

Canada

**Fighting Against Forced Labour
and Child Labour in Supply Chains
Act**

IKEA Supply AG and IKEA Food Supply (Canada) Inc.

Annual Report, May 2025

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Introduction

Based on the Article 11 (1) of the Canadian BILL S-211, "Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff", IKEA Supply AG ("ISAG") and IKEA Food Supply (Canada), Inc. are obliged to report on the steps taken during the previous financial year to prevent and reduce risks of appearance of forced labour or child labour at any step of the production of the goods imported into Canada. This Act also sets further specifics ISAG and IKEA Food Supply (Canada), Inc. need to report on.

ISAG and IKEA Food Supply (Canada), Inc. hereby submit a common Annual Report which covers financial year 2024 ("FY24"), starting on 1 September 2023, ending on 31 August 2024. This Annual Report should be read together with the report submitted by in May 2024¹ ("2024 Report").

Section A of this Annual report describes text amendments to the 2024 Report when no changes were adopted regarding the described topics. Section B focuses on the steps taken in FY 24 to prevent and reduce risks of appearance of forced labour or child labour as well as on remediation measures.

Section A: Amendments to the 2024 Report

1. Amendments to Chapter 1 Our structure, operations and supply chain

Chapter 1 of the 2024 Report describes the structure, operations and supply chain of ISAG, IKEA Food Supply AG ("IFSAG") and IKEA Food Supply (Canada), Inc. There have been no changes in the structure, operations and supply chain of ISAG, IFSAG and IKEA Food Supply (Canada), Inc. Some revisions have been made to Chapter 1 to streamline content and remove duplication.

1. Our structure, activities 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.

¹ [canada-due-diligence-report.pdf](#)

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

ISAG sources and distributes the IKEA products according to the IKEA Concept Framework², leading the purchase development process as well as Supply Chain Operations through categories. This means that ISAG is responsible for sourcing and supplying the global IKEA range of Home Furnishing Products, all the way from supplier to franchisee. IFSAG has the same responsibilities for food and beverage products and its subsidiary IKEA Food Supply (Canada), Inc. is responsible for import and wholesaling of food products in Canada. The Ingka Group currently operates IKEA warehouses on behalf of ISAG, and through the franchise agreement with Inter IKEA Systems B.V. Ingka Group operates physical and online stores in Canada.

Control of other entities

ISAG has about 30 subsidiaries located throughout the world, acting as trade solicitation and wholesale entities, including IFSAG. ISAG and IFSAG's subsidiary IKEA Food Supply (Canada), Inc. are deemed to have a reporting obligation under BILL S-211, "Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff" in Canada.

1.2 Operations and supply chain

Goods

IKEA of Sweden AB, a sister company to ISAG, designs and develops, improves and maintains the IKEA home furnishing and food offer.

Production of goods and supply chain

ISAG and IFSAG have about 1,500 direct suppliers in more than 50 markets, including home furnishing, food and beverage products, transport service providers and suppliers of components for home furnishing products. ISAG and IFSAG source and distribute IKEA products according to the IKEA Concept Framework as described above.

Importing

ISAG and IKEA Food Supply (Canada), Inc. are responsible for importing IKEA products to Canada, including sourcing and transporting from suppliers located in the countries mentioned above.

² The IKEA Concept consists of the following three main components: the IKEA product range, the IKEA retail system to present and communicate the range, and the IKEA trade dress, trademarks and other distinctive features.

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

The 2024 Report describes policies and due diligence processes in relation to forced labour and child labour, specifically IKEA Supplier Code of Conduct, IWAY, Inter IKEA Group Policy on Human Rights and Inter IKEA Group Policy on child safeguarding. In FY 24, no new policies or due diligence processes have been developed. Some revisions have been made to Chapter 2 to include definitions of child and forced labour and full details on IWAY principles.

2.1 IWAY

IWAY is structured around 10 environmental and social principles, including principles on children rights and labour rights and is based on internationally recognised standards and principles;

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

The IWAY Must³ requirement states that *“there is no child labour and any potential or confirmed case of child labour is immediately reported to IKEA”*.

IWAY Principle 4: Fundamental Labor 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”*.

IWAY Principle 5: Workers have time off work, are paid responsibly and have opportunities to develop competence.

This IWAY Principle focuses on topics such as working hours, wages and benefits, competence development.

The IWAY Standard also contains and works with definitions of child labour, children and forced labour as described below.

Child labour is work performed by children under the minimum legal working age that deprives them of their childhood, potential and dignity and that is harmful to their physical and mental development. Furthermore, work done by any person under 18 years of age can also be considered “child labour”, depending on the type and hours of work performed and the conditions under which it is performed.

Children are persons under the age of 18 years, unless, under the law applicable to the child, majority is attained earlier.

³ IWAY Must requirement must be met by suppliers at all times when doing business with any IKEA organization.

Forced labour is any work or service that is performed by any person under the menace or threat of a penalty, and which the person has not entered into of his or her own free will. This includes the confiscation of personal belongings, the inability to terminate employment at any time and the inability to leave work premises. Bonded labour is a form of forced labour in which workers are bound to their job through debt bondage, as a result of being charged, directly or indirectly, recruitment fees or costs, paying deposits, receiving loans or wage advances or having payments delayed.

3. Amendments to Chapter 3 Due Diligence process

Chapter 3 of the 2024 Report describes the Due Diligence process. In FY 24, nothing new has been implemented into the due diligence processes of Inter IKEA Group. However, text amendments have been made to respective part of subchapter 3.1 IWAY of the 2024 Report, as stated below.

Initial risk assessments

Before the start of a new business partnership, risk assessments are conducted to evaluate whether a potential new supplier or service provider is capable of, and willing to, meet the IWAY requirements.

A risk assessment of each existing supplier is performed continuously and builds on the assessment of the following main parameters:

- Country risk indices, provided by independent external risk data analysis providers connected to human rights, including child labour, forced labour, women's and girls' rights, as well as other topics such as corruption, environmental regulatory framework, freedom of association, wages, water quality, biodiversity, and other matters.
- Average performance by all suppliers in given industry; and
- Results from previous verification activities at the supplier, when applicable.

A risk assessment is undertaken to identify IWAY activities which each supplier is expected to implement, allocate the necessary resources, and determine the relevant frequency and focus of IWAY compliance verification activities.

4. Amendments to Chapter 4 Training and Competence Development

Chapter 4 of the 2024 Report focuses on various trainings and competence development and the following section is be added as a text amendment:

In FY 23, a global roll out of a training focused on "Promoting Responsible Recruitment in IKEA Value Chain" was launched. The first round of trainings was organized for co-workers, suppliers and service providers in number of countries in Europe and Asia.

5. Amendment on assessment of effectiveness in ensuring that forced and child labour are not being used in the business and supply chain

Information on how ISAG assess its effectiveness in ensuring that forced labour and child labour are not being used in its business and supply chain can be found in Chapter 3. Due Diligence processes in Paragraphs on Assessing and tracking effectiveness, implementation and results, Peer and compliance reviews and Internal Audit of the 2024 Report. These Paragraphs are incorporated under new Chapter 5 Assessment of effectiveness in ensuring that forced and child labour are not being used in IKEA business and supply chain.

Section B: Steps taken to prevent and reduce risks of appearance of forced labour or child labour in FY 2024

1. Progress towards the reported adverse risks and cases of forced labour

1.1 Forced labour risks and recruitment risks within supply chain

As described in the 2024 Report, in FY 23, Inter IKEA Group identified forced labour and recruitment risks for vulnerable groups of workers within its supply chain, including new complex corridors of migration arising (such as from Asian countries to Eastern European countries). These risks were pending also in FY 24 (please see the identified cases of forced labour as described in Chapter 2 of this section).

In FY24, the International Organization for Migration (IOM) and ISAG launched a global three-year partnership, leveraging the strengths and expertise of both organisations to ensure meaningful inclusion and employment for migrant workers. The ambition is to strengthen ethical recruitment, promote decent work, enhance access to effective remedies, and improve the working and living conditions of migrant workers across the IKEA supply chain. To achieve this, ISAG and the other companies operating within the IKEA franchise system will work on raising awareness and joint advocacy, sourcing insights from data and research, technical cooperation and capacity building.

1.2 Human rights risks within the ocean transport industry

To further improve seafarers' wellbeing, ISAG entered a three-year partnership with The Mission to Seafarers, a leading international seafarer welfare charity. The partnership centres around a training programme called "All you need to know about Seafarers". It's designed to help handling any actual and potential negative impacts on human rights when contracting shipping services and ensure protection and support for seafarers. Additional requirements in IWAY have also been introduced with the aim to protect seafarers' labour rights at sea, and improve working conditions and wellbeing.

1.3 Identified cases of forced labour around debt bondage

In the 2024 Report, it has been described that three cases of forced labour around debt bondage further down in the supply chain had been identified. The remediation measures have also been illustrated.

During FY 24, two of these suppliers (in Bosnia and Thailand) have implemented remediation measures. The supplier in Bosnia paid salary payments to its co-workers after their salaries were not paid out in due time. The supplier in Thailand, by whom recruitment fees and wage deductions occurred, adopted a number of remediation measures, including financial reimbursement of some coworkers, communication to the coworkers regarding the remediation plan, review and revision of a recruitment procedure, using a new labour agency. Despite the remediation efforts of these suppliers, both have been phased out due to business reasons. The supplier in Malaysia implemented remediation measures such as enhanced communication to all employees on the IWAY requirements, provided training, enhanced due diligence audits on outsourced worker agency. The supplier will be audited again in 2025.

2. New instances of forced labour and remediation measures

In FY 24, three new instances of forced labour have been identified.

In one instance, migrant workers were recruited by a supplier via a local agent and charged recruitment fees. The supplier was asked to reimburse the recruitment fees but didn't do so. Moreover, the supplier decided to terminate the cooperation with IKEA.

In another instance, prison labour (organized according to local and European legislation, performed voluntarily and for remuneration) has occurred. Even though this scheme was in compliance with local laws, the supplier implemented a corrective action to avoid the provision of such services.

In the third instance, a supplier requested guarantee money before allowing co-workers to go on holiday. As part of the corrective actions, additional clauses regarding guarantee money during workers' holiday were added to the employment contract as well as cash compensation rebates for unutilized accumulated annual leave have been stated. The supplier will also inform the workers of the above changes.

3. Remediation of loss of income

In FY 24, there was no identified need to take measures to remediate any loss of income to the most vulnerable families. The remediation of loss of income was not relevant in the identified cases of forced labour. Since one of the suppliers terminated the collaboration with IKEA, we are not able to track whether remediation of loss of income has been paid out.

IKEA is committed to further strengthen its internal procedures to uphold remediation rights and support that actors throughout the IKEA value chain can have access to remedy when negative impacts have been identified.

4. Progress towards Training and Competence Development

Building up on FY 23, trainings focused on "Promoting Responsible Recruitment in IKEA Value Chain" continued to be offered to our suppliers in FY 24. 330 suppliers from Europe as well as North and South America attended the training. As an outcome of these trainings, it was suggested to specify the trainings more from country and industry perspective and involve external partners. Consequently, a partnership with Organization for Migration started in FY24.