

**Switzerland**

**Child Labour Due Diligence Report**

**IKEA Supply AG, 2024**

## Preamble

This report on child labour due diligence covers the period from 01.01.2024 to 31.12.2024. In the future, it will be published annually.

## Scope

This report reflects our due diligence and reporting obligations under Articles 964j–964l of the Swiss Code of Obligations<sup>1</sup> (CO) and the Swiss Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour (DDTrO).

It provides:

- A presentation of our company and its supply chain,
- An overview of our commitments towards human rights in general and towards child labour in particular,
- An explanation of our approach to child labour due diligence,
- The outcome of our due diligence, the measures taken to mitigate and prevent any adverse impact on child labour.

## Exclusions

This report is restricted to due diligence and reporting obligations with regards to child labour. We are exempted from due diligence and reporting obligations with regards to minerals and metals from conflict-affected areas as our import of minerals and metals do not reach the thresholds set in Annex 1 to the DDTrO.

# 1. Our structure, operations and supply chain

## 1.1 Structure

Legal Structure (i.e. corporation, trust, partnership, unincorporated organization)

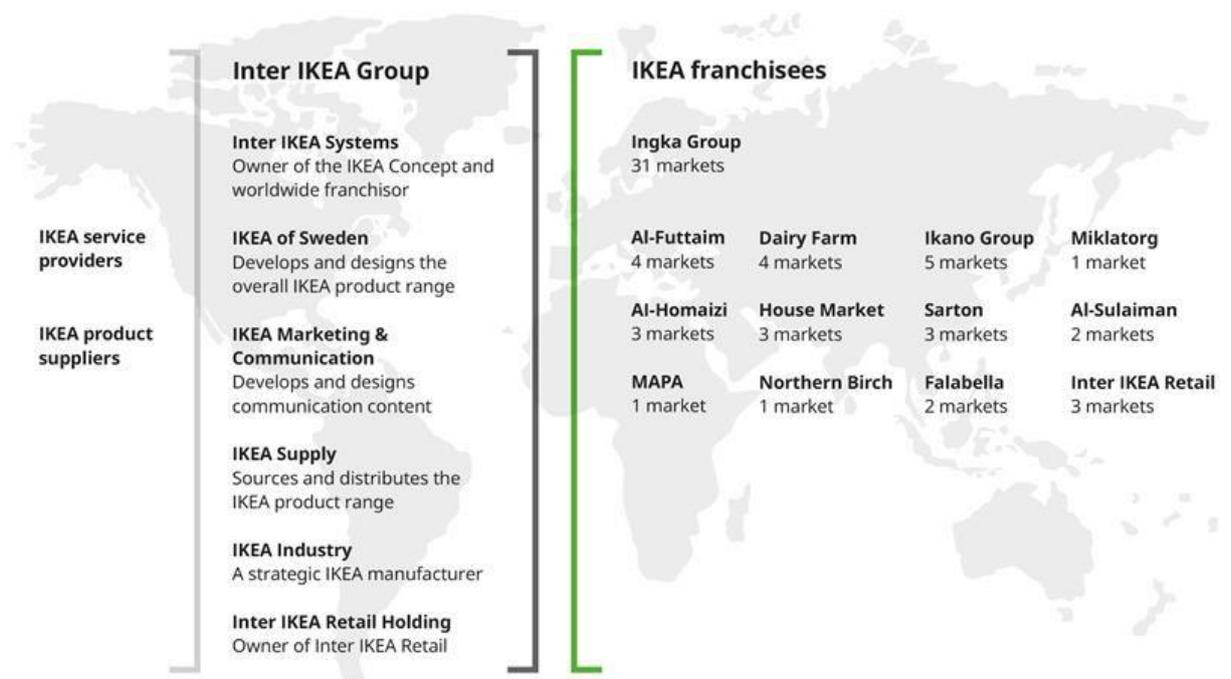
IKEA Supply AG ("ISAG") and its subsidiary IKEA Food Supply AG (IFSAG) are corporations incorporated in Switzerland, under Swiss laws. Both companies are fully owned subsidiaries within the Inter IKEA Group of companies with the ultimate parent company Inter IKEA Holding B.V., a corporation incorporated in the Netherlands. ISAG is a sister company to Inter IKEA Systems B.V., the worldwide franchisor of the IKEA franchise system.

Organizational structure (i.e. departmentation, chain of command, etc.)

IISBV has entered into franchise agreements with several companies worldwide. One of the franchisees is the Ingka Group which includes INGKA Holding B.V. and affiliated companies, including IKEA Switzerland.

Through the franchise agreement with Inter IKEA Systems B.V., the Ingka Group currently operates IKEA warehouses, global digital solutions, and online stores in 31 countries.

By entering into a franchise agreement with the Ingka Group, Inter IKEA Systems B.V. licenses the IKEA brand, IKEA's product portfolio, concepts and business methods. As a consequence of the Ingka Group being a franchisee, IKEA Switzerland purchases the franchise range through the franchisor's own supplier, IKEA Supply AG. IKEA Supply AG is the only supplier of the home furnishing products sold in the stores in Switzerland.



Organizational mandate or role

ISAG and IFSAG sources and distributes the IKEA products according to the IKEA Concept Framework, leading the purchase development process as well as Supply Chain Operations

through categories as well as being responsible for balancing Sales and Supply for the value chain. This means that ISAG and IFSAG are responsible for sourcing and supplying the global IKEA range, all the way from supplier to franchisee.

#### Partner organizations

ISAG and IFSAG are working with over 1,500 direct suppliers and service providers in the areas of transport, logistics and distribution services, components, and food to minimise the environmental footprint of the total IKEA supply 'chain and beyond, while improving working conditions.

The IKEA business partners and collaborates with many external organizations that are committed to tackling large and complex global sustainability challenges that both impact and are impacted by the IKEA business. Our partners and collaborators include businesses, governments, universities, and NGOs.

## 1.2 Activities

ISAG and IFSAG have more than 1,500 direct suppliers in more than 50 markets, including home furnishings, food and beverage products, transport service providers and suppliers of components for home furnishing products.

IKEA of Sweden AB, a sister company to ISAG, develops, improves and maintains the IKEA Concept, as well as the IKEA product offer, according to the IKEA Concept Framework.

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

The Inter IKEA Group due diligence system is based on the guidelines provided by the Organisation for Economic Co-operation and Development (herein OECD), and on United Nations Guiding Principles on Business and Human Rights (UNGPs). By 2030, Inter IKEA Group aims to play a full part in contributing to a fair and equal society, by respecting and promoting human rights across the IKEA value chain and contributing to resilient societies. Inter IKEA Group is establishing strategic goals for our Fair & Equal (see <https://www.ikea.com/global/en/our-business/people-planet/fair-and-equal/>) section of the sustainability strategy and will further develop the framework to measure progress.

The Inter IKEA Group has policies and steering documents in place to ensure that human rights and specifically children's rights are respected. As we will explain in the next section, these documents are: (2.1) IWAY, (2.2) Inter IKEA Group Policy on Human Rights and (2.3) Inter IKEA Group Policy on Child Safeguarding. Each of these documents guides the Inter IKEA Group to conduct actions, identify adverse and potential human rights impacts and conduct proper due diligence.

### 2.1 IWAY

The IWAY System is an important part of the IKEA sustainability due diligence process and it represents the IKEA way of responsibly procuring products, services, materials, and components.

IWAY is the code of conduct for the suppliers and all other IKEA organisations working with suppliers. IWAY sets social and environmental requirements for all IKEA suppliers and service providers.

With its roots in the IKEA culture and values, and the United Nations Sustainable Development Goals, IWAY principles and requirements are founded on internationally recognized standards and principles (such as the United Nations Guiding Principles on Business and Human Rights, the Ten Principles of the United Nations Global Compact, the International Labour Organisation Centenary Declaration for the Future of Work and the International Labour organization Labour Standards), as well as regional and national laws and regulations. You can read the IWAY Standard [here](#).

IWAY is built around 10 environmental and social principles, including principles on children rights and labour rights in principle 3 and 5:

- 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 cases of child labour are immediately reported to IKEA”*.
- IWAY Principle 5: Fundamental Labor Rights are respected. The IWAY Must requirement states *“There is no forced, bonded or prison labour. Any potential or confirmed cases of forced, bonded or prison labour are immediately reported to IKEA”*.

Currently all directly contracted business relationships, and in some cases subsequent tiers or the entire supply chain, are in the scope of IWAY. To remediate potential negative impacts occurring through our suppliers, we set requirements in IWAY. Compliance with IWAY is mandatory for all suppliers and service providers that work with IKEA and it is verified through regular IWAY audits which are performed by approved IKEA auditors or third-party independent auditors.

We recognize the need to strengthen our approach to provide remedy to affected stakeholders beyond our direct business partners in alignment with the UNGPs.

#### IWAY Audits

Verification activities are used, including internal and external third-party audits to complement the implementation of IWAY by suppliers and as a tool to continuously develop the business. Audits are a critical to understand whether the supplier achieves the positive impacts that are intended by working with IWAY.

## 2.2 Inter IKEA Group Policy on Human Rights

Human rights are part of the inherent dignity of all human beings – our co-workers, customers and their families, the people in the communities across our value chain. We recognise that our activities, decisions, and products have an impact on each and every one of them.

At Inter IKEA Group both in our sustainability strategy and people strategy we write to ensuring we respect human rights throughout our business operations and across the value chain. We will achieve this by securing that our operations, products, strategic and day-to-day decision making, and our business relationships do not harm individuals or communities. This is the biggest positive impact we can have on people.

We are committed to:

- Respecting international human rights standards wherever we operate.
- Embedding respect for human rights across our business operations throughout our value chain.
- Continuously and proactively identifying how our business activities and decisions may negatively impact human rights.
- Addressing our negative human rights impacts in a way that is effective and meaningful to affected rights holders.
- Being transparent about how we work with human rights and the actions we take.
- Being outspoken about our point of view and using our influence to create positive change and promote human rights.

## 2.3 Inter IKEA Group Policy on Child Safeguarding

At Inter IKEA Group we made a commitment to respect children's rights throughout all our business operations. Our child rights' agenda is part of our broader human rights approach. Children are a key stakeholder in the IKEA business. We interact with them in a variety of ways every day. All children have the right to participate in society and have their voice heard in matters that concern them (see *UN Convention on the Rights of the Child*, article 12). As a business we also want to be part of promoting that right and to actively engage children as a stakeholder in our business through leading by example in our entire value chain.

We are committed to having a consistent approach to child safeguarding and will apply these standards equally across all areas of Inter IKEA Group legal entities irrespective of their location. Reporting and acting on concerns are an important part of safeguarding children.

What we stand for:

- We are committed to respecting children's rights in all IKEA operations, and we recognise our responsibility to ensure children are not harmed as a result of any direct or indirect contact with Inter IKEA Group operations.
- We act in the best interests of children in all our business decisions.
- We have zero tolerance for any form of child abuse.

## 3. Due Diligence at Inter IKEA Group

Inter IKEA Group is committed to conducting sustainability due diligence to ensure that our operations, products, strategic and day-to-day decision making, and our business relationships respect the environment and the human rights of both individuals and communities, i.e. do no harm.

Inter IKEA Group's sustainability due diligence system is designed to identify and address actual and potential negative impacts on people, society, and the environment in the supply chain. However, it is also acknowledged that Inter IKEA Group needs to work together with other external stakeholders to influence meaningful change and contribute to systemic improvements. During FY24, Inter IKEA Group has worked on the development of 2 new policies

– Environmental and Social Responsibility Policy and the Responsible Sourcing Policy, which will outline its due diligence system. Both will be launched in FY25.

### 3.1 Identifying and assessing negative impacts

Inter IKEA Group has adopted a risk-based approach to prioritize and manage sustainability risks based on their severity and likelihood. Instead of applying the same level of scrutiny and resources to all potential risks, our risk assessment approach focuses on identifying, analysing, evaluating and addressing the most significant sustainability risks first, ensuring that the most critical issues are managed proactively. This process follows the Inter IKEA Group Risk Assessment Methodology and covers specific topics related to human rights, the environment and governance.

#### Process Overview

The first step is risk identification, where areas of potential sustainability risks are systematically identified. This includes risks to human rights, the environment, and other areas relevant to Inter IKEA Group's operations. Various sources of risk are considered, including internal operations, external partners, supply chains, regulatory changes, and market conditions.

Following identification, risks are then analysed, where the identified risks are rated to understand their potential impact and likelihood of occurrence. This involves both qualitative and quantitative analysis to assess the severity of the potential impact (e.g., insignificant, minor, moderate, major and critical) and the likelihood of occurrence (e.g., rare, unlikely, possible, likely and almost certain).

Next, the risk is evaluated, as to whether the current risk exposure is acceptable. Risks are prioritised based on the analysis (review of their severity and likelihood) and the relationship that Inter IKEA Group has with the risks (causing, contributing or direct linkage). High-priority risks are those with the potential for critical impact and an almost certain likelihood of occurring. By focusing on these key risks, IKEA can allocate resources and attention more effectively.

Lastly, defining a risk response involves formulating mitigations for each risk requiring action. This may include preventive measures, controls, policies, and procedures aimed at reducing the likelihood or impact of these risks. Implementing these actions ensures that appropriate measures are put in place to manage the risks.

The first step of the risk assessment process is to identify the general areas of significant risk of actual and/or potential negative impacts on people and the environment across the IKEA product lines, services and business relationships.

For this purpose, a broad scoping exercise is done to identify the countries, industries, sectors and raw material supply chains with the most significant risks based on different parameters such as significance for the business, volume, exposure and presence of social and environmental risks. Once completed, the outcome of the scoping exercise is a prioritised list of countries, sectors/industries and (raw) materials to focus on in the next steps of the process.

Following the scoping phase, the next step is to systematically identify the risks of actual and/or potential negative impacts associated with IKEA operations with connected supply chains, and

business relationships to create a comprehensive inventory of risks on human rights, the environment and governance based on a pre-defined list of topics. The results are a list of specific actual and/or potential negative impacts that must be further analysed and evaluated.

For the suppliers and supply chains in scope, the next step is to gather information to increase the understanding of these suppliers, supply chains and connected supply chain actors. This is applicable for production (i.e. supply chain of a wooden product from IKEA supplier up to the forest), for services (i.e. where the service is performed, if the service is outsourced), as well as for the sources of the raw materials. For the activities and retailers in scope, the next step is to gather information to increase the understanding of these activities, retailers and their supply chains. This is applicable for internal activities (i.e. travel and building management), and for our franchisees (i.e. franchisees operating in existing countries and potential expansion to new countries).

Information is gathered before proceeding to the next process step through researching public sources, common industry supply chains, traceability reports, using supply chain mapping tools, consulting internal/external stakeholders, as well as requesting information from suppliers and retailers.

## 3.2 Evaluating risk

During the tender process, potential new supplier units that will sign a contract with an IKEA organisation (direct and indirect suppliers and service providers) are risk evaluated. This risk evaluation gives an indication of the sustainability risk levels at the potential supplier(s) and creates awareness of the general sustainability risk areas prior to the final selection.

This is carried out through a questionnaire that gives an overview of the supplier unit's characteristics and an understanding of the sustainability risk by looking into management systems, how the workforce is organised, the work environment, how sub-contractors are handled and impacts on the environment. Additionally, the questionnaire also considers the risk to IKEA, with questions related to the size of the workforce and the business with IKEA and IKEA trademark. The questionnaire responses are automatically assessed together with the geographical location of the supplier unit and the industry/ procurement category. The risk score is calculated automatically to secure objectivity and that the potential supplier units are risk assessed in the same way.

The answers provided by the supplier, the country and industry risk are reviewed by the IKEA organisation with a discussion regarding the specific supplier unit risks, recommended mitigation actions and how IKEA can support with mitigation. The questionnaire is recommended to be repeated by an active supplier, if e.g. major changes to the supplier operation or if verification data is outdated.

The risks at tier 2 suppliers and beyond is, as of now, assessed by reviewing the location of the sub-supplier (country risk) and the production process (industry risk). All tier 2 home furnishing sub-suppliers are risk rated as well as selected supply chains to the raw material source. Forest materials raw material sources are risk assessed with a focus on illegal logging, forest-related

social conflicts, high conservation value forests, conversion, GMO occurrence, sanctions, and bans.

Through the long history of working with sustainability in the IKEA supply chain, as well as the sustainability risk assessment, the following sustainability risks have been identified as critical:

- Business ethics/corruption,
- Child labour,
- Forced labour,
- Working hours,
- Minimum wages,
- Occupational health and safety,
- Environmental pollution,
- Business in conflict affected areas (Heightened Human Rights Due Diligence)

These risk areas are identified as prioritised for all IKEA supply chains but the criticality differs between markets and industries as per the risk assessment and different actions are put in place to address them.

#### Heightened Human Rights Due Diligence

For suppliers, sub-suppliers and raw material supply chains located in high-risk and conflict affected areas, a special due diligence process applies. For this purpose, a high-risk context is an area where there is an ongoing:

- Armed conflict between two states
- Armed conflict between a state and a non-state armed group, or between two non-state armed groups – a situation sometimes described as a civil war or insurgency (e.g., conflict between the military and a number of armed organizations)
- Military occupation

Close monitoring of any business activities connected to IKEA needs to be maintained, and decisions to act, prevent and mitigate follow according to the findings of this due diligence.

Suppliers and sub-suppliers operating in a high-risk context are always considered as Critical and follow the regular procedure as outlined in the Inter IKEA IWAY Working Method and applicable IWAY specifications. In addition to complying with IWAY, suppliers and sub-suppliers need to show proof that they also follow the principles of International Humanitarian Law as well as show an understanding of how different human rights are upheld for the workers and communities in times of conflict.

### 3.3 Handling negative impacts

Actual negative impacts and breaches to sustainability requirements are identified through:

1. Whistle blowers, either by direct contact with one of IKEA's employees or through our grievance mechanism.
2. Supplier and supply chain visits by IKEA co-workers

3. Sustainability audits - performed by IKEA co-workers, external third-party companies, authorities, and others.
4. Assessments and spot checks performed by e.g. NGOs, authorities, media.

Actual negative impacts on the environment and human rights are raised directly to the Sustainability Manager responsible for the region (with support of the Risk & Compliance Manager, should the case warrant) responsible for the geographical area of the negative impact which is responsible to follow a process of investigate, cease, prevent and remediate the actual negative impact.

To confirm a negative impact, comprehensive and detailed information about the situation is collected and analysed. Information is collected by interviewing and collecting documents from the supplier, impacted and non-impacted workers, as well as other involved stakeholders e.g., recruitment agencies, NGOs etc. The information collected is, as far as possible, cross-verified. Before completing the investigation, the full scale of the impact is mapped, by identifying e.g., the total number of people impacted or the total extent of the impacted environment.

Actions to ensure the worker's safety and wellbeing and to stop direct harm to the environment are implemented immediately. The actions shall ensure that the identified actual negative impacts are corrected, that the root cause is addressed and that it prevents repetition of the negative impact. The supplier is responsible for preparing and implementing a Corrective Action Plan for actual negative impacts. The plan shall be prepared by the supplier and approved by the IKEA organisation within maximum fourteen (14) calendar days after the supplier has received the report. The safety and wellbeing of the worker is ensured immediately, and severe impacts on the environment are immediately isolated. The plan includes root cause analysis, description of planned actions, who is responsible for the implementation and the date of completed implementation. The supplier implements the planned actions and presents evidence of these actions. The supplier is asked to close the action plan within 90 days of the investigation, if the actions require longer implementation time an extension can be requested to the IKEA local responsible sourcing governance body.

#### Grievance Mechanism

Besides the grievance mechanisms that IKEA suppliers are required to have in place, Inter IKEA Group has its own options for Inter IKEA Group co-workers and others to raise a concern. The Inter IKEA Group "Raise a Concern" platform is available for anyone to raise concerns regarding breaches or misconduct related to the Inter IKEA Group code of conduct or breaches of laws or regulations. 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.

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

## Remediation

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 Responsible Sourcing Forum (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.

IKEA has defined implemented processes for remediation of Forced labour and Child labour situations under the IWAY System, 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 are involved in the remediation plan.
  - d. The worker has the right to be represented or supported by a union/worker representative.
3. Costs and compensations
  - a. Remediation costs are borne by the supplier.
  - b. The worker/child is paid all wage differences between the actual wage received during employment and the legal minimum wage, for the full duration of the time employed.
  - c. If fees, costs and/or deposits have been paid by the worker/child related to recruitment, employment and/or termination processes, they are reimbursed by the supplier immediately.
  - d. If wages and/or benefits have been delayed or withheld from the worker/child, they are paid by the supplier immediately.
  - e. If loans or wage advances have been provided, the conditions for their repayment do not bind workers to their employment and interest rates do not exceed market

rates. In cases where interest rates exceed market rates, the difference is immediately reimbursed to the worker.

- f. If the child is below the minimum legal working age, the child is offered the possibility to return to work once the child has reached the minimum legal working age.

#### 4. Support offered to the impacted child/worker

- a. Assistance to contact a family member or another person of choice.
- b. Access to support services for victims of forced/child labour.
- c. Access to physical and/or mental health services.
- d. Access to short and/or long-term social welfare support, tailored to the specific needs of the worker.
- e. Support to return to the country of origin or to stay in the country of destination, if applicable.
- f. Assistance to find decent work or access job training and/or education.
- g. Support to take legal action and access justice.

#### Stop the business

IKEA always strives to continue the business relationship with our supplier to continue to create a bigger positive impact together and to be able to secure the outcome of the actions taken to cease, prevent and remediate the actual negative impact. However, if severe negative impacts are repeatedly identified, or if the supplier wilfully deceived IKEA or breaches trust, the business is stopped. Business consequences are applied in a staircase model applicable for all types of contractual breaches.

If one of the most severe sustainability negative impact (non-conformity to a IWAY Must requirements) is identified deliveries or services is immediately stopped and the classification of the supplier is changed to the lowest level for one year. This means that the supplier is not allowed to be included in new business development opportunities or increase their business with IKEA. In some cases, the business/ the orders are also reduced for a period of time.

If the supplier breaches the same requirement a second time throughout the contract the situation is investigated, and the supplier either faces more business consequences or is phased-out. Business consequence staircases also exist for less severe breaches and when a supplier fails to keep deadlines.

In case the IKEA relationship is terminated with a supplier involved in an actual negative impact, the impact of the business termination on the people (worker and community) must be assessed and necessary steps taken to ensure that the remediation process can continue. Prior to terminating the relationship, the Business Responsible establishes a written agreement with the supplier to ensure that the worker is not negatively impacted by the business termination or put at risk of falling back into forced labour. This agreement includes a commitment and plans to continue and complete the remediation and follow-up of the case. The Business Responsible continues to monitor the case until it is fully remediated and keeps the Regional Sustainability

Manager and the governance body informed on the progress of the remediation until the case is close

### 3.4 Assessing and tracking effectiveness, implementation and results

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 accountable management teams.

#### Peer reviews

Peer reviews are performed by internal subject matter 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 business areas under review vary from year to year.
- Oversight and evaluation – Within IWAY there is a built-in global oversight and evaluation mechanism to 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

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.

### 3.5 Training and competence development

To ensure that co-workers have the necessary skills and knowledge to perform their roles effectively, IKEA invests in a competence development plan that is developed and designed for different topics related to Sustainability.

Learning solutions on sustainability topics are provided to make sure all co-workers understand how they can contribute to the IKEA sustainability agenda. These aim at creating an understanding and basic knowledge on the topics and to learn about specific ways of working. Trainings regarding sustainability at IKEA, IKEA commitments and positions, climate footprint, animal welfare, circularity, renewable electricity, human rights, responsible sourcing, IWAY and other topics are continuously offered to all co-workers and are accessible on the internal co-worker learning platform called MyLearning.

We have knowledgeable and experienced teams in many regions and countries around the world that can support, challenge, and actively work with our suppliers. To support these teams, we develop and maintain their competence on the IWAY System and topics included in the IWAY Standard.

Co-workers are also encouraged to take the Introduction to Business and Human Rights e-learning. With this training, co-workers get a basic understanding of human rights, how businesses are expected to work with human rights, the basic terms and definitions surrounding human rights in the context of our business and which frameworks guide the Inter IKEA Group approach to human rights.

Co-workers who, in any way, interact with children as part of their job or work in a function or assignment where they need to take the safeguarding of children into consideration are expected to take the training on child safeguarding. With this training we want to raise awareness for the risks and opportunities when engaging with children and help build an understanding of our responsibilities for child safeguarding practices in IKEA. Other examples of co-worker trainings:

- Anti-bribery & Corruption
- Data Privacy, Handling and Sharing Information
- Introduction to the IWAY Standard and IWAY ways of working
- Sustainability at IKEA
- Sustainability due diligence at Inter IKEA Group

For suppliers and business partners, trainings are provided on the IKEA Sustainability agenda and the IKEA requirements to make sure that they understand what is required from them and how they can work together with IKEA to jointly reach the sustainability goals.

During the first year, suppliers are offered several trainings to support in the implementation of the IWAY requirements and to share best practices. Throughout the contract the needs and

capabilities of the suppliers are continuously assessed. Trainings are customized after these needs and provided when necessary. In addition, suppliers are invited to common training sessions on new goals, requirements or local legislation, these sessions always include a possibility to reflect and ask questions.

## 4. Outcomes of the due diligence process at Inter IKEA

In FY24, IKEA Supply AG identified – via external monitoring and credible external sources – the following risks of potential adverse impacts associated with our business operations and in relation to people or the environment and implemented the associated mitigation measures. The Paragraphs entitled “Context” provide risks of potential adverse impacts to demonstrate IKEA Supply AG general awareness of such possibilities and our actions to prevent such events arising. They do not refer to identified cases within the supply chain.

Forced Labour risks

### Migrant Workers

**Context:** Potential forced labour risks and recruitment vulnerabilities for vulnerable groups of workers for all supply chains, including new complex corridors of migration arising (such as from Asian countries to Eastern European countries), where the risks of exploitation of migrant workers are increasing, both in the phase of recruitment (where migrant workers are at risk of being charged extensive recruitment fees that lead to forced and bonded labour) and in the phase of employment (where workers are at risk of being exploited, by not being offered minimum working and social conditions, going against the fundamental labour rights as defined by the International Labour Organisation).

**Risk Prevention:** Inter IKEA placed more emphasis on strengthening the dialogue with our suppliers on topics such as working hours, fundamental labour rights and the responsible recruitment of migrant workers and workers from other vulnerable groups during the reporting period. In addition, co-workers were trained to increase internal awareness about forced labour and strengthen the competence to identify and handle cases of forced labour. In addition, IKEA is a founding member of the [Leadership Group for Responsible Recruitment \(LGRR\)](#), and we continue to support the Employer Pays Principle, which states no worker should pay for a job, and the employer should bear the costs of recruitment. The outcomes of these activities are:

- Improved co-worker and suppliers' awareness on how to prevent, identify and follow up on cases of forced labour.
- We continued our training efforts on human rights and labour conditions. In FY24, 25 IKEA co-workers and over 400 representatives of our suppliers finished the training modules. Furthermore, the prevention of Forced Labour is part of standard IWAY trainings which are done internally as well as externally for suppliers.
- The International Organization for Migration (IOM) and IKEA Supply AG launched their first global partnership to promote the rights and wellbeing of migrant workers employed across the IKEA supply chain in FY24. After a decade of collaboration, the new three-year partnership will leverage the strengths and expertise of both organisations to ensure meaningful inclusion and employment for migrant workers and realise the potential of

migration as a powerful driver for sustainable development. In line with the United Nations Guiding Principles on Business and Human Rights (UNGPs) and human and labour rights conventions, IOM and IKEA Supply AG will strengthen ethical recruitment, promote decent work and enhance access to effective remedies, to improve the working and living conditions of migrant workers across the supply chain. More information can be found [here](#).

### Fair practices for inorganic materials

**Context:** IKEA remains a relatively small consumer of inorganic materials. However, those we do use are critical in applications such as furniture, appliances, lighting, tableware, and cookware. They are also integral to products designed for healthier and more sustainable living, such as air purifiers and rechargeable batteries. We continuously strive to optimise the use of resources, ensuring materials are used for the right purpose and minimise negative impacts on people.

**Risk prevention:** In FY24, we continued mapping supply chains back to their sources for inorganic raw materials. Through these efforts, we're identifying the main players in upstream sourcing and deepening our understanding of the supply chain impact on our direct inorganic suppliers. The outcomes for these actions are:

- Our focus on improving working conditions for small-scale miners continues. During FY24, we continued our partnership with the international non-profit Pact, which aims to identify risks and build knowledge about the sustainability impacts of inorganic extraction and mining to improve responsible sourcing and minimize negative impacts on people and planet. Together, we are working to find ways to improve the working conditions in small-scale mining directly, as well as building knowledge of how to create long term positive impact in the industry by including small scale miners. Additionally, we remain members of the [Responsible Minerals Initiative \(RMI\)](#) and continue our efforts to promote social and economic development in mineral production and sourcing.
- We continue to investigate how to address environmental, but also social risks within waste supply chains. We engage with several stakeholders to try and identify the principles and processes to secure good practice. In FY24, IKEA became a member of the Fair Circularity Initiative which exists to implement and secure Fair Circularity Principles that ensure the human rights of formal and informal workers within waste and recycling value chains are respected.

### Responsible Recruitment Practices

**Context:** Advancing human rights and fair working conditions through responsible recruitment practices as a supply priority. We understand the challenges involved in upholding our Code of Conduct (IWAY), especially in regions with many migrant workers and weaker local regulations. We have a responsibility to protect these vulnerable individuals within our value chain.

**Risk prevention:** In FY24, IKEA Supply AG continued the organisation of responsible recruitment practices and human rights training sessions for suppliers and service providers. What started in Southeast Asia and the Middle East during FY23, has now been expanded with new training sessions for suppliers in Europe, North and South America. Understanding that simply setting

requirements isn't enough, we created clear guidelines, a toolbox for responsible recruitment, and training programs for our business partners, with valuable input from the International Organization for Migration (IOM). The outcomes of these actions are:

- By actively implementing these guidelines during FY24, for example, in our warehouse operations tender process, we required potential service providers to review our guidelines and demonstrate how they would ensure responsible recruitment and prevent forced labor. This initiative has increased awareness among service providers and highlighted the positive impact of our processes and guidelines. Even the companies that did not win the tender process have a better understanding of their responsibility.
- Collaboration is crucial to driving this agenda forward both internally and externally. In the UAE, IKEA Supply AG teamed up with the Swedish Business Council and, along with IOM, hosted a session involving other member companies and the Swedish Embassy. This session acted as a call to action for collectively advancing human rights and fair working conditions for migrant workers. As a result, a dedicated group of Swedish businesses committed to championing this cause has been formed. IOM remains an invaluable partner, providing expertise, facilitation, and connections with other stakeholders.

## 4.1 Due diligence findings

In FY24 we have identified 31 cases of non-conformity with mandatory IWAY "Must" requirements at suppliers to Inter IKEA Group. Almost 50% of these non-conformities were related to lack of transparency and unreliability of attendance records for working hours.

Another significant contributor to the non-conformities was related to lack of accident insurance for workers which is not mandatory in all countries but is mandatory based on the IWAY Standard. Consequently, IKEA terminated cooperation with 5 suppliers.

On the topic of child labour, during the IWAY audits and verification activities performed in FY24, one (1) case of non-compliance occurred in United States of America. The non-compliance was related to the supplier being unable to provide information on their age verification methods during the recruitment process; therefore, the non-compliance did not concern any identified child at the supplier's premises. As the non-compliance was not related to actual child labour but rather an insufficient recruitment process, the corrective and preventive action was focused on strengthening the recruitment process and complementing it with a process of age verification.

We closely monitor the topic of child labour at all our suppliers and are continuing to work to prevent and address child rights risks in deeper supply chains.