

Date: 17 May 2024

Inter IKEA Group response to the inquiry by the Senate Legal and constitutional affairs legislation committee, Parliament of Australia

Driven by the vision to create a better everyday life for the many people, IKEA ensures that we are committed to human rights in all our business activities, across the value chain and in the communities in which we operate. We are committed to meeting our responsibility to respect human rights, in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGPs), the Children's Rights and Business Principles, the OECD Guidelines for Multinational Enterprises and the Sustainable Development Goals (SDGs). Human rights violations have no place in our operations, business decisions or in our value chain.

We work actively to ensure that our commitment to operating with respect for human rights is integrated into our company policies, processes, and ways of working. Through human rights due diligence procedures, we continuously strengthen our efforts to identify, assess, and take action on the human rights impacts of our business activities and relationships.

We demand the same high standard of responsible behaviour from our suppliers and business partners. The minimum expectations we place on our business relationships are found in the IKEA supplier code of conduct IWAY and in the IKEA franchisee code of conduct IConduct. Both IWAY and IConduct are based on internationally recognised standards and principles, such as the UNGPs, the Ten Principles of the UN Global Compact, the ILO Centenary Declaration for the Future of Work, ILO labour standards and many others.

IWAY, the IKEA way of responsibly procuring products, services, materials and components, is our supplier code of conduct. IWAY has been the base of our work across the value chain since 2000. It is mandatory for all suppliers and service providers, and addresses issues such as child labour, forced or bonded labour, responsible recruitment, equality, diversity and inclusion, wages and working hours, among other social and environmental topics.

IKEA suppliers are responsible for communicating IWAY requirements to their suppliers, and IKEA is supporting them in doing this. All suppliers must comply with the mandatory IWAY requirements. Our aim is to support our suppliers to implement IWAY at sub-contractors in deeper supply chains and create a truly sustainable IKEA value chain.

Wherever we operate, we work to secure that our mandatory requirements concerning working conditions, and social and environmental standards are being met at all times. To verify compliance with IWAY, we conduct regular announced and unannounced audits. Any warning signs of child labour, forced labour, discrimination, violence or harassment are immediately investigated, always taking into account what is in the best interest of children or the impacted workers. If a case is confirmed, we collaborate closely with the affected rightholder(s) and the supplier, to ensure the situation is meaningfully remediated.

If a supplier fails to comply with the IWAY requirements within a given timeframe and despite the support provided by IKEA, the supplier is phased out and the business agreement terminated.

Already before the start of a new business partnership, we conduct risk assessments and evaluate whether a potential new supplier is capable and willing to meet the IWAY requirements. These risk assessments continue throughout the partnership. To understand the risks, we evaluate several different data sets connected to the specific supplier, including country and industry risk indices, provided by independent external risk data analysis companies, general industry characteristics, results from previous verification activities at the supplier, when applicable.

Based on the risk analysis, we plan implementation and verification activities with the supplier, including focus and frequency of these activities. For a potential new supplier, this risk assessment helps to determine whether we can start up a partnership and what support the supplier will need to implement IWAY requirements and maintain them over time.

We are committed to addressing relevant root causes of negative impacts on people, society and the environment. However, we do not hold all the answers and need to work together with others to influence meaningful change and contribute to systemic improvements. We are also committed to taking our responsibility to remediate any negative impacts we cause or contribute to on people, society and the environment. We recognise that remediation should be effective and meaningful in each context and tailored to the needs of specific vulnerable groups. Our approach to remediation, including which impacts we prioritise for remediation, depends on how we are connected to the impact as well as the nature and severity of the impact in question.

The Inter IKEA Group conducted a comprehensive internal human rights baseline assessment in FY21. Based on that, work is ongoing to strengthen a systematic approach to identify and address the salient human right risks at an Inter IKEA Group level in alignment with the UN Guiding Principles on Business and Human Rights. We recognise where there are any gaps and are working continuously to develop our human rights due diligence approach. As a part of our efforts to strengthen our human rights due diligence approach, we also work across total IKEA to strengthen the relevant processes and requirements, including for our franchisees. *Read more here:* [The Inter IKEA Group commitments to human rights](#)

We are committed to working with key stakeholders in a collaborative way, being transparent and strengthening our due diligence systems to mitigate any potential negative impacts from our business operations.