

Modern Slavery Statement Introduction letter from Gillian

At IKEA, our vision is to create a better everyday life for the many people. This is more than a company slogan; it is a mission statement that helps to shape every aspect of our business and our supply chain. Ensuring the well-being of the IKEA community – from our co-workers, to our customers and the communities that we operate in – is at the heart of everything we do. As a values driven company, we are proud to support the Modern Slavery Act of 2015 and highlight the steps that we are taking to ensure modern slavery is eradicated from every part of our business.

In 2014, before the Modern Slavery Act legislation came into effect, IKEA actively contributed to the 'Joint Committee on the draft Modern Slavery Bill', helping to support and develop the law on modern slavery. We do not support this initiative just because we are governed to by law, but because we strongly believe that any violation of a person's basic human rights is unacceptable.

There are millions of people working in our supply chain and we are committed to ensuring they receive the fair working and living conditions they deserve. The IKEA Way of Purchasing Products

and Services (IWAY) was introduced 17 years ago, and operates as our code of conduct for our many suppliers. Guided by the Ten
Principles of the UN Global Compact,
IWAY addresses a range of issues
including forced or bonded labour
and unlawful wages. Compliance
with IWAY is non-negotiable, and
we carry out regular audits to
ensure its continued implementation
across our supply chain.

It is important that IKEA customers feel confident that the products they buy have been sourced and made in safe and responsible environments. Our ultimate aim is to eradicate the risk of slavery in our supply chain, while helping to lift people out of poverty by providing a safe and inspiring place to work. Our products should not only improve the lives of our customers, but also contribute positively to the lives of those who make and deliver them.

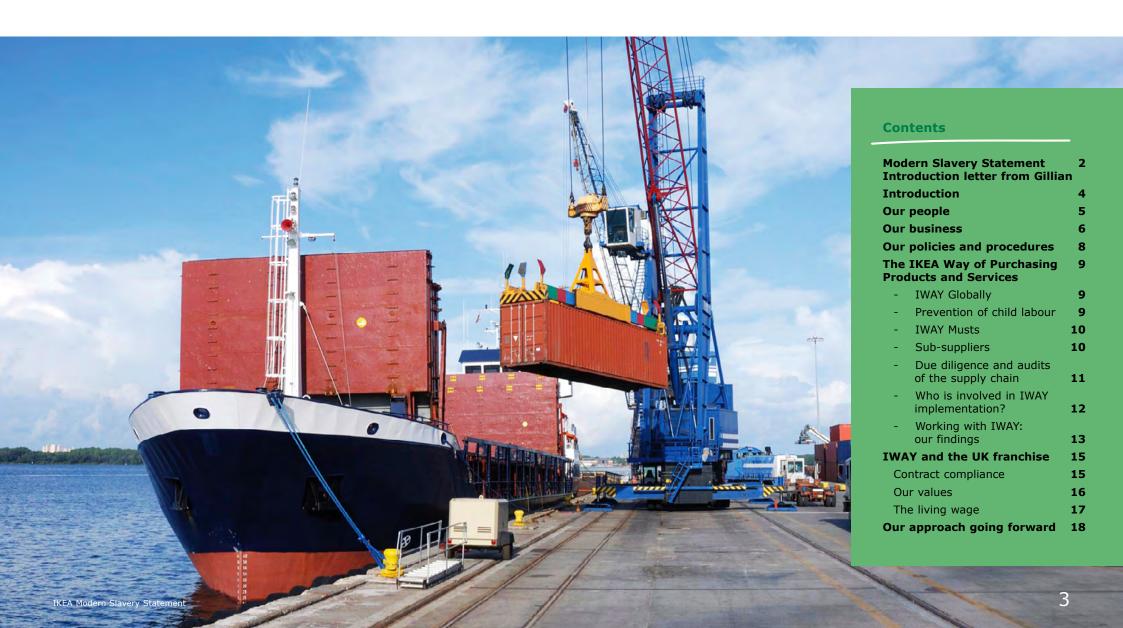
We strive to be a leading voice in the fight against modern slavery. We know there is no overnight fix to what remains a global issue. However, I truly believe that if we work together, and continue to be open and transparent about our progress, we can consign slavery and human trafficking to history.

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Gillian Drakeford, Country Retail Manager IKEA UK & Ireland



This statement has been produced in compliance with the Modern Slavery Act 2015. It details the steps that have been taken to date by IKEA to ensure that slavery and human trafficking are eliminated from its supply chain.



Introduction

In this report 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 eradicate 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 180,000 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 embrace our responsibility to provide them with the right conditions to make this a reality.

180,000

co-workers working across all IKEA companies.

This report is approved and endorsed by our senior management in the UK 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. This statement explains in detail how we are actively working to protect the dignity and wellbeing of all workers 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 slavery and human trafficking 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 the supply chain.

Tillsammans till-sam-mans | (Swedish) adverb

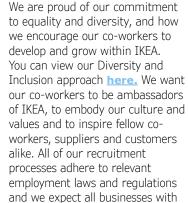
The Swedish word tillsammans means; "together". We aim to achieve our vision through a caring meeting with the many people, working tillsammans.



Our people

We see the people working within our organisation as being integral to securing the eradication of modern slavery.

Our people strategy ensures that we recruit people that share our values. We are proud of our commitment whom we interact to abide by all applicable laws when recruiting.





Our Business

IKFA Limited is a franchise company in the UK. The worldwide IKEA franchisor is a company called Inter **IKEA Systems B.V** ("Systems"). Systems is in turn 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.

This report is submitted by IKEA Limited on behalf of itself, IKEA Properties and Investments Limited and IKEA Distribution Services Limited. It also references work done by The IKEA Group, Inter IKEA Group and itself to tackle modern slavery in supply chains.

During the report we make clear which part of IKEA is responsible for the activities we are referring to.

IKEA home furnishing products are designed, sourced, produced and supplied by two Inter IKEA Group companies called IKEA of Sweden AB (IoS) and IKEA Supply AG which form part of the 'Range and Supply' arm of Inter IKEA Group, Products are distributed to franchisees globally and sold in IKEA stores, including in the UK. IKEA sells products through 354 stores in 29 countries around the world. Sourcing occurs in even more countries, giving companies operating under the IKEA Concept a comprehensive presence and the opportunity to drive positive change on a global scale.

We offer around 9,500 products in our home furnishing range. There are approximately 600,000 people across more than 50 countries involved in production at our direct suppliers of home furnishings, and millions more people work in our extended supply chains. We produce and source products 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. We also have suppliers and service providers involved in all parts of our operations such as waste management services, cleaning services, and transportation.

At IKEA we understand that having a global supply chain means that we have a responsibility to the people and communities on whom our operations have an impact. We accept this responsibility and have outlined our ambitions, goals and actions in our Sustainability Strategy; 'People and Planet Positive'. By addressing the challenges posed by modern slavery practices, and working proactively to prevent them, we not only take responsibility as a company, but see an opportunity to have a positive impact on people and communities.

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 with 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 we have 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 us in developing approaches to address these issues.

For more details on how we engage with our partners, please refer to

IKEA Group Sustainability Report FY16 and Yearly Summary FY16 here.

Production and Sourcing FY17

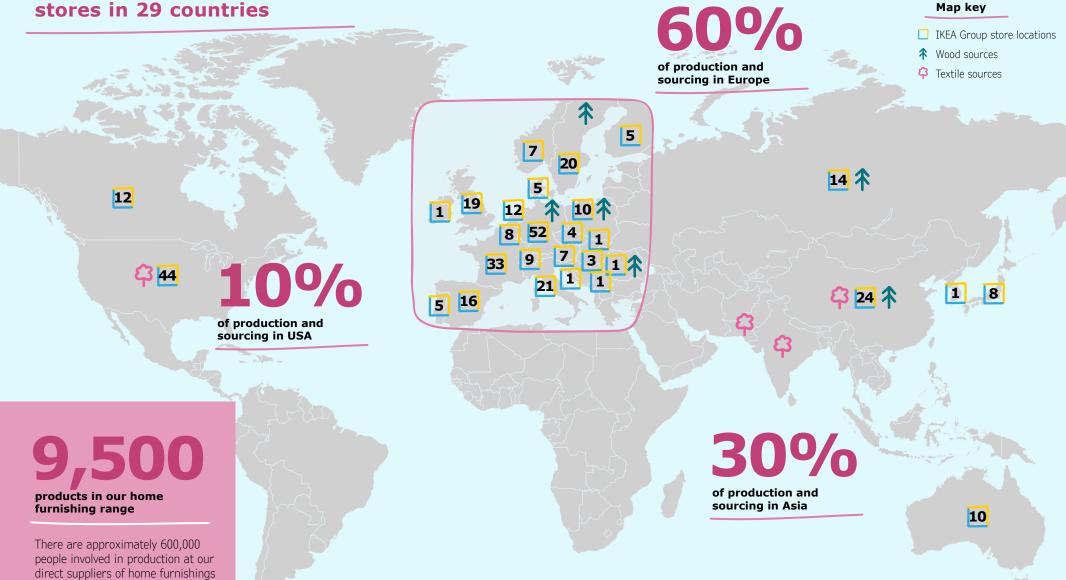


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IKEA Modern Slavery Statement

There are 354 IKEA Group stores in 29 countries

in more than 50 countries and millions more people work in our extended supply chains.



IKEA Modern Slavery Statement

IKEA 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 our business we have a number of global internal and external policies and procedures in place to secure respect for the human rights of our co-workers and all the people linked to our supply chain. Examples include the Inter IKEA Group Policy on Human Rights and Equality, the IKEA Group Policy on People, the IKEA Group Code of Conduct, and IWAY, our supplier code of conduct. These policies detail our position on human rights and our commitment to equality for all people that our business and wider operations involve and affect. We are committed to creating a culture in which human rights and equality are respected and supported, and in which no form of discrimination is tolerated.

This protection is strengthened in our individual markets by local rules and procedures and our people policies. For example, our 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.

Internal and external policies and procedures

Inter IKEA Group Policy on Human Rights and Equality

IKEA Group Policy on People

IKEA Group Code of Conduct

The IKEA
Way on
Purchasing
Products and
Services



The IKEA Way of Purchasing Products and Services

IWAY Globally

The principal tool to secure compliance for environmental, social and working standards at suppliers and service providers is the 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 recognised in the Universal Declaration of Human Rights. IWAY has continuously been improved and updated throughout its 17 years' implementation, following new learnings and experiences from the field. It has recently been updated to version 5.2, which includes changes regarding our approach on the prevention of child labour and support for young workers. This is intended to better equip IKEA and suppliers to always act in the best interests of the child and to prevent children from being placed in vulnerable situations that could potentially amount to child labour. In short, IWAY serves as a tool for risk assessment, development, compliance and verification and its purpose is to ensure we only work with suppliers and businesses that share our values and working standards.

Prevention of Child Labour

In FY16 the approach to preventing child labour and supporting decent employment of young workers was updated. The definition of child labour was clarified and aligned with the International Labour Organisation's Conventions n. 138 (1973) and n. 182 (1999). The approach and its application is based on the principle of the best interest of the child. Part of the approach is also the improved working method on the actions to be taken in the case of discovering a potential child labour situation.

Training sessions are conducted around the world to raise awareness of child labour and its many guises. Suppliers and service providers are provided with information and training on our updated approach.



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

IWAY Musts

IKEA always requires that suppliers comply with IWAY. They are given 12 months from the first delivery date to reach full compliance. The IWAY Must, or start up requirements, are those which must be in place before a contract to supply to IKEA is signed 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

The suppliers' own suppliers – IKEA sub suppliers – are a step removed from day-to day contact with IKEA teams and are not in a contractual relationship with IKEA. This can make it challenging to ensure that they share our 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 our sub-supplier tracking system. It is the responsibility of our tier 1 suppliers to audit their "critical" sub-suppliers and ensure IWAY Must compliance.

Sub-suppliers are defined as "critical" if processes performed 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, our tier 1 supplier must verify to our satisfaction that the IWAY Musts are respected.

We support suppliers throughout this process and work with them to address any issues. You can find out more in the IKEA Group Sustainability Report FY16 here.





Due Diligence and Audits of the Supply Chain

We 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, our sustainability compliance auditors benefit from an understanding of how the business works and they are constantly learning about our suppliers and thinking about how we can 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 FY17, Inter IKEA companies and third party auditors conducted 1,518 IWAY audits at suppliers and service providers, 542 of which were unannounced. Additionally, there were 65 third party unannounced audits.

In FY16, Inter IKEA companies and third party auditors conducted 1,048 IWAY audits at suppliers and service providers, 586 of which were unannounced. Additionally, there were 177 third party unannounced audits. 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 IKEA Group Sustainability Report FY16 here.

IKEA home furnishing suppliers have high approval rates (98.5%), with the lowest being in the South Asia region (95%). Significant steps have 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 our Sustainability Report 2016. The focus for FY18 and beyond is to ensure that we reach as near to 100% compliance as we can.

Total IWAY audits globally

542

Unannounced audits

65

Third party unannounced

911
Arranged audits

1,518

98.5%

of our home home furnishing suppliers have high IWAY approval rates

Risk assessments are not only conducted on a supplier level- they are also conducted when IKEA enters new markets. External organisations are relied on, alongside 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:

- responsible for the sustainable implementation of IWAY at 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 become an IKEA supplier.
- 2. Sustainability compliance teams and 3rd party auditors are responsible for annual IWAY audits at IKEA suppliers. They review and follow-up action plans in the case of non-compliance.
- 3. Sustainability development teams support suppliers in IWAY implementation. They are also responsible for providing trainings on IWAY and on other sustainability topics and issues to our suppliers and supporting business teams in their daily work with IWAY.

4. Sustainability Compliance and Monitoring Group

is responsible for ensuring consistency across our global operations. This is done through calibration activities and training as well as compliance audits to verify results.

5. IWAY trainers are coworkers with expertise in IWAY work. There are three levels of IWAY training. Depending on the relevance of IWAY to a co-worker's 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 managers 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.



Case study: Working with IWAY – Our Findings

Labour Supply Chain Mapping Project

Working with IWAY has enabled identification of issues related to migrant workers, such as retention of passports and charging of high recruitment fees. This triggered the development of requirements and actions around the ethical recruitment of migrant workers.

Many migrant workers leave home with the dream of finding opportunities for decent work to be able to improve the quality of life for themselves and their families. However, the promise of a better future can result in large debts from fees incurred during recruitment and employment. This can amount to forced or bonded labour and even human trafficking.

IWAY audits began to signal risks to workers which were not being captured through existing monitoring routines focusing on working conditions at suppliers' facilities. An understanding developed that major risks related to the charging of excessive recruitment fees occurred during the recruitment process and not physically at the suppliers. This

meant that in order to successfully address this issue, changes needed to happen in the labour supply chain itself. In order for that to occur, it was necessary to develop an understanding of the journey a worker takes from his/her home to the workplace through a recruitment process.

The International Organization for Migration (IOM) became a partner to map labour supply chains from Nepal and Bangladesh to IKEA suppliers in Malaysia in order to develop the knowledge of the reality of labour supply chains.

Initially, assessments at IKEA suppliers in Malaysia were conducted in order to fully understand the process used to recruit workers including the type of agencies involved. Extensive interviews were conducted with migrant workers to understand the process from their perspective. These interviews made it possible to follow their path backwards – through recruitment agencies in both the receiving and sending countries, all the way down to village brokers, who were workers' initial contact regarding the employment.

This exercise provided valuable learnings. It was identified that one of the main factors of the recruitment process that puts workers at risk is the complexity of the process itself.

We partnered with International Organization for Migration to map labour supply chains from Nepal and Bangladesh to IKEA suppliers in Malaysia in order to develop our knowledge of the reality of labour supply chains.



IWAY and the UK Franchise

In the UK we have made significant efforts to secure IWAY compliance in our supply chain in relation to our many and varied service providers.

These service providers include but are not limited to businesses providing cleaning, security, installation, delivery and assembly services.

Before any supplier is formally procured in the UK organisation, they undergo a number of assessments to ensure that they are suitable business partners and that they share IKEA values. This includes a credit check and verification that the supplier is able to comply with IWAY requirements. IWAY is seen as a leading tool in ensuring suppliers' adherence to our organisation's strong expectations of the treatment of people and working conditions.

We follow strict audit routines to ensure compliance with IWAY requirements in the UK. This includes the conduct of an audit of the companies we work with to establish that their organisation has in place processes and procedures 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 size; evaluation of fire-fighting equipment, protective equipment and training and 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.

Contract compliance

Our UK Procurement team work carefully and diligently on the formation of any agreement with a supplier. They work closely with those given the responsibility to form and manage relationships with suppliers. At the beginning stage of any contractual relationship, we provide training for those with the responsibility of procurement for our organisation and provide direct assistance to the relevant function in forming or maintaining new relationships with suppliers. This can include guidance on the importance of understanding and securing how suppliers work with (amongst other matters) personal data responsibilities, payments, insurance and their responsibilities and liabilities.

Those at IKEA responsible for forming or maintaining a contractual relationship will also assist in the negotiation of contractual agreements with potential suppliers. 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. We also look for the same behavioural indicators in subsuppliers to those primary 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 get more of an opportunity to capture potential non-compliance with our IWAY expectations.

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 and gives us the right to investigate, report and terminate contracts in circumstances where we suspect that these expectations are not met.



IWAY and the UK Franchise

Our Universal IKEA Values

The approach to our people and business comes to life through our company values:

Togetherness or 'tillsammans'

2 Caring for people and planet

Cost-consciousness

Simplicity

Renew and improve

6 Different with a meaning

Give and take responsibility

Lead by example

These values are visible in everything that we do. We all work together. Not just with each other, but with suppliers and our customers. We believe in people, and ensure this optimistic attitude informs the way we do things. We strive to look beyond our own 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, by improving 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.

IWAY and the UK Franchise

The Living Wage

The UK Franchise of IKEA is proud to be a Living Wage Foundation employer. This means we pay a meaningful wage for all co-workers, regardless of how old they are, or where they live. This ensures improved job satisfaction and a standard of living which is fair and progressive. In January 2017, 8,000 co-workers received a pay rise according to the annual Real Living Wage rate (£8.45 outside of London and £9.75 in London). The Living Wage Foundation accreditation requires our suppliers who operate on site to pay in line with Living Wage Foundation rates of pay. We are currently working with the Living Wage Foundation to implement this at each of our UK sites by FY19.

We see the Living Wage Foundation relationship as helping to secure that core suppliers on our sites are demonstrating they share our values on the treatment of people and also operate at a level that can ensure modern slavery is eliminated from our supply chain. We recognise that simply working with a Living Wage accredited supplier does not guarantee compliance with antimodern slavery expectations, but it is a strong complement to all of the other processes we have in place.

Committed to a

Living Wage

Hooray for the Living Wage! Co-workers from the Manchester store accepting the 'Living Wage Champion Award' from the Living Wage Foundation, in November 2016. In January 2017, 8,000 co-workers received a pay rise according to the annual Real Living Wage rate (£8.45 outside of London and £9.75 in London).



Our approach going forward

We are aware that this first IKEA Modern Slavery Statement has highlighted that there are aspects of our supply chain in the UK which require us to continue to engage with others and improve our ways of working to eliminate the risks of slavery in our supply chain.

To achieve long lasting positive change we know that we cannot take a purely 'risk mitigation' approach.

Our goal has to be to help lift people out of poverty by providing good places to work throughout our supply chain. We know that we cannot achieve this single-handedly and we embrace opportunities to work collaboratively to bring about change, for example with our partners.

