

Written evidence submitted by IKEA Supply AG, part of Inter IKEA Group (FL0015)

Introduction

- The IKEA brand welcomes this opportunity from the Business, Energy and Industrial Strategy Committee to share our commitment and approach to protecting the rights of all people in the IKEA value chain.
- 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).
- Any potential violation of the dignity and basic human rights of those who earn a living within any aspect of our supply chain network, be it the production of raw materials, manufacturing or delivering products to customers, is unacceptable. Every individual deserves fair working conditions and an opportunity to make a better life for themselves, their family and their wider community.
- Across the IKEA brand, we work hard to make sure that our high standards connected to social responsibility are met throughout the entire value chain.
- We strongly believe in working transparently together with all stakeholders to further promote these values on a global level.

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” of franchise companies.

IKEA home furnishing products are designed, sourced, produced and supplied by two Inter IKEA Group companies: IKEA of Sweden AB and IKEA Supply AG. These form part of the ‘Range and Supply’ arm of Inter IKEA Group. Products are distributed to franchisees around the world and sold in over 400 IKEA stores in over 50 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 (referred to as “we”, “us”, “our” hereafter).

Q1: Do any of your organisation’s value chains link directly or indirectly to the Xinjiang Uyghur Autonomous Region (XUAR) of China, and what steps are you taking to ensure that you have visibility of your entire value chain?

IKEA does not and will not accept any form of forced labour in the IKEA value chain. We have been deeply concerned by reports of human rights violations and accounts of forced labour in the Xinjiang Uyghur Autonomous Region. While we are deeply troubled by the reports, we are grateful that these issues have come to light so we can learn and take steps to strengthen our own processes and due diligence.

Presently, Inter IKEA Group, responsible for global purchasing for the brand, has no active suppliers nor sub-suppliers in the Xinjiang region, regardless of production industry. When allegations about unfair treatment in the Xinjiang region surfaced, we conducted audits at the one sub-supplier we had in Xinjiang at the time. We found no conduct violating compliance requirements. In spring 2020, our supplier stopped using the Xinjiang sub-supplier for its business with IKEA.

Since 2015, IKEA has used 100% Cotton from More Sustainable Sources (CMSS) in all our 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, including in Xinjiang. Since the harvest

from the cotton season 2020-21 will not be approved by BCI, IKEA has taken the decision to discontinue sourcing cotton from Xinjiang, China.

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.

Q2: Do you identify sourcing geographies for the delivery of services or the manufacturing of goods where there is a high risk of human rights abuse?

Risk assessments are always conducted when IKEA enters new markets. IKEA relies upon external organisations and experts to help better understand the risks related to ongoing operations. Such risk assessments support us in developing informed business decisions and actions to create a positive impact on the people and communities affected by IKEA operations.

We want to create a positive impact in the world, and we know that with our size and volumes, we have the possibility to make a difference. IKEA will continue to work towards improving industries from within and create movements towards better working conditions for those working in the IKEA Supply chain. We acknowledge that in some areas and at sometimes, this is a challenging journey. This makes it even more important to continue to work towards making things better. By prioritising continuous development of compliance, working with partnerships and initiatives on the ground, we believe that we can contribute to a better global industry.

Q3: What actions are you taking to prevent modern slavery and human rights abuses within your organisation and its value chains?

At IKEA, our integrated supply chain gives us 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, we're involved every step of the way. We never purchase products "off-the shelf." Instead, everything we sell from IKEA is designed and developed in accordance with our strict requirements that we put on both the product and the suppliers.

IKEA Way of Purchasing

Globally, 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, or start up requirements for suppliers, are those which must be in place before a contract is signed with IKEA. These requirements must be maintained at all times. In order to work with IKEA, for example, all suppliers and service providers need to demonstrate that workers:

- have the legal right to perform work at the Supplier premises
- have the freedom to terminate employment at any time according to the agreed notice period, without penalty or salary deductions.
- have the freedom to leave the premises when their work shifts end.
- personal documents or other belongings are not withheld.
- have not been charged, directly or indirectly, any fees or commission related to the recruitment and/or employment process. If the recruitment agent has requested any such fee, the Worker has been reimbursed by the Supplier.

- have not been requested to provide deposits and have not payments delayed, been offered wage advances or loans with the consequence of indebting the Worker and binding him or her to employment.

Our IWAY verification process relies on both internal and external auditors to verify compliance, as well as IWAY development teams to ensure continuous improvement.

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 is not accepted in any form. The enforcement of these requirements is further strengthened in our supply chain, for example, by continuously building our co-workers' knowledge about this topic, where the potential risks are, how to detect and how to responsibly act in such cases.

Top level governance

At an Inter IKEA Group level, IWAY is governed through the Inter IKEA Strategic Sustainability Council and the IWAY Council. The Inter IKEA Strategic Sustainability Council is responsible for approval of the IWAY Standard and system. The IWAY Council is responsible for the implementation and development of the IWAY Standard and goals. It is made up of senior management from various parts of the business including the CEO, Chief Sustainability Officer and Purchasing Development Manager. The IWAY Council Working Committee is appointed by and supports the IWAY Council with operational questions related to the implementation and interpretation of IWAY.

For Ingka, the highest governing body is the Ingka Group Sustainability Committee. The Sustainability Compliance Working Group handles operational issues relating to sustainability compliance and issues recommendations to the Sustainability Committee and responsible management teams. On a country level, IWAY is managed by the IWAY Country team. The role of the IWAY Country Team is to evaluate the IWAY risks of the suppliers in the country and define prioritization for reviews and other actions.

In addition, we have eight Purchasing & Logistics Areas (PLAs) spread out around the world. This is key to our long term approach to developing business relationships. The PLAs are responsible for developing, leading and securing an optimal support structure for all business units (suppliers) in the area. Among other responsibilities, the PLAs lead and secure risk management and compliance to laws and standards and verify quality and sustainability compliance on site at suppliers.

Long term strategy

People and Planet Positive, the IKEA sustainability strategy, includes fair and equal treatment of people at its core. The strategy covers the entire IKEA value chain and franchise system. Our ambition is that by 2030 the IKEA business will be a leader in creating a fair and equal society that benefits the many. You can read more about our work in the FY19 sustainability report [here](#).

External partnerships

A key part of our work is engaging with others to realize our ambitions. We continue to work with partnerships and relationships 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.

Q4: What evidence can you supply of compliance with all applicable labour, procurement and anti-slavery laws?

IKEA suppliers are required to comply with the most demanding requirements in the market where they operate, whether they are relevant applicable laws or IKEA IWAY specific requirements. In compliance with the UK Modern Slavery Act 2015, IKEA Limited published a [comprehensive report](#) earlier this year outlining the steps taken to date to ensure that slavery and human trafficking are eliminated from IKEA operations and supply chains. Alongside IWAY documentation, audits conducted on suppliers and critical sub-suppliers can be used to demonstrate compliance.

Q5: What are your human rights due diligence processes in respect of your workers and value chains?

Besides implementing transparent and reliable routines to ensure, verify and report IWAY, announced and unannounced audits are performed both by IKEA IWAY auditors and third-party organisations.

If a supplier fails to develop its business to fulfil the IWAY requirements and to correct any deviation within a given time frame, despite support from IKEA, the supplier is phased out and the business agreement is terminated as stated in our IWAY standard. The time frame varies depending on the area that is non-compliant.

IKEA sustainability compliance auditors are trained on how 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 help 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.

Q6: What action does your organisation take - beyond publishing a Modern Slavery Statement and including contractual obligations with suppliers - to ensure modern slavery compliance in your value chain?

Inter IKEA Group and the Ingka Group (our UK & IE franchisee) have committed to act in accordance with the UN Guiding Principles on Business and Human Rights and the UN Children's Rights and Business Principles.

Across the IKEA business there are a number of global internal and external policies and procedures in place to secure respect for the human rights of IKEA co-workers and all the people linked to IKEA's supply chain, including the Inter IKEA Group Policy on Human Rights and Equality, the Ingka Group Policy on Sustainability, the Ingka Group Policy on People, Ingka Group Policy on Human Rights and Equality, the Inter IKEA Sustainability Strategy, the IKEA Code of Conduct, and IWAY, our supplier code of conduct. These policies detail IKEA's position on human rights and its commitment to equality for all people that the IKEA business and wider operations involve and affect. IKEA is committed to creating a culture in which human rights and equality are respected, supported and in which any form of discrimination is not tolerated.

In addition, we know that the risk for forced labour is not a limited to the supply chain. That's why we've developed IConduct, the IKEA franchisee code of conduct. It describes the franchisees' responsibilities when it comes to protecting the rights and dignity of IKEA co-workers. IKEA franchisees are responsible for ensuring that the requirements described in IConduct are implemented and communicated to all of their co-workers in a language understood by them.

This protection is strengthened in each IKEA market by local rules and procedures and recruitment policies. For example, our UK & IE co-workers are introduced to these policies during their initial training and are

encouraged to revisit them on the intranet and in subsequent trainings; we expect all of our co-workers to abide by these policies.

Our work to prevent forced labour in our supply chain is part of our ongoing efforts with our business partners. Our partnerships with suppliers are based on a common set of values, long term relationships and a clear set of expectations, stated in IWAY. These standards are followed up by a robust system of development for suppliers, audits (announced and un-announced, by IKEA and external third-party auditors) and support.

Finally, to create a positive impact on the world, we want to work with others to influence change. That's why we have played an active role in leading the change we want to see with others, such as the Leadership Group for Responsible Recruitment (LGRR) and others mentioned above. We welcome the opportunity to work closely with all stakeholders, including policy makers, to bring about positive movements.

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