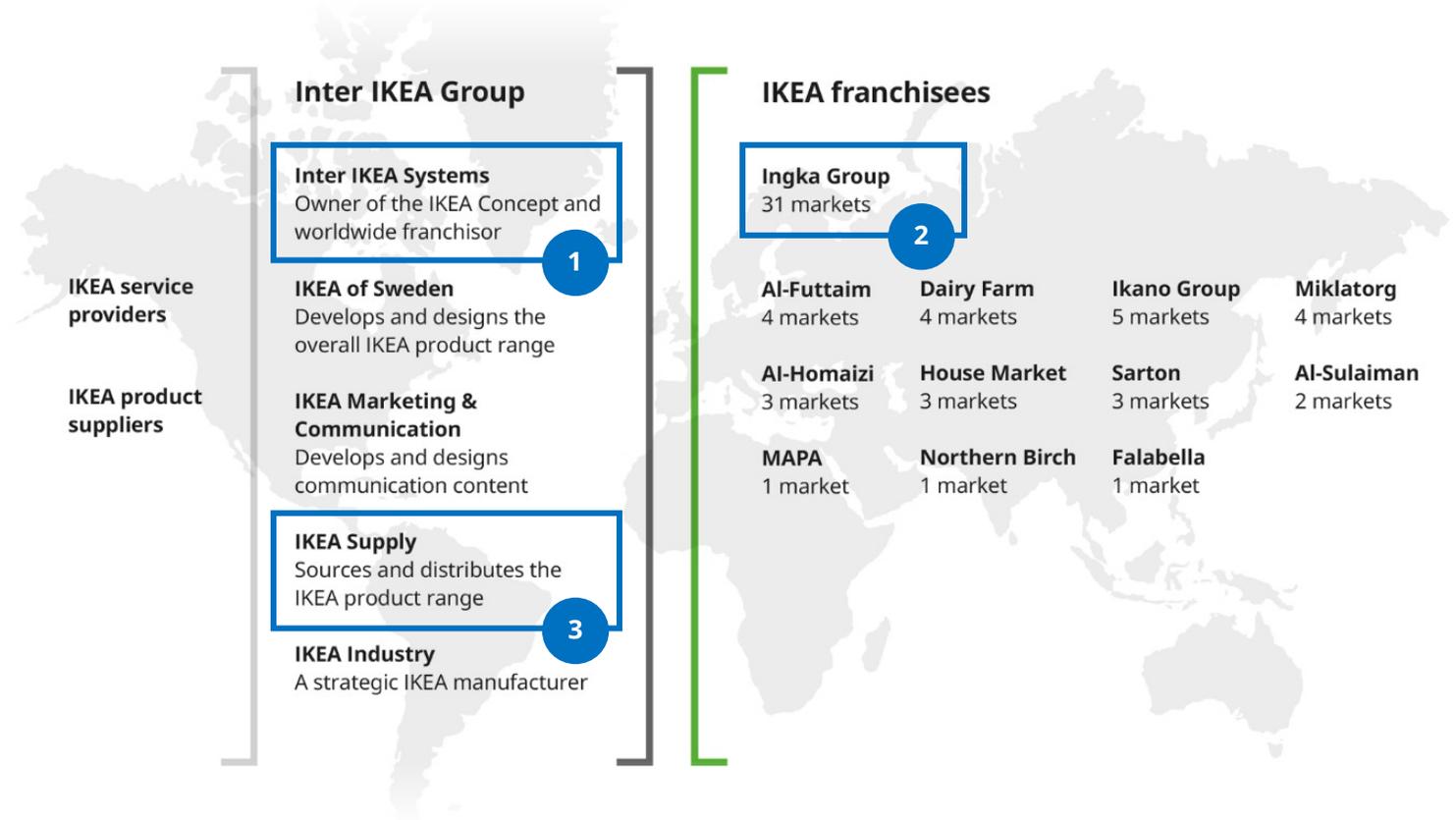
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## Structure

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

Inter IKEA System B.V. (**IISBV**) is the owner of the IKEA concept (box 1 in the illustration), and the worldwide IKEA franchisor. IISBV and all its subsidiaries including IKEA of Sweden AB, IKEA Marketing & Communications AB, IKEA Supply AG (**ISAG**) and IKEA Food Supply AG (**IFSAG**) are collectively referred to as the “Inter IKEA Group” (box 2 in the illustration).

IISBV has granted IKEA franchises to companies in several different groups and has licensed the IKEA brand, IKEA product portfolio, concepts, and business methods. One of the franchisee groups is the Ingka Group (box 2 in the illustration). Currently, the Ingka Group operates retail businesses in 31 countries representing approximately 90% of the IKEA sales worldwide.



IKEA Pty Limited (**IKEA Australia**) is a company incorporated in Australia and is part of the Ingka Group (box 3 in the illustration). Our registered office is located in the State of New South Wales. The parent company of IKEA Australia is Ingka Holding B.V., IKEA Australia, who purchases IKEA products through Inter IKEA Group's own suppliers being ISAG and IFSAG (box 3 in the illustration). Inter IKEA Group supply all home furnishings and packaged food products that are sold by IKEA Australia.

IKEA Australia has a number of subsidiaries. IKEA Distribution Services Australia Pty Ltd, ACN 001 264 179 (**IKEA Distribution**) is a wholly owned subsidiary of IKEA Australia and is responsible for the distribution of IKEA products to various IKEA units within Australia. Other subsidiaries of IKEA Australia are IKEA Trading Pty Ltd, Ashpark Pty Ltd, Cebas Pty Ltd and Sabec Pty Ltd. These subsidiaries did not have any material activities in the Reporting Period.

As of 31 August 2023, IKEA Australia employed 3590 co-workers and IKEA Distribution employed 296 co-workers.

## Operations

As of 31 August 2023, IKEA Australia operates 10 full sized stores, 2 Plan and Order Points, 1 Customer Distribution Centre, 1 Remote Customer Meeting Point and 1 Service Office in Australia.

IKEA Australia's operational activities include the provision and distribution of retail products including furniture, furnishing accessories and food products. Within Australia, the retail products are stored in warehouses as well as our retail stores. Part of our operations includes distribution of home furnishings from warehouses to our stores. Customers can receive goods directly from our warehouses or from our retail stores.

## IKEA Australia supply chain

The IKEA Australia supply chain is comprised of two separate supply chains. One for sourcing the products that we sell (**the retail supply chain**) and the other for the goods and services that are essential for our business operations (**the business operation supply chain**).

During the Reporting Period, IKEA Australia re-arranged its supply chain. The responsibility for the supply of fresh food transitioned to the Inter IKEA Group part of the retail supply chain from the current business operation supply chain. In the process, IKEA Australia completed risk mitigation steps including inclusion of IWAY in contracts and risk assessments before supplier contracts were signed. IKEA Australia will continue this process and work in collaboration with Inter IKEA Group to ensure all risk mitigation processes implemented.

### Retail supply chain (Inter IKEA Group)

The IKEA home furnishing and retail food products (**retail products**) are supplied to IKEA Australia by the Inter IKEA Group. In this statement, information has been provided by Inter IKEA Group about its supply chains, modern slavery risks and actions. The Inter IKEA Group imports the retail products, stores the products (other than the food products) in distribution warehouses and arranges for them to be delivered to the IKEA Australia stores and Customer Distribution Centre.

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

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

IKEA retail products are predominantly sourced and produced in Europe, Asia-Pacific, North America and South 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 work with Ingka Group suppliers and local suppliers to procure the following goods and services directly. These goods and services are 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 Customer Distribution Centres.

- **Retail services:** This includes retail showroom fit outs, back-office furniture and fit outs, stationery and branded items, knowledge subscription services, document management services, courier, and postal services, as well as printer maintenance services and document printing services.
- **Facilities management:** This includes the services that support our retail operations including leasing, office maintenance, technical maintenance, utilities, cleaning, and security.
- **Professional services:** This includes taxation, insurance, external legal counsel, consulting, professional and 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.
- **Digital Platform Providers:** This includes digital platform providers such as freelance, on demand short term employment connection supplier and services provers via online platforms and apps.
- **Energy and Waste:** This includes energy supply, renewable energy certificates, and waste management services.

Approximately 95% of suppliers with an annual spend greater than \$100,000 EUR had active contracts during the Reporting Period. This equates to approximately 105 suppliers, and from these 105 suppliers, 15 suppliers were deemed out of scope and not subjected to IWAY requirements.

101 suppliers were based in Australia, while the remaining 4 were based in New Zealand, Sweden, and the United Kingdom. These suppliers are contracted on a mid to long term basis.

# 2

## Retail supply chain (Inter IKEA Group)

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## 2.1 Identifying our modern slavery risks

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

### Forced labour risks

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

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

### Cotton sector

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

### Seasonal and migrant workers

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

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

### **Geopolitical and country-specific risks**

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

### **Transportation risks**

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

The smuggling of people across cross border transport networks (such as into European countries) is an identified risk within the retail supply chain. Based on monitoring systems, during the Reporting Period, there is a continued risk for both criminal people smuggling as well as refugees moving illicitly across countries via transport companies, putting the safety of those people at risk.

## 2.2 Actions taken to assess and address our modern slavery risks

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

### Forced labour risk prevention

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

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

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

### Cotton sector

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

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

### Seasonal and migrant workers

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

The responsible recruitment of migrant workers continues to be a particularly critical area of focus. During the Reporting Period, Inter IKEA Group collaborated with the International Organization for Migration on a project concerning the human rights of migrant workers. The aim was to gain deeper insights into the risks linked to cross-border recruitment and to enhance our ability to support suppliers. Training was held for 363 IKEA co-workers and over 700 workers of our suppliers based in different offices around the world. Training sessions will continue in 2024.

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

### **Geopolitical and country-specific risk prevention**

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

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

### **Transportation risk prevention**

During the Reporting Period, to address the risks associated with seafarers' rights and wellbeing, requirements are to being developed for ocean carriers with a view to addressing the issue of human rights at sea. The requirements cover areas such as seafarers' well-being, working hours and time off. These requirements that will be a part of the IKEA supplier code of conduct are being developed in collaboration with our ocean transport service providers and other external stakeholders.

Inter IKEA Group are also in the process of enhancing internal awareness and competence surrounding seafaring to gain a deeper understanding of the complexities within the industry, including identifying the extent of these issues in our supply chains and evaluating the necessary steps for improvement. In 2024, there are plans to introduce a new set of IWAY requirements related to seafarer wellbeing (IWAY Transport Section, version 6.2). There is a close collaboration with our ocean suppliers to ensure that all parties share the same vision and can work together to implement effective strategies which mitigate the prevalent risks.

Inter IKEA Group intend to have a better overview of the scale of these problems from 2024 and will then calibrate our mitigation measures and requirements.

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

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

### **The IWAY Standard and IWAY System**

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

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

The IWAY Standard, is the IKEA supplier code of conduct and includes requirements for suppliers, common rules as to ways of working for all IKEA organisations working with IWAY in their supply chains and is built around 10 environmental and social principles. Topics covered include, among others, children's rights, business ethics, fundamental labour rights, health, and safety at work, working and living conditions, environmental aspects, resource optimisation and animal welfare.

With its roots in the IKEA culture and values, and the United Nations Sustainable Development Goals, IWAY principles and requirements are founded on internationally recognised standards and principles (such as the United Nations Guiding Principles on Business and Human Rights, the Ten Principles of the United Nations Global Compact, the International Labour Organisation Centenary Declaration for the Future of Work and the International Labour organization Labour Standards), as well as regional and national laws and regulations. You can read the IWAY Standard [here](#).

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

- requiring all its direct suppliers to comply with the IWAY Standard;
- requesting direct suppliers to communicate the mandatory IWAY requirements (IWAY 'Must' and IWAY 'Basic') to their own suppliers. In addition, critical sub-suppliers of direct suppliers must confirm that the mandatory IWAY requirements are adhered to;
- ensuring due diligence and audits, both announced and unannounced, of the supply chain by IKEA IWAY auditors and independent third-party auditors, are conducted to verify compliance against the IWAY Standard and other standards; and

- taking steps for continuous improvement or ultimately phasing out a supplier if the supplier fails to fulfil the IWAY requirements within the given time frames.

## 2.3 Measuring the effectiveness of our actions

### Internal reviews

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

### IWAY system

Inter IKEA Group has robust processes in place to implement and verify compliance with IWAY requirements in its value chain. IWAY is an end-to-end process that commences when a potential new supplier is evaluated and ends when the supplier relationship is discontinued.

While the IWAY process itself serves as a measure to identify, prevent, mitigate and assess risks to human rights and the environment in IKEA's operations and supply chain, it also involves actions which ensure the consistent assessment of the effectiveness of those measures. This enables IKEA to adapt and strengthen its actions to continually improve its response to modern slavery.

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

### **Initial risk assessments**

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

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

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

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

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

### **IKEA supplier support**

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

## **IWAY audits**

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

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

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

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

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

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

## **Supplier management governance forums**

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

## **IWAY system review and evaluation**

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

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

improved environmental impacts;

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

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

# 3

## Business operation supply chain

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### 3.1 Identifying our modern slavery risks

Ingka Group aims to focus on the most salient human rights impacts – those at risk of the most severe negative impacts. A range of potential human rights risks have been identified within the business operation supply chain, including modern slavery and forced labour, low wages, undocumented cash wages, excessive hours, unsafe working conditions, and threats to freedom of association rights. Assessing the human rights impacts of the business operations is an ongoing process and there is a continual learning and development of the approach.

The starting point for a risk assessment is the enterprise risk management process, which is a process run both yearly on an ad hoc or as-needed basis. It is based on a pre-defined 'risk universe', where human rights risks are one element.

The purpose of a risk universe is to support the above-mentioned risk assessment processes, especially when identifying and reporting on risks. It assists in categorising risks to identify what areas see opportunities and where the biggest, or rising, risks are. The risk universe is submitted annually to various internal key departments in the form of workshops with the business referents, to check its relevance to the activities of IKEA Australia as well as to identify risk owners and actions.

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

For suppliers, a special system of risk management (IWAY) has been developed, built on assessing different parameters, such as country risk indices, category/industry risks, individual supplier characteristics and individual supplier history. All suppliers are risk rated on the parameters mentioned above and are given an individual risk score from low-medium-high-critical. Depending on the rating, different IWAY implementation and verification activities are defined for the coming year for each supplier.

During the tender process for selecting new suppliers, An IWAY Initial Assessment for potential new suppliers (that have been rated high or critical risk) is carried out to check they comply with mandatory requirements ('IWAY Must' criteria). No work will proceed with any suppliers that fail to meet these standards. Once work starts with a supplier, a full IWAY review is carried out within 9 months of the first service or product delivery. There is continued monitoring of the risk level of suppliers on an ongoing basis and further IWAY reviews occur based on risk and performance.

During the Reporting Period, the risks associated with the business operations supply chain increased due to a broadening of the supply chain. As online platform-based providers and integrated facilities management providers were introduced, IKEA Australia identified exposure to a greater volume of modern slavery risks.

In 2023, modern slavery risks were identified within the operations and supply chain of IKEA Australia. These risks primarily involve the engagement of unskilled and migrant workers and subcontracting related to the follow services:

- deliveries;
- assembly services;
- integrated facilities management (cleaning, trolleys, technical maintenance, general maintenance);
- security service suppliers.
- permanent or semi-permanent on-site service providers; and
- temporary labour hire.

### **Engagement of unskilled and migrant workers**

Within the IKEA Australia business operation supply chain, the key risk area for modern slavery is the engagement of unskilled and/or migrant workers. We support the employment of this class of workers; however also recognise that they can be more vulnerable to modern slavery risks than workers from other backgrounds.

### **Sub-contracting**

Sub-contracting creates various risks for IKEA Australia. Such risks are exacerbated by the lack of transparency as to when and to what extent sub-contractors are engaged. IKEA Australia is continuing to map its business operations and supply chain, which is constantly evolving, and assessing the relevant modern slavery risks.

### **Our co-workers**

Modern slavery risks may arise in the recruitment and engagement of co-workers, acknowledging that workers engaged on visas may be more vulnerable to exploitation. 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 the legal minimum rate of pay. Further, all IKEA Australia policies and practices including recruitment, meet or exceed the requirements set by the Australian government (for example, working hours, leave entitlements, overtime, rest breaks and superannuation).

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

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

#### **IWAY compliance and education**

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

#### **Ingka Group actions**

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

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

Based on a successful pilot in 2022, IWAY Advanced & Excellent requirements are being rolled out to encourage strategic suppliers to adopt best practices. These focus on equality, diversity, and inclusion and include targets for FY25 relating to gender balance and employment of people from marginalised and underrepresented groups.

Globally, 4,500 co-workers completed e-learning training on IWAY. In 2024, a deep dive training session will be rolled out on modern slavery for sustainability developers in Procurement and third-party risk specialists in Business Risk and Compliance to further deepen the knowledge on modern slavery risks.

## Supply chain audits

During the Reporting Period, 200 IWAY reviews of Ingka Group suppliers were completed. Most of the IWAY reviews are conducted by an internal audit team, but external audits were also commissioned to help provide an independent perspective. During the Reporting Period, 4% of the reviews were conducted by an external auditor and 6.5% of the reviews were unannounced.

Key findings from the audits undertaken were:

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

The majority of the non-compliances were identified among suppliers of last mile delivery and facilities management services. Several initiatives have commenced to address these challenges and improve compliance among suppliers in sectors with higher rates of non-compliance.

This includes increasing focus on engaging suppliers in preventative actions as well as more frequent follow-ups and clarifying roles and responsibilities in regard to IWAY. Suppliers are expected to agree on an action plan to address major non-compliances within 14 days of the audit having been undertaken.

During the Reporting Period, 102 IWAY Initial Assessments were conducted to check compliance in relation to potential new suppliers during the tender process. 20% of the suppliers who were assessed did not meet all of our IWAY criteria. In the case where a supplier was not able to address the criteria, they did not proceed to contract.

\*All IKEA stores in Russia (17 stores in total) were closed in the summer (EU) of 2022. Our Ingka Centres MEGA shopping centres in Russia continued to operate in FY23. In September 2023, we announced an agreement to sell all our centres in Russia.

## IKEA Australia actions

During the Reporting Period, the vast majority of suppliers to IKEA Australia were considered to be low or medium IWAY risk. For those considered high or critical risk, we undertook a range of activities as part of our risk mitigation efforts. This included self-assessments, IWAY audits and active discussions regarding sub-contractor management including Responsible Recruitment practises connected to the IWAY.

In our 2022 Modern Slavery Statement, we identified a number of actions that would be taken during the 2023 Reporting Period. We describe below how we delivered against those actions:

### 1. IWAY reviews will be completed with 7 high IWAY risk suppliers.

During the Reporting Period, due to resource constraints a third-party compliance specialist was not available to conduct IWAY Reviews in Australia. Consequently, the local team conducted informal reviews of some suppliers via a cooperation between procurement and business risk and compliance. Under this approach, 2 out of the 7 IWAY risk suppliers were reviewed. The remaining 5 have been rescheduled for review in the next reporting period. The non-compliances found in the 2 completed reviews had no direct relation to modern slavery and were resolved in the standard 90 day corrective action period post review.

### 2. Create a list of suppliers for active implementation of IWAY that will cover high risk suppliers as well as high spend suppliers.

We began collating a list under this action item. In the next reporting period, we will link this to agreed risk mitigation actions the business will take for each supplier.

### 3. 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 the same standard we require from our suppliers via IWAY.

A high-level self-assessment was conducted for IKEA Australia operations by the Modern Slavery Working Group with no deviations found.

- 4. Review the available learning content for IWAY and modern slavery issues to create a standardised learning guide for different types of co-workers in our business. This will include how we manage refresher training.**

Following an assessment by the Modern Slavery Working Group of available training, content regarding IWAY and modern slavery has been added to the induction presentation for all co-workers.

- 5. Roll out a new learning solutions from the global IWAY learning package, targeted at contract owners working with third parties in our business and how they can support their suppliers in IWAY implementation.**

During the Reporting Period, a learning solution covering IWAY implementation support skills was made available to co-workers. In the next reporting period, we will identify targeted co-workers for this training.

- 6. Update our internal shopping platform, iShop with IWAY risk information. The purpose of this is to identify to co-workers when ordering products and services whether they are buying from suppliers that have been assessed for IWAY risk or not.**

This has been put on hold due to a system change.

- 7. Continue to develop tools and content to support contract owners and suppliers with IWAY implementation and compliance.**

During the Reporting Period, we continued to learn and develop our existing template to better support suppliers and business stakeholders.

- 8. Review how we communicate IWAY and our Modern Slavery Statement to co-workers in a clear and simple way.**

A communications plan has been completed and will be delivered following the publication of this statement.

### 3.3 Measuring the effectiveness of our actions

#### Ingka Group

Human rights baseline assessment:

During the Reporting Period, Ingka Group conducted a company-wide human rights baseline assessment. This aimed to identify any gaps in internal policies and processes and ensure full alignment to the UN Guiding Principles on Business and Human Rights as well as current and upcoming human rights legislation.

The assessment found there was a shared understanding on the importance of human rights due diligence across the business and that key policies and procedures are in place to protect human rights in business operations and the wider value chain. It also identified some gaps and opportunities to strengthen work both internally and in the supply chain. Recommendations arising from the assessment is that the current Ingka Group grievance mechanism should be extended across the value chain, further developments are needed to the governance structures and remedy frameworks, and to ensure human rights due diligence is integrated in all processes where there could be human rights risks.

The baseline assessment has provided valuable Insight into the effectiveness of the current approach and how to further improve and deepen understanding of what is required to maximise modern slavery risk mitigation efforts. An action plan has been created to ensure all gaps identified in the baseline assessment are addressed and elevate the voices of rightsholders and impacted communities in the Ingka Group human rights' due diligence.

#### IKEA Australia

IKEA Australia understands that modern slavery cannot be eliminated by its actions in isolation. We take every opportunity to learn from corporate peers, customers, and co-workers, and 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.

IKEA Australia has established a Modern Slavery Working Group that meets on a quarterly basis to continuously assess the management of modern slavery risks, the actions implemented to address the risks and reporting to our senior management. Through the Modern Slavery Working Group, we have been able to take tangible action in closing identified gaps within our management of supply chain risks.

We also welcome opportunities to improve through the raising of complaints and concerns. Our raising a concern policy supports our co-workers with training about receiving and managing such a complaint included in our Anti-Bribery and Corruption learning modules during the Reporting Period.

Additionally, the Ingka Group operates the Trust Line service for IKEA co-workers which allows a co-worker to anonymously raise concerns. These grievance mechanisms empower our coworkers to speak up about modern slavery and also determine the effectiveness of our actions in minimising instances of modern slavery. Ingka Group are, together with Inter IKEA Group, exploring the development of a grievance mechanism for suppliers and business partners.

# 4

## Consultation

Relevant business units and controlled entities of IKEA Australia, Ingka Group and Inter IKEA Group have been consulted while preparing this statement. Further, IKEA Australia undertook regular consultation and shared learnings internally (such as literature reviews and attending seminars) with representatives from Procurement, Risk, Legal and Sustainability teams across IKEA Australia including IKEA Distribution.

IKEA Australia has a strong incident management reporting system which supports the identification of risks and the monitoring of our approach to modern slavery.

This annual statement has been prepared by IKEA leaders and co-workers responsible for assisting in addressing human rights risks in our operations and supply chains. In addition, a draft of this statement was provided to the Board of IKEA Australia with an opportunity to provide comment.

# 5

## Broader contributions and planned future actions for IKEA Australia

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

### **IKEA Australia 2024 actions**

IKEA Australia has identified several actions it aims to take during 2024 to continue to identify and mitigate modern slavery risks in our supply chain, including:

1. The implementation of detailed training and information for business owners responsible for managing suppliers.
2. Conducting a review of our internal Anti Bribery and Corruption policies and training for the purpose of increasing modern slavery input in this topic.
3. Maintaining membership with UN Global Compact Network Australia (UNGCNA) and attendance as a member of the UNGCNA Modern Slavery Community of Practice Forum and Optimising Stream.
4. Increasing awareness of IWAY and our Modern Slavery Statement to our co-workers and through dedicated communications.
5. Transition the IKEA food business procurement process to the IKEA Retail supply chain and secure Inter IKEA Group management of IWAY and risk assessment procedures.
6. In addition to the ability to raise issues via whistleblowing mechanisms, investigating a formal, dedicated reporting mechanism and process for suppliers and co-workers to raise issues.

