

Modern Slavery Statement

Welcome from Javi, Country Retail Manager UK and Ireland



Our vision is 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 to ensure modern slavery is eradicated from every part of our business.

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

Javier Quinones
Country Retail Manager

This statement has been produced by IKEA Limited on behalf of itself and its subsidiaries, IKEA Properties Investments Limited and IKEA Distribution Services Limited (referred to as “we”, “us”, “our”) in compliance with the Modern Slavery Act 2015. It details the steps that we, in conjunction with IKEA at a global level, have taken to date to ensure that slavery and human trafficking are eliminated from IKEA’s own operations and supply chains.

Introduction

In this statement we set out what actions and steps we have taken in our 2018 financial year to combat modern slavery and human trafficking in our supply chain. We will talk about our people, our business, our values, our policies, actions taken globally and also what we do at a local level in the UK to eliminate modern slavery in our supply chain.

The IKEA vision is to create a better everyday life for the many people. This vision applies to our customers, our co-workers (more than 208,000 co-workers across IKEA companies), and through to the millions of people who work in the extended supply chain. The aim is to achieve the IKEA vision through a caring meeting with the many people, working *tillsammans*; the Swedish word for “together”.

The emotional and physical wellbeing of the many workers who make up our supply chain is extremely important to us. 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. At IKEA, we have a responsibility to respect the human rights of people that our business touches.

This report is approved and endorsed by our senior management in the UK & IE and its significance is known by those involved in the management of our supply chain. Before the legislation came into effect, we contributed to the ‘Joint Committee on the draft Modern Slavery Bill’ in 2014, helping to support the development of the law on modern slavery.

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This statement explains in detail how we are actively working to protect the dignity and wellbeing of all workers in our operations and in our value chains and, in line with our values of caring for people and planet and taking responsibility, what we are doing to improve. We are used to talking openly and honestly about our business, our successes and failures and how we treat our people. So, when it became a requirement to publish a Modern Slavery Statement we wanted to ensure that we continue to be engaged in a meaningful way.

We continually strive to put respect for human rights at the centre of everything we do. We want our customers to be confident in the knowledge that the products and services they purchase from IKEA are in no way linked to the unfair treatment of workers in IKEA's operations or in the supply chain.

Our People

We see the people working within our organisation as being integral to securing 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. You can view our Diversity and Inclusion approach at: www.ikea.com/gb/en/this-is-ikea. We want our co-workers to be ambassadors of IKEA, to embody our culture and values and to inspire fellow co-workers, suppliers and customers alike. All of our recruitment processes adhere to the relevant employment laws and regulations and we expect all businesses with whom we interact to abide by all applicable laws when recruiting.

Our Business

IKEA Limited and IKEA Ireland Limited are the UK & IE part of 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 Limited carries out business in the UK and is engaged in retail, property, construction and distribution operations. IKEA Ireland Limited carries out business in Ireland and is engaged in retail operations.

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 422 IKEA stores in 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.

IKEA has around 9,500 products in its home furnishing range. Inter IKEA Group has partnered with 946 home furnishing suppliers in 51 countries to source its products; 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/agriculture, metals, electronics and food. These suppliers and service providers are involved in all parts of IKEA operations such as waste management services, cleaning services, and transportation. Inter IKEA Group are always looking for ways to reduce transport; about 20% of products are shipped directly from suppliers to the IKEA stores.

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We recognise that the world around us is changing rapidly. Advances in technology and the way customers choose to shop has a direct impact on our supply chain and how products are created, developed, and sold. In FY18 we embraced a new retail direction and we updated our Sustainability Strategy. At the core of the retail direction and our Sustainability Strategy are people. We have expanded upon the 'People and Planet Positive' goal of FY17 and we are focussing on transforming our operations and using resources with the utmost efficiency; providing fair working conditions and respecting human rights, as well as advocating for positive change in society.

We believe one of the key factors that reduces the risk of modern slavery and forced labour is having long term and mutually beneficial partnerships with suppliers and service providers. Today, the average length of the relationship between Inter IKEA Group and home furnishing suppliers is 11 years, giving us the opportunity to drive and support engagement with globally beneficial initiatives such as eradicating modern slavery.

Another positive factor is the partnerships and engagement IKEA has with valued external organisations such as the International Organization for Migration (IOM), the Institute for Human Rights and Business (IHRB), Save the Children and UNICEF all of whom support IKEA in developing approaches to address these issues.

For more details on how we engage with our partners, please refer to our FY18 Sustainability Report at annualreport.ingka.com.

Our Policies and Procedures

Both the Ingka Group and Inter IKEA Group has 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. Examples include the Inter IKEA Group Policy on Human Rights and Equality, the Ingka Group Policy on Sustainability, the Ingka Group Policy on People, the IKEA Code of Conduct, and IWAY, our supplier code of conduct (more detail on IWAY in the next chapter). 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.

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.

The IKEA Way of Purchasing Products and Service

IWAY Globally

For more information on this, please see the Inter IKEA Group FY18 Sustainability Report newsroom.inter.ikea.com.

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The principal tool to secure compliance for environmental, social and working standards at suppliers and service providers is IKEA's supplier code of conduct, IWAY – The IKEA Way of Purchasing Products and Services. IWAY addresses issues such as child labour, forced or bonded labour, responsible recruitment, unlawful wages, and excessive working hours.

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. IWAY has continuously been improved and updated throughout its 18 years' implementation, following new learnings and experiences from the field. In short, 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 currently in version 5.2 and is regularly under review to ensure it remains a relevant and effective tool to combat all risks to human rights in IKEA's supply chain. This ensured that the spirit of the legislation and standards set out by the UK government for fighting modern slavery will inform all future versions of IWAY. Future editions of IWAY will strengthen requirements ensuring that forced labour and debt bondage do not occur in IKEA's supply chain. The global review also raised the question of training throughout IKEA territories on the prevention of modern slavery in its supply chain. In response to this, throughout FY18, training and corresponding material on modern slavery was developed and took place with all sourcing teams in home furnishing business.

Securing IWAY Compliance

The Inter IKEA Group secure the compliance of its direct suppliers, helping to drive positive change throughout the supply chain for all of products that IKEA sells. It does this in the following ways:

IWAY Musts

IKEA 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's sub-suppliers) who are a step removed from day-to-day contact with IKEA personnel, nor are they in a contractual relationship with IKEA directly. This can make it challenging to ensure that they share IKEA's approach to important issues such as the environment and human rights. Tier 1 suppliers (IKEA direct suppliers) are requested to communicate IWAY Must requirements with their own suppliers, and to register them on IKEA's sub-supplier tracking system. It is the responsibility of Tier 1 suppliers to audit their critical sub-suppliers and ensure IWAY Must compliance.

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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's direct supplier must confirm to IKEA's satisfaction that the IWAY Musts are adhered to.

IKEA supports suppliers throughout this process and will work with them to address any issues. You can find out more in the FY18 Sustainability Report newsroom.inter.ikea.com.

Due Diligence and Audits of the Supply Chain

The Inter IKEA Group 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. The audits are performed by both designated IKEA auditors and external third party auditors.

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.

In FY18, Inter IKEA Group companies and third party auditors conducted hundreds of IWAY audits at suppliers and service providers, approximately 50% of which were unannounced. Due to challenges in the region, independent third party unannounced audits of all identified critical sub-suppliers in South and Southeast Asia were also conducted. For more details of the work in this area, please look at the FY18 Sustainability Report newsroom.inter.ikea.com.

IKEA home furnishing suppliers have high approval rates (98%), with the lowest being in the South Asia region. Significant steps have already been taken in IWAY implementation at cleaning, security, waste management and customer delivery service suppliers in retail operations; from 27% of them IWAY approved in 2011 to 87% approved in 2016. For more information about IWAY approval rates at suppliers and service providers see the FY18 Sustainability Report. The focus for FY19 and beyond is to ensure that we reach as near to 100% compliance as we can.

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.

Who is involved in IWAY implementation?

The Inter IKEA Group uses the following groups 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

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with existing and potential suppliers. IWAY is also part of the contractual commitment to becoming an IKEA supplier.

Sustainability compliance teams and third party auditors are responsible for annual IWAY audits of IKEA suppliers. They review and follow-up action plans in the case of non-compliance.

Sustainability development teams 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 Compliance and Monitoring Group is responsible for ensuring global consistency and compliance. This is done through calibration activities and training, as well as compliance audits to verify results.

IWAY trainers are internal experts with expertise in the working of IWAY. Internally, there are three levels of IWAY training; at a minimum, every IKEA employee takes part in the foundational level and other levels are required depending on the relevance of IWAY to their work.

At an Inter IKEA Group level, IWAY is governed through the IWAY Council and the IWAY Council Working Committee. The IWAY Council is responsible for all principal decisions regarding 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 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.

IKEA in the UK

IWAY implementation

The working method described below applies for retail suppliers, not our distribution/transport suppliers – these fall under the scope of the Inter IKEA Group as opposed to IKEA in the UK.

During FY18, we have enhanced our IWAY implementation and monitoring process to ensure that we have full oversight of our supplier base. In accordance with our goals for FY18, we have developed a risk rating and KPI approach to monitor IWAY compliance which is used for current suppliers and is now incorporated into the procurement process for prospective suppliers.

During the procurement process, each potential supplier is sent the IWAY Musts document and asked to respond to questions as part of a risk assessment process. Based on their responses, our IWAY auditors score them and give them a risk rating. The risk rating is informed by an external tool which creates risk profiles according to country and the type of activity the supplier is engaged in. This external tool is a global one with a risk database that assists us in keeping up-to-date with risks that change globally.

The risk rating is discussed with the local IKEA purchaser to help them identify where they can spot risks and how these can be addressed. The risk rating and the supplier's attitude towards IWAY compliance is an integral part of the procurement process. It informs our

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decision to perform an initial assessment on a supplier to check that the IWAY Musts are adhered to. On average, we conduct one IWAY Must assessment per tender. Where a potential supplier is found to be non-compliant, we will give them two weeks to correct the non-compliance or they will not be able to continue with the tender.

For those suppliers where we have evidence of strong IWAY competence and a low risk rating, we will conduct training and development courses for them. For all of our suppliers, continued IWAY compliance and a strong set of people values form part of the contractual commitments they make to IKEA when formal agreements are made.

At the end of each financial year we look at our supplier list and their respective risk profiles. We then prepare a forecast of supplier audits for the next fiscal year – we select suppliers where a) we believe it is beneficial to conduct a full IWAY audit addressing all 14 chapters; or b) we foresee a risk in only certain areas, so will conduct a partial IWAY audit on compliance with specific chapters.

We follow strict routines to ensure compliance with IWAY requirements in the UK. 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; assessments of chemicals and handling measures used on site; evaluation of fire-fighting equipment, protective equipment and training; verification of emergency evacuation routines. 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.

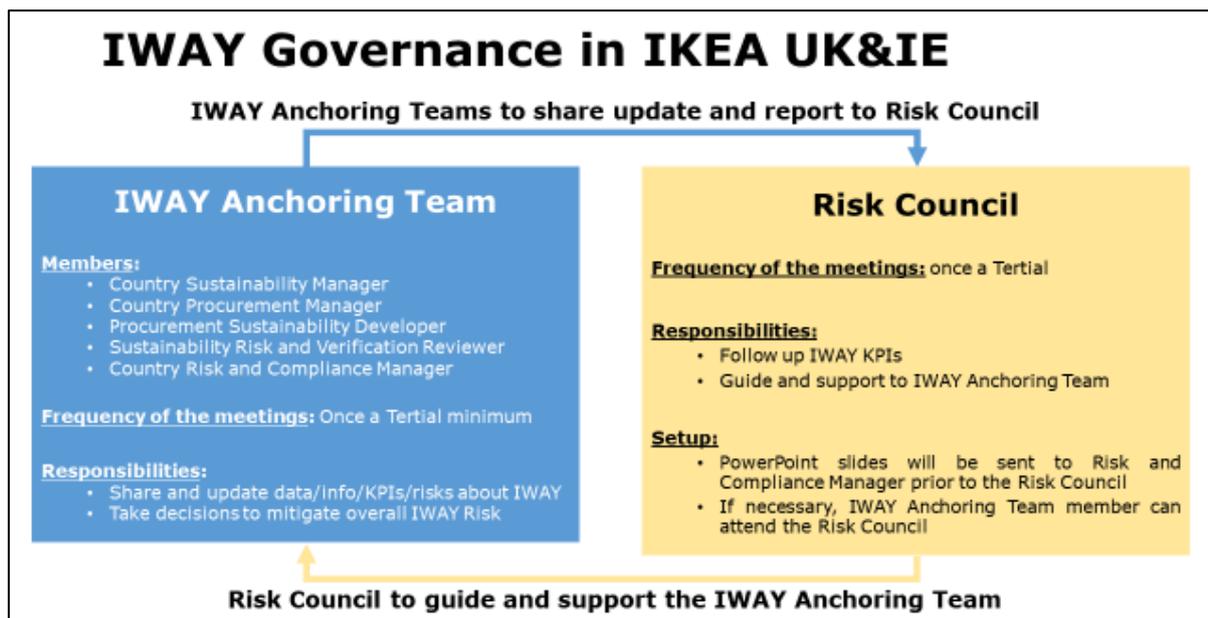
Follow up and non-compliance

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.

Goal for FY19

We are working towards setting up an IWAY steering group in the UK to talk specifically about how we can take action to reduce the risks. They will report to the Risk Council where KPI overviews, updates and issues will be managed.



We are planning an IWAY training package which will be rolled out to all of the UK stores and to all co-workers who are in contact with suppliers.

Better Procurement

In FY18, we implemented the 'Better Procurement' agenda. This is a business-wide initiative aimed at improving the way that IKEA UK & IE procures and engages with its suppliers, delivering transparency and consistency. It is led by the Procurement, Legal and Finance teams and has been rolled out across senior management both centrally and in stores.

The Better Procurement initiative has led to the creation of two new central working groups with the sole aim of accounting for each supplier to the UK organisation and ensuring that all of the correct processes have been followed in the procurement of our suppliers. The Supplier Management Group and Better Procurement Group meet weekly to maintain oversight of suppliers and expenditure.

These two Groups ensure that any potential supplier undergoes a number of assessments to check that they are a suitable business partner and that they share IKEA values, before they are formally procured in the UK/IE organisation. This includes a credit check and verification that the supplier is able to comply with IWAY requirements, as well as formal approval from the two Groups which is then documented.

Our UK procurement team work carefully and diligently on the formation of any contractual relationship with a supplier. They work closely with stakeholders within the business who have been given the responsibility to develop and manage relationships with suppliers. At the beginning of any contractual discussion, we provide training for those with the responsibility of procurement and provide direct assistance to the relevant function in forming or maintaining those contractual relationships. This can include guidance on the importance of understanding and securing how suppliers work with (amongst other matters) data protection, payments, liabilities and insurance.

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The internal stakeholders responsible for developing/maintaining a relationship with a supplier will also assist in the negotiation of contractual agreements to ensure that the intentions of both parties are formally documented and agreed. Acceptance or rejection of our terms and conditions informs us of the mind-set, general approach and likely attitude towards the treatment of people in a supplier's organisation, as well as in that of their sub-suppliers. We see this all as part of a qualitative assessment of suppliers that can result in site meetings with suppliers where we have an opportunity to inspect their working environments (this is in addition to the IWAY audit visits that we conduct). This approach ensures that we have a better opportunity to capture potential non-compliance with our IWAY expectations rather than just allowing for one site meeting and conversation.

We have designed our procurement process to incorporate a fundamental commitment from our suppliers to our Business Ethics principles. This document emphasises the importance of doing business in an honest, open and ethical way, citing express requests not to engage in any behaviour which constitutes the offering or acceptance of gifts or bribes. It also gives us the right to investigate, report and terminate contracts in circumstances where we suspect that these expectations are not met.

Prompt Payments

Another key aspect of the Better Procurement initiative has been a review of our payment practices to our suppliers in the UK. Over the past financial year we have compiled information relating to all our suppliers across our UK entities setting out when and how they are paid for services performed. This is a valuable exercise because it allowed us to identify where there were inconsistencies in our payment practices so that we could address any issues with our systems.

We use both electronic invoices in Tungsten and paper invoices. We are moving away from manual payments to ensure that there is consistency in our payment methods and that suppliers can manage their payment flows based on the work they perform for us. We are proud that our standard payment terms are 30 days, which is short in the retail industry.

In FY18 we published reports on our payment practices in accordance with legislation. You can see our reports for FY18 at: check-payment-practices.service.gov.uk.

Responsible Recruitment

Responsible recruitment – recruitment that is, at a minimum, performed according to legislation, is transparent and does not place candidates or workers in a position likely to result in forced and bonded labour, or in any other way violate their rights and freedoms.

Background

Globally, the number of people that are seeking work opportunities abroad is steadily increasing. Employers in many countries find it difficult to recruit enough workers locally and thus need to employ foreign workers. When international recruitment is performed responsibly, it can benefit both workers and employers. If not, it can have negative impacts, such as risk of forced and bonded labour for the workers, high rates of employee turnover, or disparity in the skills offered to the employer to what is actually received.

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IKEA also sees this trend of growing numbers of workers recruited outside of the country of work. Many suppliers are facing significant challenges to manage the recruitment process responsibly.

IKEA (this applies to Inter and Ingka) created an internal guideline explaining in detail what steps should be taken before, during and after recruitment, in order to support suppliers to recruit responsibly and secure full compliance with IWAY requirements. There is a timeline of implementation explaining to suppliers that the implementation will be required from them within next 2-3 years.

Trainings

A training about Responsible Recruitment and how to support suppliers was given to auditors in FY18.

Our Values

At IKEA, we come from all over the world but we share an inspiring vision: "to create a better everyday life for the many people". How we realise this vision is based on our shared humanistic values. These values guide our work and build our inclusive, open and honest culture:

- Togetherness or '*tillsammans*'
- Caring for people and planet
- Cost-consciousness
- Simplicity
- Renew and improve
- Different with a meaning
- Give and take responsibility
- Lead by example

It's all based on a spirit of togetherness and enthusiasm. We work hard, but we have fun doing it and we are always looking for people who share our positive attitude and values.

These values are the foundation of the global IKEA family. We all work together, not just with each other, but with suppliers and customers. IKEA believes in people and ensures that this optimistic attitude informs the way it does things, looking beyond its local sphere. We want to be a force for positive change both locally and globally, and be mindful of our impact on the planet and its population, such as by striving to improve the work environment for IKEA co-workers and the many people throughout our direct and indirect supply chains involved in producing IKEA products.

It is a privilege to take responsibility and be accountable for all decisions we make, including the impact of our business activities, and the eradication of modern slavery in whatever form we discover it.

The approach going forward

IKEA is aware that it must continue to engage with suppliers and look for new methods in which it can improve ways of working to eliminate the risks of slavery in its supply chain.

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To achieve long lasting positive change, IKEA cannot take a purely 'risk mitigation' approach. IKEA's goal has to be to help lift people out of poverty by providing good places to work throughout its supply chain. IKEA cannot achieve this single-handedly and will embrace opportunities to work collaboratively to bring about change.

Throughout FY19, IKEA will continue to:

- set clear standards for the recruitment and employment of migrant workers through IWAY;
- support and implement the Employer Pays Principle;
- move towards an approach based on key performance indicators for the assessment of IWAY compliance;
- implement and require transparent terms and conditions of recruitment;
- continue to develop a robust follow up and monitoring process for IWAY compliance in the IKEA supply chain;
- collaborate with influential partners and charitable partners to align approaches and effect positive change;
- be open with challenges and share learning to support other initiatives; and
- be People and Planet Positive – a Fair and Inclusive brand, company and employer with Fair and Inclusive KPIs for global ambitions.

This statement has been approved by our Board of Directors, who will review and update it on an annual basis or more often as we progress with the objectives set out in this statement.

We hope you have found this statement informative and useful. Please contact us if you have any queries.