

## Written responses provided by IKEA Supply, AG in response to request from the UK Parliament Foreign Affairs Committee with respect to forced labour

1 March 2021

### Introduction

- The IKEA vision is to create a better everyday life for the many people. The IKEA value chain touches millions of lives around the world. We are committed to respecting and supporting human rights throughout the value chain, based on the UN Guiding Principles of Business and Human Rights (UNGP).
- As a business, we take our responsibility seriously to identify, prevent, mitigate and remedy human rights violations across our value chain.
- We do not accept any form of forced labour in the IKEA value chain. This is reinforced in our IWAY code of conduct for suppliers and verified through internal and external audits.
- We see value in transparent ways of working and a comprehensive global approach to protect stakeholder human rights.

### About the IKEA business

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 Limited carries out business in the UK and is engaged in retail, property and distribution operations. IKEA Ireland Limited carries out business in Ireland and is engaged in retail operations. IKEA Limited and IKEA Ireland Limited are the UK & IE part of the "Ingka Group" which is an arms-length third party franchisee, though not related to Inter IKEA Group.

IKEA home furnishing products are designed, sourced, produced and supplied by two Inter IKEA Group companies: IKEA of Sweden AB and IKEA Supply AG. Products are distributed to franchisees around the world and sold in over 450 IKEA stores in over 60 markets, including in the UK & IE. IKEA Limited currently runs 22 stores, 3 Order and Collection Points and 2 Planning Studios in the UK, whilst IKEA Ireland Limited currently runs 1 store and 1 Order and Collection Point in Ireland.

The following responses are provided by IKEA Supply AG, part of Inter IKEA Group, as the global purchaser and wholesale company for IKEA, on behalf of the entire brand, for the purpose of the topic (referred to as "we", "us", "our" hereafter).

### **1. What is the nature and extent of your company's operations in Xinjiang?**

Today, Inter IKEA Group does not have direct business relationships, suppliers or sub-suppliers in the Xinjiang region, regardless of production industry.

### **2. What specific raw materials arriving in UK markets are sourced from Xinjiang?**

Since 2015, IKEA has used 100% Cotton from More Sustainable Sources (CMSS) in all our products and productions. All products that contain cotton sold in IKEA stores worldwide only use certified cotton.

The Better Cotton Initiative (BCI) is one of our approved schemes for CMSS. BCI takes a holistic approach to sustainable cotton production, covering all three pillars of sustainability: environmental, social and economic. Historically we have used BCI licensed cotton from Xinjiang. However, on 11 March 2020, BCI took the decision to suspend its assurance for the 2020/2021 cotton harvest. We stood behind the BCI decision immediately. Because it's not possible to complete verification activities and since there is no BCI certified cotton in the region, we have taken the decision to leave and source from other regions and markets that are compliant with both our licensing partners and our internal demands.

In order to secure that we know where our cotton comes from, we rely on our traceability standards. IKEA has created traceability specifications for suppliers and supply chains to ensure that IKEA suppliers only receive cotton that is grown sustainably under approved schemes, such as BCI. This cotton is marked and separated from cotton intended for other producers in every step of the production process, supported by production documentation and verified through periodic audits.

No other raw materials for our global home furnishings range have been sourced from Xinjiang as part of the IKEA supply chain.

### **3. Are any of your products assembled in factories deemed to be at risk of using forced labour?**

The IKEA IWAY code of conduct for suppliers prohibits the use of forced labour. The risk of forced labour in the value chain exists in almost all markets, so we take our responsibility seriously around the globe to identify and mitigate those risks. Every supplier is subject to an annual individual IWAY risk assessment. The assessment helps to identify suppliers with a higher risk of not being compliant to IWAY requirements. Suppliers are assessed on a number of different parameters, including sourcing location, industry/process and likelihood of forced labour. The assessment also takes into account results from previous verification activities (audits) at the supplier.

Based on the output of the risk assessment, an individual action plan is created to manage and mitigate identified risks. It is an action plan combined with both implementation support to assist the supplier in improving performance as well as verification activities to check compliance. Audits are performed both announced and unannounced, by internal and third-party auditors, and result in immediate corrective actions in case of any non-compliances. Naturally those parts of the supply chain with greater risk also get more attention with more intense action plans.

For further description of our approach to mitigate and address human rights risks, please see responses to Questions 5 and 6.

#### 4. Which Chinese companies are involved in your supply chains?

Globally, twenty-eight percent of our home furnishing suppliers are based in China. As part of our contractual agreements with our suppliers, we do not share supplier information for any market. For specific questions or concerns, we are happy to discuss on supplier level.

#### 5. How do you ensure that companies at every stage of your supply chain meet their contractual obligations regarding anti-slavery and anti-human trafficking laws?

We have a responsibility to identify, prevent, mitigate and remedy human rights violations across our value chain. IKEA is continuously working to ensure the safety and rights of the people working in our supply chain through close cooperation and dialogue with our suppliers, using [IWAY, the code of conduct for IKEA suppliers](#) as the foundation. IWAY is based on the eight core International Labour Organisation conventions. It also references the guidance of the Ten Principles of the UN Global Compact and states its commitment to the fundamental human rights principles as recognised in the Universal Declaration of Human Rights.

The IWAY Musts and IWAY Basic are requirements in the IWAY standard that need to be in place in order to conduct business with IKEA. For example, all suppliers and service providers need to demonstrate that:

- There is no forced, bonded or prison labour.
- There is no child labour.
- A reliable system for registering working hours, including overtime, of all workers is maintained.
- Overtime hours are voluntary and workers refusing overtime hours are not penalised.
- Fees and costs related to recruitment, employment or termination processes are not charged to workers. Workers are not requested to provide deposits.
- Workers are paid at least the legal minimum wage.
- Workers sign a written employment contract or equivalent before they start work or introductory training, whichever comes first. Workers receive a copy of the contract and understand its terms prior to signature. Significant changes in employment terms are agreed upon by the worker in writing.
- Disciplinary measures do not include the use of mental or physical coercion, including corporal punishment, threats of violence, public warnings or punishments, fines and the removal of contractual benefits. Workers are free to seek assistance and have the right to appeal disciplinary decisions.
- Wages are paid according to contractual terms, on time and at least monthly.
- Workers are not required to live in designated accommodation.

IWAY has been updated on a regular basis to take into account environmental and social developments and emerging issues in the global value chains ensuring it remains a relevant and effective tool to combat all risks to human rights in the IKEA supply chain. Over the past 19 years, we have also developed additional requirements for certain parts of the supply chain (like forestry and transport) and clarified our position on specific topics such as the prevention of child labour and support for young workers. This ensures that the spirit of the legislation and standards set out by the UK government (as well as other governments) for fighting modern slavery will inform all future versions of IWAY.

The latest edition of IWAY, launched 1 September 2020 and currently undergoing implementation, remains strict in that forced labour and debt bondage are not accepted in any form. The enforcement of these requirements is further strengthened in our supply chain, for

example, by continuing to build our co-workers' knowledge about this topic, where the potential risks are, how to detect and how to responsibly act in such cases.

To ensure compliance, IWAY verification activities/audits are performed at production/factory sites, both announced and unannounced by internal and external auditing organizations. See response to Question 6 for additional information.

Finally, a key part of our work is engaging with other stakeholders to realize our ambitions and to understand the evolving challenges and opportunities in the regions and industries where we operate. We continue to work with partnerships and engage with NGOs and other organisations or institutions – such as the International Organization for Migration (IOM), the Institute for Human Rights and Business (IHRB), Save the Children and UNICEF - all who can, with their expertise and vast knowledge of the subject matter, support us in identifying areas where we might be vulnerable for unethical treatment of people working directly or indirectly with our business. In addition, we are a founding member of the [Leadership Group for Responsible Recruitment](#), and we support the Employer Pays Principle. The aim is to eliminate recruitment fees being charged to workers anywhere in the world by 2026. The IKEA Guidelines on Responsible Recruitment communicates our expectations regarding recruitment practices for IKEA suppliers.

## **6. What is IKEA UK's approach to assessing and scrutinising its supply chains to ensure that materials are ethically sourced?**

With respect to home furnishing products sold in the IKEA UK and IE stores, IKEA Supply AG is the sole wholesale company. We use a systematic process of verifying IWAY compliance at all direct suppliers and service providers. IWAY verification activities/audits at production/factory sites primarily by internal auditors (Sustainability Compliance Auditors), both announced and unannounced, on a regular basis. External auditing organizations are also used for verification activities.

On-site workers interviews (in areas of employment conditions, payment, access to own funds, passports, working hours etc.) are complemented with other methods: document review of existing employment records, off-site interviews, anonymous channels for whistle blowing (grievance mechanism), visual on-site inspection – and of course, by having an open, transparent and trustful relationship and dialogue with our business partners.

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

Risk assessments are not only conducted on a supplier level, they are also conducted when IKEA enters new markets. IKEA relies upon external organisations and experts to better understand the risks related to ongoing operations. Such risk assessments support in developing informed business decisions and actions to create a positive impact on the people and communities affected by IKEA operations.

## **7. Where materials from unethical sources are identified, how does your company respond and what steps are taken to mitigate the risk of future occurrences?**

We do not accept any form of unethical behaviour in the IKEA value chain. Suppliers are required to perform a root-cause analysis for all identified non-conformities found during an audit and are given 90 days to comply with the requirements. Corrective action plans are submitted to IKEA within 14 days from the completion of the audit and evidence to support compliance with any non-conformities is required within 90 days from the audit. A non-conformity to an IWAY Must (as described in response to Question 5) results in immediate stops of deliveries and cannot be re-started until the IWAY Must non-conformity is corrected.

If a supplier fails to develop its business to fulfil the IWAY requirements - either in matters of forced labour or other violations of human rights – and fails to correct any deviation within a given time frame, we take immediate action, including the termination of suppliers' contracts.

**8. What is your information-gathering process for your Modern Slavery statements, and how do you verify this information? What is your process for acting on the findings of your Modern Slavery statements?**

Governments have an important role to play in protecting human rights through various policy and legislative mechanisms, and we appreciate the attention the UK government has put on this issue, including through the Modern Slavery Act. We see value in reporting requirements to increase transparency and level the playing field, particularly if harmonised across borders.

In order to gather information for the Modern Slavery Statement, the UK Legal team at IKEA Ltd work closely with the UK Sustainability teams, the IWAY team, and the relevant teams at Ingka Group (the parent company of IKEA Retail, UK) and Inter IKEA. These teams work closely with the data and can verify the accurateness of the report and able to confirm whether our annual targets/goals have been met. Other internal sustainability reports are also used to verify this information about our supply chain, which are regularly updated and published annually.

As we are a values-driven business, and IWAY (our internal supplier code of conduct) is updated regularly in-line with our Sustainability Strategy, we ensure that we are constantly acting on the findings from our internal processes which are reported in the modern slavery statement. We ensure that through open communication and transparency, we work together to ensure that the goals set for the year are both reported accurately and progressed from year to year.

We take a long-term approach to meaningful stakeholder engagement and due diligence processes to identify and minimize human rights risks in our value chain and to ensure we meet our responsibilities, based on the UN Guiding Principles of Business and Human Rights (UNGPs). Our annual Sustainability Report also demonstrates the benefits of holding ourselves accountable to meet the ambitions set in our People and Planet Positive Strategy and provides an aligned way to openly share information across various markets. This report, alongside our ongoing due diligence processes, verification activities mentioned above and stakeholder engagement, serve as a basis for our reporting in the Modern Slavery statement.



## Foreign Affairs Committee

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**From the Chair**  
Tom Tugendhat MP

Matthew Maguire  
Public Affairs Manager  
IKEA UK  
Letter by email: [matthew.maguire2@ingka.ikea.com](mailto:matthew.maguire2@ingka.ikea.com)

15 February 2021

Dear Mr Maguire,

We are writing to you following recent reports that parts of UK companies' supply chains include materials and/or labour sourced from the Xinjiang Uyghur Autonomous Region of China. As part of the Foreign Affairs and Business, Energy and Industrial Strategy Committees' inquiries into the Xinjiang detention camps, we are reaching out to a number of businesses to establish a clearer understanding of commercial activity in the region, and what private companies perceive their ethical responsibilities to be in this area.

We would be grateful if you could address the following questions:

1. What is the nature and extent of your company's operations in Xinjiang?
2. What specific raw materials arriving in UK markets are sourced from Xinjiang?
3. Are any of your products assembled in factories deemed to be at risk of using forced labour?
4. Which Chinese companies are involved in your supply chains?
5. How do you ensure that companies at every stage of your supply chain meet their contractual obligations regarding anti-slavery and anti-human trafficking laws?
6. What is IKEA UK's approach to assessing and scrutinising its supply chains to ensure that materials are ethically sourced?
7. Where materials from unethical sources are identified, how does your company respond and what steps are taken to mitigate the risk of future occurrences?
8. What is your information-gathering process for your Modern Slavery statements, and how do you verify this information? What is your process for acting on the findings of your Modern Slavery statements?

It would be helpful to have a response to this letter by 1 March 2021. We intend to place your response in the public domain.

Best wishes,

**TOM TUGENDHAT MP**  
**CHAIR, FOREIGN AFFAIRS COMMITTEE**

Handwritten signature of Nusrat Ghani in blue ink, with a horizontal line underneath.

**NUSRAT GHANI MP  
BUSINESS, ENERGY AND INDUSTRIAL STRATEGY COMMITTEE**

Handwritten signature of Darren Jones in black ink.

**DARREN JONES MP  
CHAIR, BUSINESS, ENERGY AND INDUSTRIAL STRATEGY COMMITTEE**