



Fighting Against Forced Labour and Child Labour in Supply Chains Act

May 2024



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Foreword

At IKEA, our vision is to create a better everyday life for the many people. Having a positive impact on people, society, and the planet is at the centre of everything we do – from our relationship with our co-workers to our relationship with our customers and the communities we operate in. This requires a commitment to ensuring forced labour and child labour are not present within any aspect of our business.

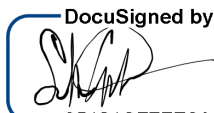
The IKEA 'People & Planet Positive' Strategy is a roadmap for the sustainability agenda across IKEA and the entire value chain. The value chain includes sourcing and extracting raw materials, manufacturing, transporting of products, retail activities in stores, customer travel to stores, services to customers, product use in customers' homes, and product end-of-life. At IKEA Canada, we ensure forced labour and child labour are not present within any aspect of our business through strict compliance with the 'IWAY Supplier Code of Conduct.' This is the tool used by IKEA globally to secure compliance for environmental, social, and working standards applicable to all service partners and suppliers. We continue to raise IWAY awareness and support its implementation with new and existing suppliers and service partners. We are prepared to engage with suppliers to resolve any issue of concern.

We have also implemented rigorous monitoring, management, verification, and auditing processes. These include undertaking regular monitoring of salient human rights issues and engaging with external stakeholders and experts to inform our identification, response, and management of issues. We work collaboratively across our value chain to achieve our bold sustainability ambitions and commitments, continuously improve, and ensure the fundamental protection of people, and uphold the respect of human rights in every aspect of our business. We also strive to use our leverage in the market to make a positive difference beyond this compliance to address the issue of widening inequality across the world. We are equally committed to driving IKEA Canada co-worker awareness of and engagement with our policies, processes, and practices to forced labour and child labour.

We welcome the opportunity to share our ambitions and actions on eradicating forced labour and child labour and to collaborate to drive change on a broader scale with like-minded suppliers and business partners. IKEA Canada gives this statement, pursuant to the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*, S.C. 2023, c.9. It covers the activities of IKEA Canada Limited Partnership and IKEA Distribution Services CA Inc. for the financial year 1 September 2022 to 31 August 2023.

Pursuant to Section 11(4)(b)(i) of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*, S.C. 2023, c.9, this statement has been approved on 27 May 2024 by the Board of Directors of IKEA Limited and IKEA Properties Limited, in their capacity as General Partners of IKEA Canada Limited Partnership and by the Board of Directors of IKEA Distribution Services CA Inc.



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Selwyn Crittendon

CEO and Chief Sustainability Officer, IKEA Canada Limited Partnership
27 May 2024

IKEA Canada Forced Labour & Child Labour Statement

1. Our structure, activities, and supply chains

IKEA Canada Limited Partnership, 10245 3032 RT0001, (**IKEA Canada**) is a company incorporated in Canada. Our registered office is located in Burlington, Ontario. References in this statement to "we", "us", "our" or IKEA Canada are references to IKEA Canada and the entities we own or control. The ultimate parent company of IKEA Canada is Ingka Holding B.V., a company registered in the Netherlands. IKEA Canada is part of the "Ingka Group" of companies and operates IKEA stores under franchise with Inter IKEA Systems B.V. 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 its subsidiaries including IKEA of Sweden AB, IKEA Marketing & Communications AB, IKEA Supply AG, and IKEA Food Supply AG as the "**Inter IKEA Group**".

IKEA Distribution Services CA Inc., 842137333 RT0001, (**IKEA Distribution**) is a wholly owned trading subsidiary of IKEA Canada and responsible for furniture and furniture accessories distribution within Canada.

1.1. Our operations

As of August 31, 2023, IKEA Canada operates 16 home furnishing customer meeting points, one remote customer meeting point and eight plan & order points in six provinces across Canada and has an online presence servicing Canada exclusively. The retail products are stored in warehouses as well as in the customer meeting points. Part of our operations include the distribution of home furnishings from distribution warehouses to our customer meeting points and distribution from both our distribution warehouses to our customers. The warehousing and distribution services are provided by IKEA Distribution.

IKEA Canada and IKEA Distribution together employed 7,200+ co-workers as of August 31, 2023, through our various customer meeting points and distribution warehouses in British Columbia, Alberta, Manitoba, Ontario, Quebec, and Nova Scotia, including our Service Office, and Remote Customer Meeting Point.

People are at the centre of the IKEA culture, and we see the people working within our organisation as being integral to supporting our approach to addressing forced labour & child labour related issues.

1.2. IKEA Canada supply chain

The IKEA Canada supply chain is comprised of both the supply chain for sourcing the products that we sell (the **Retail supply chain**) and the separate supply chain for the goods and services that are essential for our business operations (the **Business operation supply chain**). In this statement, we have included both information provided by

- Inter IKEA Group about the retail supply chain and forced labour & child labour risks and actions, including information from the IKEA Sustainability Report.
- IKEA Canada about its business operation supply chain and forced labour & child labour risks and actions, including information from the Ingka Group Annual Summary and Sustainability Report.

1.3. Retail supply chain

The IKEA home furnishing and retail food products (**retail products**) are supplied to IKEA Canada by the Inter IKEA Group. The Inter IKEA Group imports the retail products and then stores the products (other than the food products) in distribution warehouses and arranges for them to be delivered to the IKEA Canada customer meeting points and CDCs. Our direct relationships for purchasing of almost all retail products are predominantly with Inter IKEA Group. Inter IKEA Group in turn have their own extended supply chains. In the last financial year, Inter IKEA Group has partnered with more than 1,500 direct suppliers in more than 50 markets, including home furnishings, food suppliers, transport service providers and suppliers of components for home furnishing products. There are millions of workers who, through our suppliers, source, make and transport our products and components, provide food for our restaurants, and supply essential services to IKEA companies.

IKEA retail products are predominantly sourced and produced in Europe, Asia-Pacific and North America, including Brazil, Mexico, India, Bangladesh, China, Vietnam, Indonesia, Turkey, and Pakistan. Material sourced by suppliers includes wood, natural fibres, textiles, plastics, food and agriculture, metals, and electronics. From product

development and material sourcing to production, transportation and product end-of life, Inter IKEA Group is involved every step of the way. All products sold from IKEA Canada are designed and developed in accordance with strict global requirements that Inter IKEA Group puts on both the product and the suppliers. Inter IKEA Group believes in building long-term relationships with their suppliers and places a strong emphasis on supplier development. The average length of collaboration between Inter IKEA Group and home furnishing suppliers is currently 11 years.

1.4. Business operation supply chain

To conduct our retail operations, IKEA Canada procures goods and services mainly from Canadian businesses to support our operations, including a wide range of sectors such as warehousing and distribution services, retail services, facilities management, marketing, professional services, information and communication technology, mobility and travel, and hospitality and catering. This diverse supply chain helps IKEA Canada maintain its operations and meet customer demands.

This includes the services that support our retail operations including leasing, office maintenance, utilities, cleaning, and security.

2. Our policies and due diligence processes in relation to forced labour and child labour

To mitigate human rights risks in our business, IKEA Canada applies the Ingka Group Policy on Human Rights and Equality and the IKEA Employment Standards. For suppliers, the IKEA Code of Conduct, IWAY, sets the requirement to respect human rights and labour rights in all supply chains.

2.1. IKEA Canada employees

The Ingka Group conducted a company-wide human rights baseline assessment in FY23. This aimed to identify any gaps in our internal policies and processes and to make sure we are fully aligned to the UN Guiding Principles on Business and Human Rights as well as current and upcoming human rights legislation.

For IKEA Canada employees, our recruitment processes adhere to the required employment laws and regulations, and we have policies and practices in place to mitigate human rights risks in our business. All IKEA Canada coworkers are paid as per their employment contract at or above legislated minimum wage rates. There is no opportunity for a coworker to be hired by IKEA Canada and not receive the rates of pay per our agreement or their contracted salary. Furthermore, all IKEA Canada policies and practices including recruitment, meet or exceed requirements set by the Canadian government (i.e. leave entitlements such as parental leave and STD/LTD medical leaves, overtime, rest breaks, group benefits programs etc.).

The "Raising a Concern Policy" supports our co-workers, the people engaged by our supply chain and members of the public to come forward with their concerns about any Forced Labour and Child Labour practices. Training about receiving and managing such a complaint is included in the Anti-Bribery and Corruption e-learning as well as our Code of Conduct Training. Additionally, the Ingka Group operates the Trust Line service for IKEA co-workers through which they can anonymously raise any concerns they may have. We use these grievance mechanisms to determine whether our actions are effective at minimising instances of Forced Labour and Child Labour practices, or if no such instances are identified, whether we have effectively created a culture where our co-workers feel empowered to speak up about Forced Labour and Child Labour.

2.2. Supply Chains

For both parts of IKEA Canada's supply chains (Retail supply chain and the Business operations supply chain), the risks are assessed and managed through the implementation and integration of IWAY, the mandatory IKEA supplier code of conduct, across the IKEA value chain. Through IWAY we strive to create impact in four main areas:

- Improving environmental impacts
- Securing decent and meaningful work
- Respecting children's rights
- Improving the welfare of animals that are present in the IKEA value chain.

IWAY consists of 10 principles and are based on internationally recognised standards and principles such as the UN Guiding Principles on Business and Human Rights (UNGPs), the UN Sustainable Development Goals (SDGs) and the ILO Centenary Declaration for the Future of Work, among others.

IWAY Principle 3: Children are protected and opportunities for learning and family life are promoted.

The IWAY Must requirement states that *“there is no child labour and any potential or confirmed case of child labour is immediately reported to IKEA.”*

IWAY Principle 5: Fundamental Labour Rights are respected.

The IWAY Must requirement states *“There is no forced, bonded or prison labour. Any potential or confirmed case of forced, bonded or prison labour is immediately reported to IKEA.”*

Before IKEA engages in a business partnership, a potential supplier is provided with detailed information about the IWAY standard and is risk assessed for their ability to comply with our expectations.

Suppliers are required to sign an IWAY Compliance Commitment (ICC), which sets out the expectations of IKEA regarding business ethics, labour standards, and health & safety regulations.

The ICC also secures that suppliers undergo self-assessments and periodic third-party verification activities to ensure they are adhering to IWAY requirements, including forced labour and child labour related topics:

- Business Ethics
- No Forced and Bonded Labour
- Child Labour and Young Workers
- Worker Health & Safety
- Recruitment, Working Hours, Wages and Benefits

Additionally, the teams involved in Procurement and Sourcing activities ensure the IWAY standard is included in all contracts and contract amendments for applicable new and existing suppliers. This ensures that suppliers have been communicated with regarding IWAY and have agreed to comply with the requirements.

3. The parts of its business and supply chains that carry a risk of forced labour or child labour being used and the steps it has taken to assess and manage that risk.

3.1. Retail supply chain

The Inter IKEA Group has set a strategic commitment to operationalise the contribution to resilient societies and promote and respect human rights, in line with the UN Guiding Principles on Business and Human Rights (UNGPs) and the Children's Rights and Business Principles (CRBPs) by 2030. Together with the Centre for Child Rights and Business, the Inter IKEA Group is working to create awareness on children's rights and risks, as well as to strengthen child protection efforts deeper in our supply chain.

3.2. Business Operations supply chain

In the Business Operation supply chain, IKEA Canada has identified a key risk area to be the potential engagement and exploitation of unskilled or migrant workers. These workers are often more vulnerable to forced labour or child labour risks due to factors such as language barriers, unfamiliarity with local laws and rights, and financial pressures. Additionally, the use of sub-contractors can sometimes lead to a lack of transparency, making it harder to ensure that all workers are treated fairly and ethically. IKEA Canada supports the employment of unskilled and migrant workers; however, we also recognise that they can be more vulnerable to forced labour and child labour risks than others.

4. Measures taken to remediate any forced labour or child labour.

Although no remediation was necessary in FY23, we take seriously our responsibility to remediate any negative human rights impacts on people, society, and the environment that we cause or contribute to. Our approach, including which

impacts we prioritise for remediation, depends on how we are connected to the impact and its nature and severity. In cases where IKEA is indirectly connected to a negative impact caused by one of our suppliers, we work together with and through the supplier to provide access to remediation with the support of experts or an independent partner or organisation, when necessary. We are reviewing how we provide remedy to affected stakeholders beyond our direct business partners to ensure we align with the UN Guiding Principles on Business and Human Rights.

5. Measures taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains.

There were no measures taken to remediate any loss of income to the most vulnerable families in the reporting year as there was no non-conformities to any requirements related to forced labour or child labour in our supply chains.

The nature and cause of the actual negative impact, and the specific circumstances of the impacted people and environment, will determine what actions need to be taken to remediate the situation. The remediation consists of clear actions, timelines, and follow-up activities, including a detailed plan for reimbursement and support of affected people. The remediation is reviewed and approved by the regional Sustainability Manager and the IWAY Committee (local governance body) is informed about the plan and progress.

The remediation plan is not closed until the situation is fully remediated. This includes confirming with impacted workers that the remediation has been fully provided, including any reimbursements or payments, and without causing any negative consequences for them. If a supplier fails to remediate a situation, the Business Responsible is accountable to ensure that IKEA takes over the responsibility to complete the remediation, including any type of costs.

IKEA has implemented processes for remediation of Forced labour and Child labour situations, which follows the below principles of remediation.

1. General principles
 - a. The safety and wellbeing of the child/worker are prioritised and ensured at all times.
 - b. All actions and support are adequate, appropriate, and in the best interest of the child and worker.
 - c. Actions are gender appropriate.
 - d. The privacy and protection of data of the child/worker are always ensured.
 - e. The rights of the child to education are promoted.

2. Participation and communication
 - a. The child/worker is actively involved and heard throughout the remediation process.
 - b. Communication with the child/worker is appropriate in a language easily understood.
 - c. The parents or legal guardians of the child participate in the remediation plan.
 - d. The worker has the right to be represented or supported by a union/worker representative.

6. Trainings provided to employees on forced labour and child labour.

We are committed to driving IKEA Canada co-worker awareness of and engagement with our policies, processes, and practices to address forced labour and child labour. Functional leads from key functions across the business continue to drive and develop forced labour and child labour awareness and risk management tools to assist with ongoing monitoring of our procedures, systems, processes and to identify where further improvements can be made and actions can be taken. This includes further development of coworker training modules on the IWAY standard and anti-bribery and corruption workshops, which incorporate forced labour and child labour.

How well trainings are implemented by IKEA Canada units are followed up through internal regular reviews and tracking. One review example is shared below.

To secure ongoing training, the Code of Conduct annual refresher sessions cover IWAY.

- Internal posts online and offline by IKEA Canada units are taking place to keep IWAY and Forced Labour and Child Labour top of mind throughout the year.
- Anti-Bribery and Corruption training is secured for Leaders and co-workers in key identified roles (annual reoccurring training).
- Mandatory application of the IWAY process for assessing, onboarding, and working with supply partners is part of the Procurement Policy.
- To mitigate human rights risks in our own operations, IKEA Canada applies the Ingka Group Policy on Human Rights and Equality and the IKEA Employment Standards.

7. How the effectiveness in ensuring that forced labour and child labour are not being used in our business and supply chains is assessed

All actions and processes to cease, prevent, mitigate, and remediate potential and negative impacts are followed-up on a regular basis, both internally and towards the suppliers and supply chains.

7.1. Retail supply chain

- **Tracking and verifying the internal process**

By developing and performing different compliance verification activities IKEA's Risk Management & Compliance organisation support the business in their responsibility to comply with relevant laws, regulations, policies, internal requirements, and procedures. Such activities also create a platform for the business to reflect, share good examples and challenges, get inspired and find new ways. IKEA operates with a 3-Lines (of Defence) Model for compliance verification - self assessments, peer reviews and internal/external audits.

- **Self-assessment**

Self-assessments are performed by coworkers that own/operate the process. The regional Sustainability Managers conduct self-assessments to assess compliance with IKEA policies and external legislation on a yearly basis. This includes ways of working with IWAY and other Sustainability topics. Methodologies, questionnaires, and tools are developed by Risk Management & Compliance and the self-assessment is reported and followed-up by the Supply Area Management.

- **Peer reviews**

Peer reviews are performed by internal subject experts with support of the Risk Management & Compliance function. IKEA has two methodologies of peer reviews to ensure that the ways of working related to Sustainability due diligence is followed.

- **Compliance reviews** - Compliance Review is a cross functional process and management tool that supports co-workers responsible for the business relationship with suppliers in the purchasing categories to be compliant with mandatory requirements stipulated in steering documents such as Working Methods. It is conducted through a learning and development approach that involves senior professionals from the organisation itself and risk and compliance. Several reviews occur every year but the focus of the review and the purchasing categories under review vary from year to year.
- **Oversight and evaluation** - Within IWAY there is a built-in global oversight and evaluation of the IWAY System to ensure that it is applied consistently across IKEA. This is done by performing reviews on the system itself as well as the different organisations and verification parties, with the aim of ensuring that the IWAY is delivering what it should, support improvement of the system, as well as to ensure that the organisations and verification parties are working in aligned ways. The assessment is yearly, and the focus of the assessment is decided by Responsible Sourcing Council. Inter IKEA Group Sustainability is responsible to provide oversight and evaluation of IWAY and its implementation across the IKEA franchise system. This

includes all components of the IWAY System, namely the IWAY Standard and its respective IWAY Sections, and the IWAY Framework and its appendices, and how all actors in the IWAY System, including IKEA organisations and verification parties (internal or third-party) operate. The oversight and evaluation assignment are performed by the Sustainability Impact and Assessment team and is independent from all IKEA organisations implementing IWAY, as well as from the development of the IWAY System itself.

- **Internal Audit**

As a third line (of defence), internal audit provides independent assurance on the effectiveness of governance, risk management, internal controls, and compliance. Internal audit teams perform audits as requested by management on a business need and risk. The audits are scheduled on a yearly basis with room for ad hoc projects and business requests.

7.2. Business operations supply chain.

For the business operations supply chain, IKEA Canada takes the same approach as described above for the retail supply chain. Before the start of a new business partnership, a risk assessment is conducted to evaluate whether a potential new supplier is capable and willing to meet the IWAY requirements. To understand the risks, we utilize several different data sets connected to the specific supplier, including:

- An IWAY questionnaire, in which the supplier answers and provides information about the premises, workers, subcontractors and related policy and procedure.
- Country and industry risk indices, provided by independent external risk data analysis companies, connected to corruption, freedom of association, wages, child labour, women's and girls' rights, environmental regulatory framework, water quality, biodiversity, etc.
- General industry characteristics; and
- Results from previous verification activities at the supplier, when applicable.

Based on the risk analysis, implementation and verification activities with the supplier are planned, including focus and frequency of these activities.

The risk assessment approach continues throughout the partnership. This includes requiring suppliers to carry out annual self-assessments, conducting IWAY reviews (audits) through support from the Ingka Procurement Sustainability and Business Risk & Compliance teams, and monitoring supplier performance through operational and business reviews with the suppliers.