

# Modern Slavery Statement

2019/2020



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## Foreward

IKEA Pty Limited (**IKEA Australia**) is one of many companies working under the IKEA brand globally, all sharing the same vision “to create a better everyday life for the many people”. This vision shapes every aspect of our business and supply chain. Our co-workers, customers and the communities that we operate in are at the heart of everything we do. As a values driven company, we want to highlight the steps that we are taking, in conjunction with IKEA globally, to ensure modern slavery is eradicated from every part of our business.

We believe that everything we do comes with the responsibility to create a positive impact on people, society and the planet. But we can only achieve this if our business partners share our vision and commitment to sustainability and respect for human rights. That’s why here in Australia we implement ‘IWAY’, the ‘IKEA Way of Responsibly Procuring Products, Services, Materials and Components’ – this is a code of conduct for suppliers and is the principal

tool used by the IKEA organisations globally to secure compliance for environmental, social and working standards, for all suppliers and service providers that work with IKEA. IWAY also holds our suppliers accountable through a verification and audit program.

All members of the Ingka Group (described further below) have accountability to anchor the IWAY model across all of the IKEA business operations. Having IWAY as a global code of conduct supports us in eradicating modern slavery from our entire business. It is the responsibility of IKEA Australia to ensure this standard is rigorously enforced in our local operations.

We have recognised our responsibility beyond the home through the impact of our business and the role we have in society. We are determined to respect the human rights of all people that our business touches.

IKEA Australia welcomes the opportunity to share these aspects of our business as we

move towards the goal of eradicating modern slavery around the world.

This statement is given by IKEA Pty Ltd, pursuant to section 13 of the *Modern Slavery Act 2018* (Cth) (**Modern Slavery Act**), and covers the activities of IKEA Pty Ltd and the entities it owned and controlled for the financial year 1 September 2019 to 31 August 2020 (**Reporting Period**).

This statement has been approved by the Board of IKEA Pty Ltd on the 24 February 2021.



**Jan Gardberg**

Board Member,  
Country Retail  
Manager and Chief  
Sustainability Officer  
IKEA Australia



# Our structure, operations and supply chain

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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 they own or control.

IKEA Australia operates as a franchise under the “Ingka Group” of franchise companies. The worldwide IKEA franchisor is Inter IKEA Systems B.V which is owned by Inter IKEA Holding B.V. We refer to Inter IKEA Holding B.V and all of its subsidiaries 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.

## Our operations

IKEA Australia operates 10 home furnishing product retail stores in 6 states and territories around Australia and also has an online presence servicing Australia exclusively.

IKEA Australia directly employs more than 3,500 staff working in our stores in Victoria, New South Wales, Queensland, Western Australia, Australian Capital Territory and South Australia. People are at the centre of IKEA culture. We embrace the value of respect and togetherness in every part of our business, and work to respect human rights through our everyday actions. We see the people working within our organisation as being integral to supporting the eradication of modern slavery. Our recruitment strategy ensures that we recruit people that share our values. We are proud of our commitment to equality and diversity, encouraging our co-workers to develop and grow within IKEA Australia and believe everyone is a talent. All of our recruitment processes adhere to the required employment

laws and regulations and we expect all businesses with whom we interact to abide by all applicable laws when recruiting.

We also engage with a relatively small number of suppliers for contracted labour for services such as cleaning, security and logistics within our facilities, for example unloading products at our stores.

Within Australia, the retail products are stored in warehouses as well as our retail stores. Part of our operations includes distribution of the home furnishings from distribution warehouses to our stores and customer delivery centres (**CDC's**) and from both our CDC's and our stores to our customers. These warehouse and distribution and services are by and large provided by IKEA Distribution (one of our wholly owned subsidiaries).

We also engage with a number of goods and services suppliers to support our business operations as outlined further below.

### **IKEA Australia supply chain**

IKEA Australia's supply chain is comprised of both the supply chain for sourcing the products that we sell (the **Retail supply chain**) and the separate supply chain for the goods and services that are essential for our business operations (the **Business operation supply chain**).

### **Retail supply chain**

Home furnishing and retail food products (retail products) are supplied to IKEA Australia by Inter IKEA Group of companies, including IKEA Supply AG. IKEA Australia also purchases food products from other suppliers, and those suppliers are addressed in the comments below in respect of the IKEA Australia Business operation supply chain. The Inter IKEA Group imports the retail products and then either stores the products (other than the food products) in distribution warehouses and arranges for them to be delivered to IKEA Australia's stores and CDC's or distributes them directly to stores or CDCs.

All IKEA retail products are designed, sourced, produced and supplied and distributed to franchisees, including to IKEA Australia, in strict compliance with IWAY our supplier code of conduct. It sets out the minimum environmental and social standards expected from our suppliers, including compliance with local laws. We do not accept any form of forced, bonded or child labour. IWAY addresses issues such

as child labour, forced or bonded labour, responsible recruitment, unlawful wages and excessive working hours. IWAY is explained in further detail below. At IKEA, we work with suppliers who share our values and follow our IWAY standards.

IKEA Australia's direct relationships for purchasing retail products are with Inter IKEA Group companies. The Inter IKEA Group companies in turn have their own extended supply chains. Inter IKEA Group has partnered with 1592 suppliers in 51 countries to source home furnishings, transport, logistics and distribution services, components and food; that means approximately 600,000 people are involved in production, and millions more people work in extended supply chains.

Production and sourcing of IKEA products is carried out predominantly in Europe (60%), Asia (30%) and the USA (10%). Products are sourced from industries such as wood, natural fibres, textiles, plastics, food and agriculture, metals and electronics.

Inter IKEA Group's integrated supply chain gives Inter IKEA Group unique influence, as well as responsibility, throughout the entire process. From product development and material sourcing to production, transportation and product's end-of-life, Inter IKEA Group is involved every step of the way. They never purchase products "off-the shelf." Instead, everything sold from IKEA is designed and developed in accordance with strict global requirements that Inter IKEA Group puts on both the product and the suppliers.

Inter IKEA Group believes in building long-term relationships with their suppliers and places a strong emphasis on supplier development. The average length of collaboration with their suppliers is 11 years. Inter IKEA Group tries to understand the specific local contexts and take a consistent approach to securing good social, environmental, and working conditions.

### **Business operation supply chain**

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

- **Information and communications technology (ICT):** This includes computer hardware and software, cloud services, virtual data room services, virtual document exchange services, printers, audio/visual equipment and services; desk phones and mobile phones
- **Warehousing and distribution services:** This includes freight hardware and driver logistics services to transport 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 and 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:** Including taxation, external legal counsel, consulting and professional and personal development, and welfare training programs.
- **Mobility and travel:** This includes vehicle and airplane travel bookings and accommodation bookings.
- **Hospitality and catering:** This includes for onsite restaurant and beverage services, as well as external catering events.

The most dominant areas of outsourcing in our Business operation supply chain are for cleaning, security and 'last mile' transport.

# Identifying our modern slavery risks

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### **Retail supply chain risks**

So far as the Retail supply chain is concerned for the retail products supplied by Inter IKEA Group, Inter IKEA Group have identified that modern slavery risks may arise in respect of furniture, textiles and metals being sourced from Europe and Asia. Inter IKEA Group has assessed and taken action to mitigate the risks of modern slavery in its supply chain, including in key areas of forced and bonded labour, child labour and use of migrant workers, as described in this section.

While due to COVID-19, some Inter IKEA Group initiatives have not advanced as far as intended, Inter-IKEA has not lost focus. During FY20 for Inter IKEA Group (which aligns with IKEA Australia's Reporting Period), Inter IKEA Group continued with projects on Responsible Wage Practices (described below), on the Human Rights Baseline Assessment (a project aimed at assessing how well key business processes and decision-making enables Inter IKEA Group to live up to their responsibility to respect human rights), and its ongoing efforts to strengthen considerations for children's rights in business operations, as well as the IKEA commitments to equality and decent work.

### **Protecting children's rights**

During FY20, Inter IKEA Group worked with the Centre for Child Rights and Corporate Social Responsibility (**CCR CSR**), to further understand children's rights risks in the natural fibre supply chain, specifically in the seagrass and rattan supply chain. The assessment found negative impacts on children. Recommendations were made by CCR CSR on how to strengthen the protection of children's rights, including how to support both internal and external stakeholders in further understanding the root causes, and to mitigate risks of child labour and other children's rights risks. Inter IKEA Group are now taking steps to implement the guidelines in our natural fibre supply chain.

Inter IKEA Group are also exploring how it can draw further learnings to improve the broader supply chain management system, including to work together with other stakeholders to enable a systematic change that will strengthen protection for children's rights.

## Responsible wage practices project

The IKEA responsible wage practices project commenced in 2019 and was ongoing through FY20. This project takes a holistic look at the wage topic, considering not only the wage element in itself, but the extent to which the practices surrounding wages are fair, inclusive and for the many. It lays out a systemic approach through a set of organisational practices such as developing robust pay principles; strengthening dialogue; ensuring equality at work; paying living wages; and building competence related to the framework.

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

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

## Migrant workers

In many countries and industries across the globe, migrant workers are the backbone of large parts of the economy; creating value for countries, industries and companies. Unfortunately, migrant workers are often at risk of having to pay high fees (some of which may be hidden) in order to obtain employment. Inter IKEA Group is committed to contributing to responsible recruitment and is a founding member of the Leadership Group for Responsible Recruitment (**LGRR**). In FY20, Inter IKEA Group continued to support the “Employer Pays Principle”, which states that no worker should pay for a job, and that the costs of recruitment should be borne by the employer. Through the collective efforts of LGRR and throughout the IKEA value chain, they continue to focus on three areas to create systemic changes:

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

Inter IKEA Group also continues to support the International Organization for Migration (IOM), as well as the development of International Recruitment Integrity System (**IRIS**) as a member of the Advisory Committee. IRIS is a voluntary certification scheme for labour recruiters (also known as recruitment agencies) that ensures that responsible recruitment practices are implemented. IRIS defines a benchmark for responsible recruitment. Inter IKEA Group actively supports IRIS through the following:

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

### Recruitment and Migration Mapping Project in Thailand

During FY20, together with the International Organization for Migration (IOM), Inter IKEA Group completed a ten-month partnership to implement safeguards to protect migrant workers from Cambodia, Myanmar and Laos employed in the IKEA supply chain in Thailand. This project has greatly supported our commitment towards the Employer Pays Principle. In Thailand alone, Inter IKEA Group has more than 4,000 migrant workers in their supply chain. The outcomes of the project included the following:

- Identifying challenges. One main challenge was the language barrier between employer and migrant employees. Tools will be created to address this. Another challenge is the lack of awareness on rights and responsibilities of migrant workers for all stakeholders.
- Training 26 business partner companies. Sessions focused on international standards like IRIS, national law in Thailand and workers' countries of origin, effective grievance mechanisms, and increased risks of labour exploitation due to the COVID-19 pandemic.
- A guide for suppliers: mechanisms and practices to promote responsible recruitment and decent work in business operations.
- The Human Resources Guidebook on Employer Obligation and Cultural Sensitivity, a publication for IKEA business partners and the public, that aims to ensure a better working environment and to break down the barriers in workplaces between Thai workers and migrant workers (currently in development).

### Responsible sourcing – Cotton

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

Recently, allegations and reports of human rights violations have been raised in connection to the Xinjiang region, in China. In March 2020, Better Cotton Initiative decided to suspend their assurance activities in the region from the upcoming cotton season, which in turn also lead IKEA to stop sourcing cotton from the Xinjiang region. Today Inter IKEA Group does not have direct business relationships, suppliers, or sub-suppliers in the Xinjiang region. IKEA continues to source cotton from other regions in China (outside of Xinjiang). In those regions, Inter IKEA Group has cotton experts and auditors securing traceability and following up on their standards, including human rights, related to global cotton sourcing. Inter IKEA Group will continue to monitor the situation, and should they encounter any information that suggests misconduct, they will take immediate action.

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

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

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

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, installation and assembly, warehousing, cleaning, security service suppliers, and any permanent or semi-permanent on-site service providers such as trolley collectors. The modern slavery risks arise primarily from the potential for employment, or subcontracting, of unskilled workers by suppliers in these categories.

We also recognise the risk that IKEA Australia may be directly linked to modern slavery by engaging our service providers who themselves may be connected to modern slavery practices through their recruitment and employment activities. We have identified the need to monitor, consistently through IWAY, that our contracting parties operate under responsible recruitment regimes with wages and working conditions that are fully in compliance with Australian awards and workplace regulations.

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

# Actions taken to assess and address our modern slavery risks

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## **IKEA globally**

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

- requiring all of its direct suppliers to comply with IWAY;
- requesting direct suppliers to communicate the IWAY Musts (described below) to their own suppliers and for critical sub-suppliers IKEA's direct supplier must confirm to IKEA's satisfaction that the IWAY Musts are adhered to;
- due diligence and audits of the supply chain; and
- taking steps for continuous improvement or ultimately termination of contracts if the supplier does fails to fulfil the IWAY requirements within given time frames.

In addition to implementing IWAY, the other steps taken by Inter IKEA Group to assess the risks of modern slavery, and the actions taken in respect of some of those risks are described under the 'Identifying our modern slavery risks – Retail supply chain' section above. These steps taken include:

- active support and participation in the Organization for Migration, IRIS, Leadership Group for Responsible Recruitment to reduce migrant worker risks;
- progressing the responsible wage practices project;
- implementing new guidelines in the natural fibre supply chain and actively planning for ways to improve and strengthen protection of children's rights in the broader supply chain management system; and
- developing targeted training and guidelines for suppliers in Thailand to reduce modern slavery risks for their migrant workers.

Further detail of IWAY, and the way that the global system interacts with IKEA Australia, is provided below.

## **IKEA Australia**

IKEA Australia was well positioned at the commencement of the Modern Slavery Act to demonstrate its commitment to eliminating modern slavery from IKEA Australia business operations and supply chains, through its continued use and implementation of IWAY.

After forming a dedicated Modern Slavery working group and undertaking an early due diligence review to assess its modern slavery supply chain risks, IKEA Australia was satisfied that IWAY is a robust, fit for purpose and leading program to use on an ongoing basis to identify, assess and manage the risks associated with modern slavery for each of its potential and existing suppliers.

We explain below our initial due diligence review and the ongoing steps that IKEA Australia has been taking throughout the Reporting Period, through IWAY and other programs, to address our modern slavery risks and to ensure that our market influence is used to build better communities.

## **The Modern Slavery and IWAY working group**

In preparation for the first reporting year, IKEA Australia formed the Modern Slavery working group. The key objective of the Modern Slavery working group, was to work closely with the existing IKEA Australia IWAY Forum to carefully review the IWAY program and to ensure that, through IWAY, IKEA Australia was effectively identifying, assessing and addressing the risk of modern slavery in our operations and supply chains. The Modern Slavery working group and the IWAY Forum include customer fulfillment, procurement and purchasing, sustainability, business risk and compliance leads.

The IWAY Forum meets at least once each tertial and this forum supports consistency and impact by periodically reviewing and evaluating the IWAY supplier risks for IKEA Australia and defining prioritization for reviews and other actions.

The Modern Slavery working group will continue to work closely with the IWAY Forum to identify modern slavery risks and to monitor and continuously improve our modern slavery risk management program, including to develop and implement targeted training for our staff going forward.

## Risk Assessments

The process for identifying supplier risks, including for modern slavery, commences as part of the process of “onboarding” our suppliers, under the IWAY supplier code of conduct. The IWAY system is described in more detail below, but it is designed to ensure that modern slavery risks are identified before any supply agreement is entered and thereafter continuously identified, monitored and managed. The IWAY system is used with most of our suppliers, other than utility providers and government related businesses. At IKEA Australia, during the Reporting Period, we had a total of 159 active contracted suppliers. Of these, 83% (i.e.132) were required to comply with IWAY, including undertaking detailed risk assessments.

Before onboarding, potential suppliers are provided with an IWAY communications package, including the IWAY Standard and supporting contractual documents. These include a preliminary individual risk assessment questionnaire (**PIRA**) to demonstrate the prospective supplier’s ability to comply with our expectations, including in respect of modern slavery.

The PIRA addresses workforce items under “Supplier Characteristics” which covers topics such as: whether the supplier works in shifts, overnight or seasonally; whether they employ young people (under 18 years); whether they use sub-contractors and if so to what percentage; and whether they employ prison workers or migrant workers. The PIRA also facilitates an assessment of IKEA’s level of influence with the supplier, by seeking information about IKEA’s level of spend with the supplier compared to the supplier’s overall revenue and level of impact within IKEA, by considering whether the supplier will be working at an IKEA Australia site or in our customer’s homes (and if so to what extent).

The PIRA also considers the supplier’s sustainability performance which captures items such as workplace health and safety. Each PIRA response is then assessed by our procurement sustainability developers and the prospective supplier is allocated a risk rating, including for modern slavery risks, using our IKEA supplier risk rating tool.

The IKEA supplier risk rating tool is based on three datasets which include the responses to the PIRA questionnaire; any records held by us about the supplier (including about previous concerns, for example in respect of that supplier specifically, or with the category of goods and services they are supplying); and advisory data provided by consultants that assesses the supplier’s risk in line with the category of industry in which the supplier works and their geographic location. We then finally apply our local knowledge and experience to allocate a final risk rating to the supplier.

During the Reporting Period, of the 132 active suppliers who have committed to the IWAY regime, the outcome of our assessment was that our greatest areas of risk (in particular in respect of subcontracting) were deliveries, installation and assembly, warehousing, cleaning, security and on site services providers. These risk ratings are much broader than, but include, the risks of modern slavery.

The risk rating we apply to our suppliers directs the level of ongoing dialogue and support we will provide, and the level of audit or verification that we will implement under our IWAY protocols. To manage the risks associated with subcontracting and outsourcing, we require our Tier 1 suppliers to communicate our IWAY requirements with their suppliers as described further below.

## **Policies and Procedures**

IKEA Australia proudly adopts the Ingka Group global policies that promote and secure respect for the human rights and working conditions not only for our IKEA co-workers (for example, the Ingka Group Employment Standards) but for all people linked to the IKEA Australia supply chain. These are adapted where necessary to ensure local compliance with Australian laws and regulations.

The IKEA Australia Business Risk & Compliance Team oversees and advises IKEA Australia teams on the local application of Ingka Group policies and procedures including the Ingka Group Policy on Human Rights and Equality, the Ingka Group Policy on Sustainability, the Ingka Group Policy on People, the Ingka Group Policy on Anti-Bribery and Corruption, the Ingka Group Policy on Raising a Concern, the IKEA Code of Conduct, and IWAY, our supplier code of conduct (discussed separately in detail under the IWAY heading below) (Policies and Procedures).

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

## Training and Communication

IKEA Australia has taken steps during the Reporting Period to ensure that the expectations expressed in our Policies and Procedures are embedded in our everyday business through training and communication.

### Our co-workers

We respect and promote the human rights of our IKEA Australia co-workers by introducing our people to our steering documents during onboarding, to the level of detail relevant to their role, and encouraging them to stay informed via refresher training and promoting accessibility via the intranet (Inside IKEA).

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

Training was also conducted during the Reporting Period addressing topics such as Ethical Conduct with our suppliers, as part of the IKEA Australia routine Code of Conduct training for all staff. Going forward selected IKEA Australia personnel will be taking part in training workshops to help embed the implementation of the Ingka Group Policy Anti-Bribery and Corruption Policy. The training workshops include a component about the link between modern slavery and corruption.

## Our supply chain

We also mitigate our potential human rights risks in our IKEA Australia business by setting standards and monitoring compliance under the IWAY program. This is explained in more detail under the IWAY heading below, however, before engaging in a business partnership, a potential service provider is provided with detailed information about the IWAY standards and is required to perform a risk assessment to demonstrate their ability to comply with our modern slavery expectations.

Once a supply chain partnership is on foot, and if concerns about labour practices arise across any aspect of a partner's business, we will work collegiately to provide training and encourage compliance wherever appropriate. IKEA Australia considers that this type of support will promote the most beneficial and enduring improvement to modern slavery practices in our supply chains in the longer term.

It is made very clear in IWAY, however, that any significant or ongoing failure to meet our expectations will result in a termination of the business relationship (see further under the IWAY heading).

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

As explained under the discussion about how we identify our modern slavery risks above, a supplier's risk rating will direct the level of audit and remediation to be implemented under IWAY.

Each supplier is required under their IWAY Compliance Commitment (explained further under the "Measuring our Effectiveness" heading below) to prepare an annual compliance self-assessment. Copies are required to be provided if requested by IKEA Australia. Depending on the response, in more serious cases, IKEA Australia, with support from the Ingka Sustainability Risk & Verification team, will conduct announced and unannounced audits of suppliers and critical sub-suppliers to ensure IWAY compliance and consistent implementation throughout all of the areas in which IKEA operates. In some cases, we complete joint reviews together with third-party auditors.

During the Reporting Period, however, our ability to meet our audit objectives was significantly impacted by the COVID-19 pandemic. The FY20 formal supplier reviews were booked for Tertiary 2 (Feb – April) and Tertiary 3 (May – August) but due to their timing and the associated travel restrictions imposed for COVID-19, we were forced to postpone these reviews. IKEA Australia instead undertook internal reviews targeting six of our highest risk suppliers. There were non-compliances identified,

mostly related to working hours, accident insurance and fair wages. Although these non-compliances may not amount to modern slavery, we are committed to resolving them.

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 have to be fixed within 14 days and all remaining issues within 90 days. Major non-compliances are reported to the relevant Ingka Group decision making body.

The non-compliances that were identified in our targeted high risk suppliers in the Reporting Period, were suitable to be addressed through the 90 days correction period with business teams doing regular check ins to ensure suppliers closed their non-compliances within the agreed timeframes.

In the case of one supplier, as an alternative approach to an onsite formal review, we are currently in the process of planning a virtual review. Pending the outcome of that review, we will assess the workability to complete further reviews virtually. Additionally, with the future reporting periods, we see that a large majority of our high risk suppliers have had at least one review previously. Therefore, the approach for these suppliers will evolve in a way that will continue to be valuable for the supplier, and reduce risk in the IKEA supply chain, but not necessarily through the use of onsite intensive reviews but other methods such as ongoing dialogue and training support.

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

All businesses in the IKEA Australia supply chain are required to signify their commitment to implement the IWAY expectations by signing an IWAY Compliance Commitment (**ICC**). The ICC allows IKEA Australia to audit and verify their business operations and, in turn, their supply chains against the IWAY Standard Operating Procedure. The ICC ensures transparency and drives continuous improvement in responsible sourcing and labour rights through a 10 step process.

The key way in which IKEA Australia measures the effectiveness of IWAY is through annual self-audits which must to be completed by all of 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

As explained above, certain risk results will trigger IKEA Australia, in conjunction with IKEA global representatives, to attend announced and unannounced site visits, depending on the level of mitigation required to manage a risk.

We also use third party audit experts to oversight our internal audit functions to ensure that they are effective and consistently applied.

The audits undertaken during the Reporting Period, as explained above, did identify issues, for example with working hours, and IKEA Australia is satisfied that the audit reviews undertaken, together with the remedial steps have been effective to address our concerns. While the IWAY audit and review system is considered effective, we are looking to strengthen our partnerships with our suppliers to trial other methods, such as more regular dialogue and training supports.

## **Listening and Learning**

IKEA Australia understands that modern slavery cannot be eliminated by IKEA's actions in isolation. We take every opportunity to learn from our corporate peers and we work as closely as possible with government and other important human rights stakeholders to improve our contribution to the collective ambition to eradicate modern slavery practices globally.

We also welcome opportunities to improve through complaints and concerns. Our Raising a Concern Policy supports our co-workers, the people engaged by our supply chain and members of the public to come forward with their concerns about any modern slavery practices, including anonymously under Australian whistleblower protection laws where they apply. Training about receiving and managing such a complaint is being included in the upcoming Anti-Bribery and Corruption workshops and all participants will be encouraged to use our 'Trust Line' to report any concerns.

# IWAY - The IKEA Way of Purchasing Products and Services

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### **IWAY - What is it?**

IWAY is the IKEA supplier code of conduct and it is our long-standing programme that communicates and ensures the minimum requirements on environmental, social and working conditions, together with IKEA suppliers. IWAY sets clear expectations on IKEA suppliers, and is the basis for developing an open dialogue and shared values about human rights, including as a fundamental protection against modern slavery.

IWAY serves as a tool for risk assessment, development, compliance and verification and its purpose is to ensure that IKEA only works with suppliers and businesses that share its values and working standards.

IWAY is based on the eight core International Labour Organisation conventions. It also references the

guidance of the Ten Principles of the UN Global Compact and states its commitment to the fundamental human rights principles as recognized in the Universal Declaration of Human Rights.

Launched in 2000, IWAY has been updated on a regular basis to take into account environmental and social developments, as well as emerging issues in the global value chains. Over the past 20 years, IWAY has developed additional requirements for parts of the supply chain and clarified our position on specific topics, such as the prevention of child labour and support for young workers. IWAY is one of the tools we use to secure the integration of aspects of human rights across the value chain, by focusing, for example, on child labour, decent and meaningful work, freedom of association, and health and safety, among

others. The approval rate, which indicates compliance with the IWAY Standard at suppliers, is monitored on a regular basis. This gives us a picture of how well suppliers meet IWAY requirements, and also supports the identification of areas where further focus and collaboration are needed to ensure that suppliers achieve the IWAY requirements.

During the Reporting Period IWAY Version 5.2 was effective and implemented by IKEA Australia.

### IWAY implementation at IKEA Australia

During the procurement process, each potential supplier is sent the IWAY communications package including the IWAY Standard, supporting contractual documents (should they progress to being contracted) and a preliminary individual risk assessment. Suppliers are asked to respond to questions as part of a risk assessment process. Based on their responses, our procurement sustainability developers score them and give them a risk rating.

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

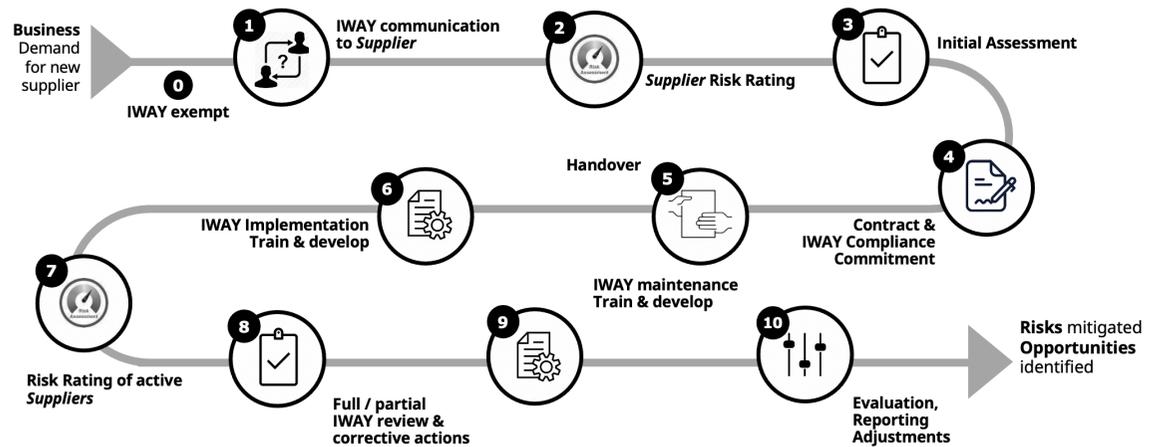
We use third party auditors to check compliance of suppliers to assess that our

auditing skills are calibrated internally and as a way to have even more independent verification of the implementation of IWAY.

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

We follow strict routines to ensure compliance with IWAY requirements in Australia. This includes an audit of suppliers to establish whether their organisation has processes and procedures in place that secure compliance with (amongst other considerations) legal

expectations on the treatment of the environment, workers, health and safety and insurances. The audit is comprehensive and data is captured in interviews and written responses. Detailed questions focus on contracts of employment and ensuring fair employment terms and conditions; verification of the ages of employees. Further ad hoc questions can also be asked of interviewees as prompted by the instincts of the auditors. We expect our suppliers to be transparent and any failure to answer candidly can justify further inquiry and require us to consider notification obligations and, ultimately, terminating contractual discussions.



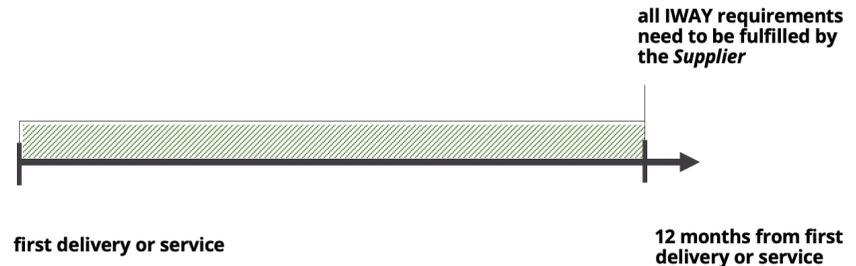
### Follow up and non-compliance

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

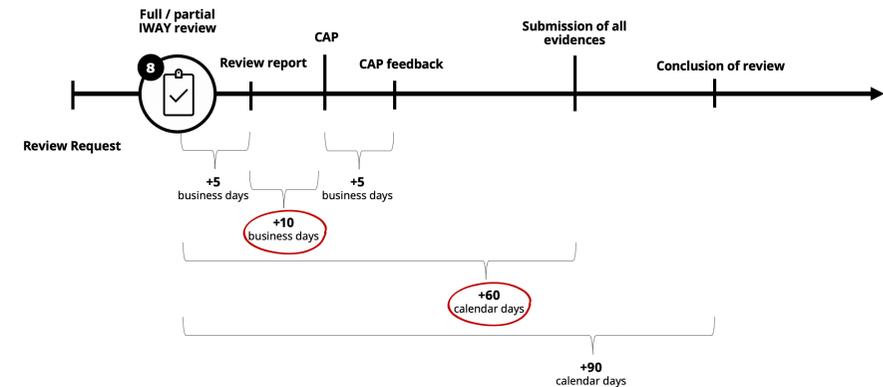
Where a non-compliance is found outside of the IWAY Musts, the supplier is given 90 days from the date of audit to rectify any non-conformities and must provide evidence to demonstrate the steps they have taken. If the non-compliance is not rectified, the contract owner is contacted to explain the problem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

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

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



IWAY implementation



Verification timeline

## **IWAY Musts**

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

## **Sub-suppliers**

Suppliers will often engage their own suppliers (IKEA sub-suppliers) who are a step removed from day-to-day contact with IKEA personnel, and are not in a contractual relationship with IKEA directly. This can make it challenging to ensure that they share the IKEA approach to important issues such as the environment and human rights. Tier 1 suppliers (IKEA Australia direct suppliers) are requested to communicate IWAY Must requirements to their own suppliers, and to register them on the IKEA tracking system to identify critical sub-suppliers. It is the responsibility of Tier 1 suppliers to audit their critical sub-suppliers and ensure IWAY Must compliance.

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

### Who is involved in IWAY implementation?

At IKEA Australia the following groups are responsible for IWAY implementation:

- Business teams are responsible for the sustainable implementation of IWAY with their suppliers. They do this by making IWAY part of their everyday business and discussions with existing and potential suppliers. IWAY is also part of the contractual commitment to becoming an IKEA Australia supplier.
- Sustainability developers support suppliers in IWAY implementation. They are also responsible for providing training on IWAY and other sustainability topics and issues, supporting business teams in their daily work with IWAY. Sustainability risk and verification teams and third-party auditors are responsible for annual IWAY audits of IKEA Australia suppliers. They review and follow-up action plans in the case of noncompliance.

Ingka Group Sustainability Compliance Working Group (**Ingka Group SCWG**) has the following roles :

- provide input and steering on IWAY roadmaps;
- Advise on IWAY steering documents (Rules, SOP and guidelines), KPI, business solutions and training material;.
- define IWAY specifications for approval in relevant decision-making body;
- interprets and confirms exceptions to IWAY requirements based on set criteria and approach. Secures alignment and confirmation of new types of exception with relevant line organisation/ decision making body;
- provide guidance on IWAY issues raised by line organizations; and
- analyse IWAY performance to understand continuous development needs for the IWAY process, system and framework.

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

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

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

The role of the IWAY Council is to:

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

# Consultation

This statement was prepared by the Modern Slavery Working Group described above. This involved regular consultation and shared learnings internally (such as from literature reviews and attending seminars) with representatives of the various teams across IKEA Australia including the IWAY Forum, as well as the entities it owns and controls, including IKEA Distribution Services Australia Pty Ltd.

# Other Information – IKEA's broader contributions and planned future actions

32 Approach going forward to drive collaboration within IKEA Australia units and partners

### **Approach going forward to drive collaboration within IKEA Australia units and partners**

IKEA Australia is aware that it must 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.

To achieve long lasting positive change, IKEA Australia takes a purely 'implementation approach' - Implementation focusses on creating a valuable, educational and supported process for suppliers to implement IWAY into their businesses. This is where the idea of "what more can we do beyond audits?" comes from. IKEA Australia's goal is to help lift people out of poverty by providing good places to work throughout its supply chain. IKEA Australia cannot achieve this single-handedly and will embrace opportunities to work collaboratively to bring about change locally with all our partners with whom we work.

We also embrace opportunities to show leadership and share our experiences. We were pleased to accept an invitation to present about our IWAY lessons to the Industry Summit, Modern Slavery Panel Discussion, coordinated by the Human Trafficking Branch, Australian Border Force in November 2019.

In addition, the IWAY system has been fully reviewed and updated during the Reporting Period, with a new version IWAY6.0 approved for implementation. The IWAY 6.0 was developed as the next generation of the IKEA supplier code of conduct. The revision involved many IKEA co-workers, suppliers, other multinational companies and non-governmental organisations. The revision introduces improved features and approaches that make it possible for IWAY to contribute to creating a positive impact for people, society and the planet.

IWAY Standard 6.0 principles include:

- IWAY principles are supported by effective routines and open dialogue
- Business is conducted lawfully and with integrity
- Children are protected and opportunities for learning and family life are promoted
- Fundamental labour rights are respected
- Workers have time off work, are paid responsibly and have opportunities to develop competence
- Workers health and safety are protected
- Working and living conditions are suitable
- The planet is protected
- Resources including water and waste are managed in a sustainable and circular way
- Animals live decent lives

Throughout FY21, IKEA Australia will:

- Continue to apply our established standards for business ethics and IKEA Code of Conduct.
- Create IWAY6.0 awareness and support implementation with our suppliers/ service partners both new and existing.
- Internally for our own co-workers create a training module to create awareness on the IWAY standard and to capture training about modern slavery in our Anti-Bribery and Corruption workshops.
- Share learnings and insights with our suppliers/service partners to support and combat the modern slavery issues confronting Australia today.
- Drive awareness of and engagement with our policies, processes and practices to address modern slavery in line with our People & Planet Positive strategy which ensures that we are:
  - Diverse and inclusive
  - Integrating equality into all aspects of our business
  - Standing up for a better world by encouraging our co-workers and customers to be activists for social change
- Continue to undertake regular monitoring of salient human rights issues and also engage with external stakeholders and experts to inform our identification, response and management of the issues.
- Consistent with our approach to salient human rights and modern slavery, 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.
- Update our noncompliance response methods for example to pilot training of the supplier supervisor and the IWAY team to carry out monthly spot checks and review the entire compliance process.
- Engage in ongoing monitoring of our procedures and continue to review our systems and processes and identify where further improvements can be made.
- Be People and Planet Positive – a Fair and Inclusive brand, company and employer with Fair and Inclusive ambitions.

