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Labour Conditions in Ikea's Supply Chain

Case Studies in Bangladesh and Vietnam

August 2006

Esther de Haan & Michiel van Dijk

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By:

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Chapter 1

Introduction

In May 2006 OXFAM-Magasins du Monde commissioned SOMO to conduct research on the working conditions in several of IKEA's suppliers in Bangladesh and Vietnam. The main objective of the study is to describe the working conditions in the factories and to compare them with the standards as prescribed in IKEA's code of conduct for supplier companies, 'the IKEA Way on Purchasing Home Furnishing Products (IWAY)'. In the case of Vietnam, an attempt has been made to compare the findings with results of a 2003 SOMO study in which, among other issues, the working conditions in three of IKEA's suppliers in Vietnam were analysed.¹

Finally, also an attempt was made to obtain insights on the contractual relationship and purchasing arrangements between IKEA and its suppliers in Bangladesh and Vietnam. In the 2003 report it was found that IKEA had so-called "buy-back" arrangements with its suppliers in Eastern Europe and Russia. Under such arrangements, IKEA lends money to the company for equipment upgrading and provides assistance to facilitate the import of machinery. The downside of the buy-back agreement is that it makes suppliers dependent and subsequently provides IKEA with a means to suppress its purchasing price or push production towards less profitable production groups from a supplier perspective. Unfortunately, it proved to be very difficult to find reliable information on buy-back agreements. Only for one factory in Bangladesh and Vietnam some information was found on this issue which is presented below.

The report is primarily based on information that was gathered through workers interviews in four factories in Bangladesh and three factories in Vietnam (the same factories that were researched in the first SOMO study), all producing for IKEA. The factories produce a variety of products ranging from ready made garments (e.g. bed sheets, pillow covers and blankets), to porcelain and teddy bears. In Bangladesh the research was conducted by the Alternative Movement for Research and Freedom Society (AMFR) and in Vietnam by the Institute for Family and Gender Studies. Workers were interviewed using a questionnaire developed by SOMO, which was where appropriate adjusted to local circumstances. The questionnaire aims to cover the standards spelled out in IKEA's code of conduct as well as the ICFTU model code and were structured around the following eight labour standards:

- ❑ Employment is freely chosen
- ❑ There is no discrimination in employment
- ❑ Child Labour
- ❑ Freedom of association and the right to collective bargaining
- ❑ Wages
- ❑ Hours of work are not excessive
- ❑ Working conditions are decent
- ❑ The employment relationship is established

The research reports per country and per factory can be found in annex 4 and 6. They contain general information about the suppliers, products, working conditions in each factory and violations of the eight labour standards by IKEA suppliers. In the annex, the names of the target factories and

¹ E. de Haan and J. Oldenziel, Labour Conditions in Ikea's supply Chain: Case Studies in India, Bulgaria and Vietnam (March 2003: SOMO)

the names of the interviewed workers are not disclosed. Revealing such information would not be in the workers' interests as they might be subject to negative repercussions. In the following two sections, the results of the research reports are summarized per country using the eight standards listed above. Section four concludes the findings. Annex 1, 2 and 3 present IKEA's code of conduct and Annex 5 and annex 7 present an overview of the national labour law of Bangladesh and Vietnam, respectively.

Chapter 2

Bangladesh

The research has been carried out by Alternative Movement for Resources and Freedom Society (AMRF). The information is based on information gathered through worker interviews from four factories producing for IKEA. All four factories are situated in or are close to Dhaka and manufacture ready made garment (RMG) products, such as bed sheets, pillow covers, curtains, towels, etc. In total 56 workers, 21 female and 35 male workers were interviewed during April-June 2006. The interviews were conducted in their houses or outside, away from the factory. The research team also contacted the management of the four factories for interviews but no relevant data could be gathered. Some senior management refused to give information while others promised to provide information but never did even after repeated attempts to contact them by the research team. During the research period there was a large workers uprising in the ready made garments (RMG) sector in and around Dhaka. As a result, factory management and suppliers became very suspicious towards NGOs and investigators which hampered the research.

2.1 Employment is freely chosen

No evidence of forced, compulsory or bonded labour has been found. Workers are not repaying any kind of debt and are not forced to lodge any deposits in the factory for getting the job. Workers have to submit their resignation one month prior to leaving the job.

2.2 There is no discrimination in employment

Although generally workers report that there is no **major** discrimination with respect to cast, religion or sex, they do report instances of discrimination. In all four factories interviewees pointed out that employees from the same region as the owner occupy relatively higher (management) positions and in factory 1 receive better facilities for their housing. Further, there are indications that in all four factories female workers are paid less than male workers who do the same job. For example, workers in factory 2 pointed out that male workers (entry level) earn Tk. 200 more (monthly wage of Tk. 1500) than female workers (monthly wage of Tk. 1300). In factory 2 and 3, it was also mentioned that females do not occupy supervising positions. Discrimination on account of gender is in violation of the Bangladesh Labour Law (section 28) and IKEA's code of conduct.

2.3 Child labour

Although in all factories workers have to prove their age by means of birth certificates in order to prevent child labour, this procedure is not always waterproof as it is relatively easy to falsify the documents. Interviewed workers do report that in their factories there are young workers and in factory 1 several of the interviewed workers also indicated that the child workers are given leave or are hidden during factory inspections by buyers. In the mentioned cases there is no conclusive evidence that there are indeed children working, although fellow workers would not know how young their colleagues really are for example. The information from factory 1 suggests that in this case the factory management knows that some of the workers are below a certain age.

2.4 Freedom of association and the right to collective bargaining

No trade union or any other kind of workers' organisation exists in the factories investigated. Workers have mixed feelings about joining a trade union. Some think that they should have a union because it could help solve disputes while others do not see the necessity of getting involved with a union. However, the majority of workers do not have an idea about what a trade union is.

Workers in factory 1, 3 and 4 stated that the management strictly discourages the formation of any kind of association or union within the factory or joining a union outside the factory. In factory 3 and 4, trade union representatives are not allowed to make any contact with workers in the factory and in factory 4 workers are threatened with dismissal if they try to form or join a union. Freedom of association and the right to collective bargaining is a general problem in the ready made garments (RMG) sector in Bangladesh. Many workers indicated that they heard of incidences in other factories where workers were dismissed for joining a union and are therefore afraid to lose their job themselves if they engage in union activity. No evidence was found in the four factories of workers being dismissed because of union involvement. However, this is not strange given the fact that workers feel so threatened to lose their job that they not dare to join a union.

These findings are in violation of the Bangladesh Labour Law (section 38) and IKEA's code of conduct (IWAY standard):

13. Freedom of Association

The IKEA supplier shall ensure that employees are not prevented from associating freely.

The IKEA supplier shall not prevent employees from exercising collective bargaining.

2.5 Wages

Different payment structures are used by the factories. In factory 1, 2 and 3 helpers are paid on a monthly basis while operators are paid on a piece rate basis. In factory 4 both types of workers are paid on a monthly basis.² Table 1 presents an overview of the wage level in the four factories. The presented figures should be regarded as indicative of the wage rate in the respective factories only. Factory wages differ across sex, type of job, experience and skill, and sometimes additional bonuses are paid for no absence (factory 3). Furthermore, it is difficult to compare factories as exact data on hours worked, overtime and bonuses are not available. Note the minimum legal wage for unskilled workers in Bangladesh is as low as Tk. 930 (US\$ 13,47) per month, which dates from 1994.³⁴ In factory 1 and 2 helpers are paid the minimum legal wage plus an allowance for

² An operator is s/he who operates the different types of sewing machine. Operators are considered as skilled workers who play a vital role in the production chain and in number they are the major workforce in a factory. A worker becomes an operator after working 6-12 months as helper depending on her/his skills and also the availability of the post of operator in a particular factory. Operators may work either on monthly basis or piece rate basis. A helper helps operators in their work. They cut the extra thread of the product which is sewed by the operator, sometimes clean dust of the sewing machine; carry the product to a different machine. Helpers are gradually promoted to operators. Usually they get their wages on monthly basis and they also get over time wages if there is any overtime work. In almost all sections of the factory there are helpers to support the work of skilled workers.

³ 1 Tk. = 0.0144823 USD, <http://www.xe.com/ucc/convert.cgi> (22-08-06).

⁴ Presently, the government, unions and employers are discussing an increase of the minimum wage. See United News of Bangladesh, *Minimum wage for RMG workers likely by August*, July 9, 2006, http://www.laborrights.org/press/sweatshops/minwagebangla_unitednews_070906.htm (22-08-06) and Clean Clothing Campaign, *How low can you go*, 22 September 2006, <http://www.cleanclothes.org/urgent/06-09-22.htm#bg> (4-10-06)

overtime, while workers in factory 4 earn more Tk. 1300 without overtime and Tk 1700 plus overtime. It is not clear what the wage structure is for helpers in factory 3. In factory 1, 2 and 3 operators earn between Tk 2000 and Tk. 6000/7000, depending on hours worked, age, etc. An experienced worker in factory 4 receives Tk 2200 without overtime and Tk. 3000 with overtime.

Table 1: Overview of wage level in four factories

	Helper	Operator
Factory 1	Tk. 1400 (930 gross wage + overtime)	Tk. 2000 – 7000
Factory 2	Tk. 1300 (930 gross wage + overtime)	Tk. 2000 – 6000
Factory 3	Tk. 1200*	Tk. 2000 – 6000
Factory 4	Tk. 1300 (Tk. 1700 with overtime)	Tk 2200 (Tk. 3000 with overtime)

* Not clear if the figure includes overtime.

The following examples illustrate the difference in wage and pay structures across factories: helper Monday (packing section) at factory 1 receives Tk. 930 per month without overtime. He gets Tk. 5.75 for every extra hour work. Helper Tuesday (cutting section) in the same factory receives Tk 1600 without overtime. His overtime wage per hour is Tk. 6.60. Operator Wednesday also working at factory 1 receives Tk. 1700 per month wages and Tk 10 per hour as overtime wages. Helper Tuesday at factory 2 receives a monthly wage of Tk 1150 and gets Tk. 4.00/per hour for overtime work. Another helper, Friday, at the same factory obtains a monthly wage of Tk 1100 but plus Tk. 5.00/per hour for overtime work. Finally, helper Saturday of factory 4 receives Tk. 1300 as monthly wages and Tk. 6.00/per hour for overtime work.

Workers who work on a piece rate basis normally do not get overtime wages because their wage is solely determined by the number of pieces they produce. The factories studied produce different types of products for IKEA like pillow cases, bed covers, blanket covers and many other items. The piece rate varies from factory to factory and product to product. It also varies depending on the size and design of the product. Different workers may work on different parts of the products. Workers might not do the same work for whole day. They have to do different jobs according to the requirements of the factory. Supervisors and floor managers distribute the work among piece rate workers. The monthly/daily earnings of a worker very much depend on her/his skills and kind of products s/he makes.

In factory 1, sometimes workers who are not able to complete their production target within the normal working hours have to work extra hours to complete their target without receiving payment. In factory 2 the rates for a pillow cover is Tk.10-16/100 pieces. A worker can sew about 100 pieces in an hour. If s/he works for 12 hours a day s/he can earn on an average Tk. about 100-160. The rate of a blanket cover is Tk.20/100 pieces. Workers told the researchers that it is possible for them to sew 70-80 blanket covers per hour and 60-70 bed covers per hour. The rate of the bed cover is Tk 20-35/100 pieces. Workers who work on a piece rate basis said that 5-8% of their production is regularly deducted by the management, supposedly to compensate for mistakes. Workers indicated this is standard practice and does not necessarily relate to actual mistakes of the workers. In factory 3, workers said that they can sew 500-700 bed covers in an average in a 12-hour day. They get Tk.35-40/100 pieces. The rate of pillow cover varies from Tk.10 to Tk.25 for 100 pieces. Workers in this factory remarked that the factory authority is gradually reducing the piece rate basis production and the workers have to work for longer period to keep their income static.

Though piece rate workers work on a production basis they are not allowed to leave the factory without permission from management. They are forced to work as long as management asks them to. They have to work very long hours similar to the regular workers without weekly or other holidays. It was found that a substantial amount of work is done by the piece rate workers in the

factories that work for IKEA. An exact calculation can only be made if someone knows the whole production chain i.e. which parts of the products is made by regular worker and which part is by piece rate workers etc. It is a fact that piece rate workers earn more than the regular workers but for that they have to work very long hours and their job is quite uncertain.

In all four factories monthly and overtime wages are always paid late. The delay in payment ranges from two weeks for monthly wages and one month for overtime wages (factory 1) to one month for monthly wage and two months for overtime wages (factory 4). During the time of the research workers in *factory 4* did not receive their wages for the last two months. In the factory it is almost common practice that workers shut down their machines to force management to pay outstanding wages, often with success.

Due to the low and delayed wages workers often face severe financial problems, which make it difficult for them to fulfil their basic needs, such as paying for housing or basic food items. There are examples of workers, who had to leave their house because they were unable to pay their rent in time. Based on workers interviews, to fulfil basic needs a garment worker spends on average Tk. 350-700 for house rent, TK. 1000-1200 for food, Tk. 200-300 for conveyance, Tk. 100-200 for washing, TK. 150-250 for buying cloths and cosmetics, Tk. 150-200 for entertainment and recreation, Taka 200-500 for medicine. The costs may vary, depending on where a worker works and lives. Considering socio-cultural practices and realities, no young women would leave or would be allowed to leave the family and come to the city to work in the garment factory unless the family is in desperate need of financial support from the women members of the family (daughter/sister/wife). So, the majority of workers need to send money to the family. It is irrelevant to calculate minimum living wages for a worker only as, in most cases, other family members are partly or fully depending on that income.

In all four factories, workers generally do not know how overtime is calculated. It also seems that that overtime work is not paid correctly. In factory 1 there are instances where overtime wages were increased after confronting management with worker calculations and in factory 2 workers also confronted the management with their own estimations but these were never accepted. Apart from mistakes in the calculation of the number of hours worked, workers said they were not paid the double overtime rate as is stated in the national labour law (annex 5). In factory 4, for example, a worker stated that his overtime wage is only a fraction higher than the standard wage (in his case Tk. 12.50 instead of Tk. 12.00). Concluding, it seems that workers are losing out in two ways: (1) the overtime work is counted less than the actual work they do (2) they are paid less wage than they are entitled to for overtime work.

Finally, some factories implement disciplinary actions. If a worker is absent due to illness or any other reason in Factory 1 one day wage is withhold from his salary and he is fined with Tk. 100. In factory 3 even two days wages are withhold in case of absence for illness or other reasons. In this factory workers are also not given paid holidays and maternity leave.

All factories are in violation of one or more of the standards in IKEA's code of conduct (IWAY standard) that are listed under Wages, Benefits and Working Hours (chapter 9). In particular:

9.5 overtime pay

Employees shall be compensated for all overtime hours worked according to the legal requirements. Employees shall receive details of wages on pay-slips, including information regarding overtime hours and any deductions made.

9.6 Regular payments

Wages shall be paid at regular intervals and on time with respect to work performed, according to local legislation. Wages shall be paid at least monthly. The supplier must not withhold workers' salary.

It seems that all factories pay at least the minimum wage set by local law. Nonetheless, the legally set minimum wage is much too low to provide for basic needs and can therefore not be considered as a living wage.

2.6 Hours of work are not excessive

Evidence was found that working hours in the four factories under investigation are excessive and that overtime is compulsory. In factory 1 workers normally work from 9 a.m. till 6 p.m.. Overtime work is mandatory and a worker has to do overtime for about 100-140 hours per month. Workers pointed out that two types of hour-registers are maintained in the factory; one for the factory management and one for the buyers/inspection teams.

In factory 2, and 3 different working hours are practiced for different sections of the factory. Some workers work from 8 a.m. till 10 – 11 p.m. if there is no night-shift duty – in factory 2 there are five to six night shifts per week depending on the volume of work and shipment date – while others work from 8 a.m. till 8 p.m. (or 8 p.m. till 8 a.m.). There is one day off per week which is sometimes cancelled for urgent shipping. On average employees work 80-90 hours a week.

In factory 4 workers normally work from 8 a.m. till 5 p.m. but it is mandatory that workers do overtime till 8:00 p.m.. Depending on the work volume and date of shipment, there are four to eight night shifts a month. In case of urgent shipments the weekly day off is cancelled.

Generally speaking, the peak season for workers is from October to March in which there is more work pressure. One reason why there is more demand during these months might be the festivities (e.g. Christmas) during this period.

According to Bangladesh labour law, there is a maximum of 60 working hours (48 hours official + 12 hours overtime) per week. In all factories workers work at least 72 hours (12 hours per day and one day off per week). This even excludes regular overtime, night shifts and cancellation of the weekly day off in case of urgent shipping. In addition, evidence was found that in factory 1 and 2 female workers were working after 8 p.m. which is forbidden under national labour law.

It is therefore clear that the factories are in violation of both the Bangladeshi labour law and IKEA's code of Conduct (IWAY standard), in particular section:

9.3 Working hours and overtime

Suppliers shall not require their employees to work more than sixty hours per week on a regularly scheduled basis, including overtime. Working time must not exceed the legal limit. IKEA can, during extraordinary business conditions, accept that the supplier obtains waivers from the local labour authority to temporarily exceed the maximum overtime hours. The waiver must always be in writing and presented to IKEA upon request. Overtime hours must be on a voluntary basis. IKEA can under certain circumstances, well defined in the local legislation and/or agreed with local trade union, accept that overtime hours can be mandatory and decided by the management of the supplier.

9.7 One day off in seven

Employees shall have at least one day off in seven.

There is no indication whatsoever that the factories have the above mentioned waivers or permits which allow them to constantly and consistently exceed the maximum overtime hours. In any case, even if the factories would possess such documents hours worked would be still far in excess of what is reasonable and they would still violate the national labour law and the code of conduct.

2.7 Working conditions are decent

All factories provide fire fighting equipment, drinking water and (limited) medical facilities such as free basic medicine and a (visiting) doctor or nurse. Workers in factory 1 pointed out that cheap medicines are free but the price of costly medicine is deducted from their wage. Also in case the need to visit a doctor outside the factory they have to pay for themselves. Light and ventilation are also up to standards in all factories and in three factories protective gear and masks are available for workers who come in contact with toxic materials. Only in factory 1 workers complained about certain working conditions. They pointed out that the temperature in the dying section was too high and sometimes unbearable and that protective gear was not provided except during inspections of buyers.

In factory 1, 2 and 4 the interviewed workers reported that they are regularly verbally and sometimes physically abused by the line chief or supervisor for minor mistakes only. In factory 3, some workers reported that male supervisors make sexual advancements towards women workers.

This is clearly in violation of IKEA's code of conduct (IWAY standard):

14. Harassment, Abuse and Disciplinary Actions

14.1 Punishments and appeal

The IKEA supplier shall not engage in or support the use of corporal punishments, threats of violence, other forms of mental or physical coercion or engage in sexual harassment.

The IKEA supplier shall not make use of public warning and punishment systems. Reprimands for breach of duty or misconduct shall be a private matter between the employer and the employee and/or his/her representative. The employee at the supplier shall have the right to appeal reprimands/disciplinary actions/dismissal. These appeals shall be recorded.

2.8 The employment relationship is established

Through interviews with workers for all four factories it became clear that the employment relationship is not properly established. In factory 1 and 3 workers do not receive an appointment letter. They are only provided with a monthly attendance card which records their days and hours worked. Workers of factory 2 and 4 did receive appointment letters. Nonetheless, in all four factories, the interviewees mentioned that workers are dismissed instantly without given proper reason. This happens regularly in case workers protest against any form of irregularity. For example, the research team interviewed a dismissed worker of factory 2, who told that he and a colleague had been dismissed by the management for their alleged involvement of organizing

fellow workers not to join the work on an official holiday. The management tried to keep open the factory on this date but the majority of workers did not come to work and as a result production was disrupted. Although both workers were present in the factory on that day management suspected them of organizing workers not to come to work. Both received their wage but no compensation for dismissing them illegally. The workers deny the allegations brought against them by the management.

These findings, especially for factory 1 and 3, are not in accordance with IKEA's code of conduct (IWAY standard):

9.1 Contracts

The employees at the IKEA supplier shall be employed according to applicable laws and regulations and there shall be a contract (or appointment letter) written accordingly. The IKEA supplier shall pay wages to its employees (applicable also to temporary workers, trainees and workers on trial), including compensation for overtime, and working hours in accordance to legal requirements. A written contract must contain everything specified in local legislation, and as a minimum the following: employer, name of worker, birth date, position, salary, working hours, overtime compensation, benefits and notice time (13).

Note 13: Information about working hours, overtime compensation, benefits and notice time could instead be described in an Employee Handbook or similar.

2.9 Other issues

All factories are regularly visited by buyers, including IKEA. In three factories workers indicated they are instructed at forehand by the management how to deal with questions about wage, working hours and other work conditions. In factory 3, workers said they were instructed to lie on their working conditions to visiting buyers. Except for factory 2, none of the workers interviewed was ever interviewed by IKEA staff during factory visits. One of the workers of factory 2 told that about two years ago a group of workers were dismissed after having talked to a buyer's representative outside the factory premises. Although the factory mentioned other reasons for dismissing the group of workers, such as a lack of skill, the worker was convinced it was because of talking to the representative.

In the factories, security guards bodily search all workers when they are leaving the factory.

Some factories hand out manuals which summarize the national labour law.

Workers are generally not aware of the code of conduct.

2.10 Relation between IKEA and supplier

Only very limited information was obtained about the relationship between IKEA and the supplier. All four factories studied produce a substantial amount of products for IKEA. It was not possible for the research team to gather precise information on the percentage of work they produce for IKEA but workers told they work for IKEA all the year round along with the work of other brands. Workers of factory 4 told they hardly work for any other companies other than IKEA for last two years. It is extremely difficult to find out the percentage of products made in a factory for IKEA as this

information is considered part of "business secrecy/confidentiality". Since IKEA doesn't disclose even the name of its suppliers in Bangladesh, it manifests that neither IKEA nor the suppliers is willing to share 'business' related information i.e. price, percentage of production for IKEA.

A manager of factory 2 said that normally the time limit of production given by IKEA to the factory is enough to finish the work. Since the factory also produces for other buyers sometimes it runs short of time to finish the products for which workers need to work overtime and night shift. Buyers often do not look into the production capacity of a factory while placing an order. Production orders placed by several buyers simultaneously but not taking into account the capacity of the factory leads to overtime and night work for the workers and also subcontracting.

Chapter 3

Vietnam

In October 2002, the research group of the Center for Family and Woman Studies (now known as the Institute for Family and Gender Studies) conducted surveys on working conditions in three enterprises in 3 industrial zones in the South of Vietnam for research commissioned by SOMO. In May 2006, the research group conducted another survey at exactly the same three enterprises. This repeated survey was conducted to look at changes in working conditions of workers over the past four years and to investigate the possible positive results of IKEA's programme to improve working conditions of its suppliers. In total 34 workers were interviewed as well as various factory staff members, union leaders and government officials.

3.1 Employment is freely chosen

Similar to the study in 2002, no evidence of forced, compulsory or bonded labour has been found.

3.2 There is no discrimination in employment

There is no evidence of discrimination on the basis of gender, religion or caste. The findings in the 2002 study that women do not hold higher management positions (factory 3) and that most supervisor positions are held by male workers (factory 2) were not confirmed.

3.3 Child labour

Similar to the study in 2002, no evidence of child labour was encountered in the three factories.

3.4 Freedom of association and right to collective bargaining

There is no evidence that freedom of association and right to collective bargaining are impeded. However, similarly to the conclusions in the 2002 report, the unions do not seem to be very active. Workers' opinions on the union are mixed. In factory 2 workers were of the opinion that the union had not fulfilled its role to protect workers' rights in labour disputes. Other workers do not know which functions a union exactly has and yet other workers value the union because it has protected workers' right during a strike. In factory 3, workers do not trust the union because in their opinion it is strongly associated with the management of the factory. One reason for this is that the union's administration board seems to be assigned by the company instead of workers voting for it.

3.5 Wages

In comparison to the 2002 study, the wages in all three factories have increased. Improvements in wage, however, differ significantly across the factories. In factory 1 the wage has risen considerably. In 2002, workers complained that their wage was very low and too limited to provide basic necessities. Presently, most of the interviewed workers said their salary was relatively high in

comparison with other factories. Despite inflation, the situation of workers has improved. For example, more workers were able to save a share of their wage in comparison to before.

In factory 2, the wage increase does not seem to have improved the situation of the workers. Similar to the 2002 study, workers are not happy with their wage and indicated that it is not sufficient to support their families or to save. Workers also reported that defected products are recorded and subtracted from their wage.

Workers in factory 3 point out that their situation has improved slightly. In comparison to 2002, the company offers more bonuses and more workers are able to save from their salary.

Table 2: Comparison of monthly wages across three factories

	Monthly wage excl. overtime	Monthly wage incl. overtime	Apprentice/ New worker	Holiday bonuses	Lunch bonus
Factory 1	VND 1.2 – 2 mill.	VND 2 (max.) mill.	500,000	VND 200,000	VND 5000 p. day
Factory 2	VND 0.8 – 1 mill.	VND 1 – 1.2 mill	700,000	VND 100,000- 200,000	No
Factory 3	VND 0.8 – 1 mill.	VND 1 – 1.2 mill	450,000	No information	No

Like in 2002, It seems that all factories pay at least the minimum wage of VND 870,000 (US\$ 54.36) per month and salaries are always paid in time.⁵ The table above provides a comparison of monthly wages across the three factories. It shows that factory 1 offers a higher average wage and a more elaborate bonus system than the other two factories. The table should be considered as indicative only. Within companies wages differ across age, sex, type of work and experience. Furthermore, it was difficult to compare factories as exact data on hours worked, overtime and bonuses are not available. It is not clear why workers of factory 2 perceive their wage as insufficient while workers of factory 3 do not since the wage level seems equal. A possible explanation might be that living expenditures are higher in the region of factory 2.

None of the factories are in violation of IKEA's code of conduct as they all pay the minimum wage.

3.6 Hours of work are not excessive

The 2002 report found cases of excessive and/or compulsory overtime in all three factories. This was especially the case in factory 2 where workers had to work seven days a week, which is a clear violation of the national labour law. The new findings indicate that all factories have improved their policy on overtime work to some extent. Nonetheless, there are significant differences between the factories.

In factory 1 overtime has been considerably reduced in comparison to 2002. Workers have no complaints about excessive working hours. For factory 2 almost all workers work overtime, ranging from 28 to 58 hours a week (on top of the regular working week of 48 hours). Some said they even want to do more overtime than available because they feel their standard salaries are insufficient for a decent living. In factory 3 the average overtime per worker lies between 12 and 24 hours per week. The opinion on overtime is mixed. Some workers said they want to do more overtime than available to earn extra money while others want to do less because of health reasons. In none of the companies workers work seven days in a row.

⁵ 1 VND = 0.0000624805 USD, <http://www.xe.com/ucc/convert.cgi> (28-08-06).

Factory 2 and 3 are in clear violation of the national labour law, which states that the maximum hours of overtime may not exceed 200 hours per year. Consequently, the factories also do not comply with IKEA's code of conduct (IWAY):

9.3 Working hours and overtime

Suppliers shall not require their employees to work more than sixty hours per week on a regularly scheduled basis, including overtime. Working time must not exceed the legal limit. IKEA can, during extraordinary business conditions, accept that the supplier obtains waivers from the local labour authority to temporarily exceed the maximum overtime hours. The waiver must always be in writing and presented to IKEA upon request. Overtime hours must be on a voluntary basis. IKEA can under certain circumstances, well defined in the local legislation and/or agreed with local trade union, accept that overtime hours can be mandatory and decided by the management of the supplier.

There is no indication whatsoever that the factories possess the above mentioned waivers or permits which allow them to temporarily exceed the maximum overtime hours.

3.7 Working conditions are decent

In the study of 2002, it was found that in some factories there were problems with the medical insurance as well as complaints about air pollution, high temperature and treatment of occupational diseases. To some extent these problems have been solved in several of the factories under investigation.

In contrast to 2002, workers did not complain about health conditions and labour safety in factory 1.

For factory 2 it was found that although it has been improved following inspections of IKEA, workers still consider it too noisy, dusty and hot. Furthermore, workers are not paid when they cannot work because of illness and there are no basic medical facilities, which is required by law. Finally, still no uniforms have been provided to the workers as was promised by the management in 2002, workers regularly have health problems such as headache and there is no dining room. IKEA, however, required the company to demand its chemical suppliers to provide information about chemical-safety use. It demanded that chemicals which contain lead and mercury have to be rejected. This is also checked by IKEA yearly. No workers have to work with dangerous chemicals and the environment in the company meets the requirements with regard to poison and waste water. IKEA has required the company to implement the IWAY standard. It required the company to install fire prevention and fire fighting equipment. This is also checked by IKEA yearly.

In factory 3 there do not seem to have been improvements in the working conditions with respect to noise, dust and heat. Moreover, workers regularly suffer from coughing and headaches during work, despite the use and availability of sufficient masks. Workers also complain about the quality of the food in the dining room.

Depending on the Vietnamese laws, factory 2 and 3 are likely to be in violation of IKEA's code of conduct (IWAY) on internal air quality, temperature and workplace noise but more research would be needed to come to more definite conclusions.

7.11 Internal air quality

The IKEA supplier shall comply with all relevant and applicable laws, legislation and regulations pertaining to internal air quality (fumes, particles and appropriate ventilation).

7.12 Temperature

The IKEA supplier shall comply with all applicable laws and regulations pertaining to temperature (12) levels in the workplace.

Note 12: In tropical or sub-tropical areas, the outside temperature is acceptable as the workplace temperature, provided there's a roof that provides shade and protection from sunlight. Fans shall be used to ease the heat.

7.13 Workplace noise

The IKEA supplier shall comply with all applicable laws and regulations pertaining to noise levels in the workplace.

3.8 The employment relationship is established

In the study of 2002 it was found that in factory 2 and 3 workers did not get permanent contracts. In this study only for factory 3 information on employment relationship was collected. It appeared that many workers are employed without a labour contract or with expired labour contracts.

This is in violation of the national labour law (section 27 and 28) and of IKEA's code of conduct (IWAY):

9.1 Contracts

The employees at the IKEA supplier shall be employed according to applicable laws and regulations and there shall be a contract (or appointment letter) written accordingly. The IKEA supplier shall pay wages to its employees (applicable also to temporary workers, trainees and workers on trial), including compensation for overtime, and working hours in accordance to legal requirements.

3.9 Other issues

Similar to the report of 2002, workers are not aware of IKEA's code of conduct.

Some of the factories hand out manuals which summarize the national labour law.

In factory 3, workers feel they are discriminated because their lunch is of a much lower quality (but cheaper) than the staff's lunch. Workers feel it is important the food is of decent quality because they have to pay for it themselves and they already regard their wage as very low. Moreover, they indicate their lunch time is too short to buy lunch outside the factory. Interviewees also indicated that the staff looks at them with disdain.

According to the management of factory 2 IKEA has inspected the factory since the previous study. Workers have seen delegations of suppliers in the factory but did not understand what they were doing nor were they interviewed. Also workers in factory 3 stated that they not have been interviewed by any type of research team before.

3.10 Relation between IKEA and supplier

Only for factory 2 some information was found on the purchasing arrangements between the supplier and IKEA. In 2000, the company borrowed 300,000 USD from IKEA to enlarge its production areas. Later, IKEA deducted the debt from its contracts with the factory together with interest fees, in line with the interest rate charged by Vietnamese banks. However, the company decided to borrow capital from IKEA only once because it found that IKEA has many requirements and used complicated procedures. For example, IKEA asked for a further reduction the purchasing price although they were already very low. Nevertheless, the management highly valued the first loan from IKEA as it was very important to start up production during the initial phase. There was no technical assistance from IKEA, such as training workers to improve their professional skills.

The time between offering sample goods and receiving orders is about six months. At present, the contracts are signed consecutively nearly every week. Besides new contracts, there are always supplementary contracts. There are some orders worth 500,000 USD signed consecutively. Sometimes production cannot keep pace with these orders and even the leaders of the company do not remember how many contracts they sign in a week on average. Similarly as in Bangladeshi factories, because of the large number of consecutive orders, the factory is likely to run into capacity problems, in turn, leading to extra work and overtime.

Company management finds the price that IKEA proposes for its products very low. Nonetheless, it considers the trade relations with IKEA to be an important strategy because IKEA often orders a greater amount of products than other partners although the price that IKEA proposes is usually lower than the prices offered by other partners.

Chapter 4

Conclusions

The aim of this report has been to investigate the working conditions of IKEA's suppliers in Bangladesh and Vietnam. In total seven factories – four in Bangladesh and three in Vietnam – were studied. In the case of Vietnam, the results were compared with an earlier study performed in 2002 in which the working conditions of the same three factories were examined. The main information is derived from interviews with workers. If possible, also the management of the factories were interviewed.

The investigated factories represent only a fragment of IKEA's total number of suppliers. The results of the research can therefore not be regarded as representative for IKEA's global supply chain in Bangladesh, Vietnam or the world. Nevertheless, the results clearly show that a share of IKEA's products are still supplied by companies which violate basic human and worker rights, outlined in IKEA's code of conduct – the IKEA Way on Purchasing Home Furnishing Products (IWAY).

The results differ greatly between countries. In Vietnam the violations of the code of conduct were relatively few and, what is most encouraging, all factories showed improvements in part of the working conditions relative to the situation in 2002. The results for the four factories in Bangladesh, on the other hand, can be considered very disturbing as all factories violated IKEA's code of conduct on a large scale. The research team also indicated that workers are aware of outsiders who ask them questions about the factory's working condition. They want to make sure that information provided by them would not be shared with the management because they are afraid to lose their jobs. Although workers were contacted by via a union they did not want to tell about all irregularities in the factories.

The evaluation of the factories' working conditions has been structured around eight core labour standards. In none of the factories was evidence found of *forced, compulsory or bonded labour*.

Overall, the workers in the seven factories were of the opinion that there is no major *discrimination* with respect to cast or religion. For some factories in Bangladesh though there are signs that women earn less than men for the same job, which is in violation of IKEA's code of conduct.

There is no conclusive evidence of *child labour* in the factories in Bangladesh. Workers in some factories reported to have seen workers under 18. In one factory, workers even mentioned that young workers were hidden during a factory visit. However, such evidence is not conclusive as it is very difficult to determine the age of the young workers. There was no evidence of child labour in the Vietnamese factories.

It is not always possible to determine if workers' *freedom of association and right to collective bargaining* is violated. The fact that in some companies unions are non-existent or badly functioning does not necessarily imply this right has not been respected. However, in these cases the interview information strongly suggests that the management of the companies actively discourages any union activity by not allowing workers to make contact with union representatives and threatening them with dismissal. This is not an isolated phenomenon but seems to be a general characteristic of the ready made garment sector in Bangladesh. Over and over workers

pointed out that they heard of employees in other companies losing their jobs after joining a union. Not surprisingly, the majority of workers are afraid to engage in any union activity. Like the study in 2002, it was found that unions in Vietnam are generally not trusted by workers due to the union's ties with the government and management.

All seven factories investigated pay at least the minimum *wage*. However, in all four factories in Bangladesh monthly and overtime wage are always paid a few weeks late. In one factory it has even become common standard for workers to shut down the machines in order to force management to give them their wage. In addition, the calculation of overtime is not clear and seems to be erroneous. Overtime wage is lower than should be according to labour law and workers are paid less hours than actual worked. As a consequence, workers face financial problems and cannot provide in their basic needs. In two of the three factories, there are disciplinary actions in the form of subtracting wage in case of absence. The observed practices are in clear violation of IKEA's code of conduct. In Vietnam the situation is less problematic. All factories increased the wage, which is always paid in time, in comparison to what was paid in 2002. As a result, workers in two factories feel they are better off now than in 2002, although the improvement was only slight in one factory. In the third factory workers still perceive their wage as not sufficient to fulfil their basic needs.

Another serious issue encountered in the factories is the *excessive hours worked*. This is in particular a feature of the factories in Bangladesh. In all four production sites evidence was found that workers work at least 72 hours a week but often more due to additional overtime, night shifts and cancellation of the weekly holiday. In comparison with the 2002 study, which reported violations in the maximum number of hours worked in the three Vietnamese factories, the situation has improved but only slightly. One factory reduced the hours of overtime drastically and now complies with the local labour law. In the two other factories, overtime has also become less than before but is still in excess of the national maximum. The findings imply that in most factories hours worked still violate IKEA's code of conduct which prescribes a workweek of no more than sixty hours of work on a regular scheduled basis.

The study found that, with some exceptions, the *working conditions* in terms of fire prevention, sanitation, availability of basic medical facilities, noise, heat and pollution were generally in accordance with the IKEA code of conduct in all factories. Apart from one factory, workers had no complaints in Bangladesh. In the Vietnamese factories, working conditions have improved in two of the three factories but still some issues deserve attention. A very disturbing finding in all four Bangladesh factories was that workers indicated they experience regular verbal and sometimes even physical abuse, which are in clear violation of IKEA's code of conduct. No cases of abuse were reported for the Vietnamese production facilities.

For the four factories in Bangladesh evidence was found that the employment relationship is not established properly and violates the code of conduct of IKEA. Depending on the factory, workers indicated they did not receive appointment letters, were dismissed without clear reason or were fined in case of illness. Only limited information on these issues is available for Vietnam. In one factory, workers do not have a labour contract.

Finally, it was found that workers are not aware of their rights as expressed in IKEA's code of conduct. It seems that none of the workers interviewed had ever seen the code. However, in some factories booklets were provided with a summary of the national labour law.

Only limited information was found on buy-back arrangements between suppliers and IKEA. Such evidence was only encountered in one factory in Vietnam, which borrowed money from IKEA to expand its production capacity. However, the company decided not to engage in such practices again as IKEA demanded lower purchasing prices in return.

Annex 1

The Ikea Way on Purchasing Home Furnishing products (IWAY)⁶



IKEA Services AB

Issued by
Thomas Bergmark

Approved by
Anders Dahlvig

2005-07-01

THE IKEA WAY ON PURCHASING HOME FURNISHING PRODUCTS (IWAY)

1. IWAY - Our Code of Conduct

“The IKEA Way on Purchasing Home Furnishing Products” is our code of conduct. It describes minimum requirements on social and working conditions, together with environmental demands, at suppliers of the IKEA range. It has been established in order to make the IKEA position clear to suppliers and their co-workers, as well as any other parties.

It is based on the eight core conventions defined in the Fundamental Principles of Rights at Work, ILO declaration June 1998 and the Rio Declaration on Sustainable Development 1992.

Further IKEA recognises the Fundamental Principles of Human Rights, laid down by the “Universal Declaration of Human Rights” (United Nations 1948).

We believe that our daily business has an impact on Environmental and Human Right issues, in particular, in relation to people's working and living conditions.

A complete specification of our minimum requirements is stated in the IWAY Standard document.

2. The IKEA Concept in a Nutshell

Our Vision

To create a better everyday life for the many people.

Our Business idea

We shall offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.

This shall be achieved through

- a rational product range development and by adapting product design to production conditions.
- a rational distribution idea in combination with a caring meeting with the many people.
- a strict cost-consciousness in all areas.

⁶ Source: <http://www.ikea-group.ikea.com/corporate/PDF/IWAY0701.pdf>



IKEA Services AB

3. Customers and Suppliers in Focus

We have decided once and for all to side with the many. This is an objective that carries obligations.

We want to offer our customers low prices for well-designed and functional home furnishing products of good quality, manufactured under acceptable working conditions by suppliers that care for the environment.

IKEA is a production-oriented retailing company. We strive to build long-term relationships with suppliers that share our commitment to promote good practices, and who want to grow and develop together with IKEA.

Suppliers can expect from IKEA:

- to be reliable,
- to adapt our products to production,
- to contribute to efficient production,
- to care for the environment,
- to support material- and energy saving techniques,
- to take a clear standpoint on working conditions,
- to respect different cultures,
- to have clear and mutually agreed commercial terms.

4. Producing for IKEA Includes the Following Requirements

Legal Requirements

Suppliers *must* comply with national laws and regulations and with international conventions concerning Social & Working Conditions, Child Labour and the protection of the Environment.

Social & Working Conditions

IKEA expects its suppliers to respect fundamental human rights, to treat their workforce fairly and with respect.

Suppliers must:

- provide a healthy and safe working environment,
- pay at least the minimum legal wage and compensate for overtime,
- if housing facilities are provided, ensure reasonable privacy, quietness and personal hygiene.

Suppliers must not:

- make use of child labour, (see "The IKEA Way on Preventing Child Labour")
- make use of forced or bonded labour,
- discriminate,
- use illegal overtime,
- prevent workers from associating freely with any workers' association or group of their choosing or collective bargaining,
- accept any form of mental or physical disciplinary action, including harassment.



Environment and Forestry

The IKEA business shall have an overall positive impact on people and the environment.

Suppliers must:

- work to reduce waste and emissions to air, ground and water,
- handle chemicals in an environmentally safe way
- handle, store and dispose of hazardous waste in an environmentally safe manner,
- contribute to the recycling and reuse of materials and products,
- use wood from known areas and, if possible, from sources that are well managed and preferably independently certified as such.

Suppliers must not:

- use or exceed the use of substances forbidden or restricted in the IKEA list of "Chemical Compounds and Substances",
- use wood originating from national parks, nature reserves, intact natural forests or any areas with officially declared high conservation values, unless certified.

5. Implementation

The supplier shall effectively communicate to all its sub-contractors, as well as to its own co-workers, the content of the "The IKEA Way on Purchasing Home Furnishing Products", and ensure that all measures required are implemented accordingly.

Via a network of Trading Service Offices, IKEA supports their suppliers to improve their operations. Believing in long-term relationships, IKEA does not break off relations due to non-compliance only, as long as there is a willingness to improve in the right direction with an agreed plan of action to comply with the IKEA requirements within an acceptable time frame. Repeated violations of IKEA's requirements will result in the termination of the co-operation.

6. Support and Monitoring

The IKEA Trading Service Offices has the direct responsibility to support and monitor the suppliers. To ensure compliance with the requirements, IKEA has also formed a global compliance and monitoring group in order to support and follow up developments on a global basis.

IKEA always reserves the right to check suppliers with the help of independent organisations.

References

The IKEA Way on Preventing Child Labour
IWAY Standard

Annex 2

IWAY Standard



IWAY Standard

Minimum Requirements for Environment, Social & Working Conditions and Wooden Merchandise when Purchasing Home Furnishing Products

Issued By:
IKEA Trading und Design AG

Approved By:
INGKA Holding B.V.

Date:
2005-07-01

Edition
2

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- 2. Environment – Air, Noise and Water Pollution
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- 6. Fire Prevention
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- 9. Wages, Benefits and Working Hours
- 10. Child Labour
- 11. Forced & Bonded Labour
- 12. Discrimination
- 13. Freedom of Association
- 14. Harassment, Abuse and Disciplinary Actions
- 15. Continuous Improvements
- 16. Routines for Procurement of Wood, Bamboo & Rattan
- 17. Fulfilment of IKEA and Legal Forestry Demands

International References

- R1 The Universal Declaration of Human Rights (UN 1948)
- R2 Occupational Safety and Health Convention, and Occupational Safety and Health Recommendation (ILO Conventions 155 and Recommendation 164)
- R3 Convention on the Rights of the Child (UN 1989)
- R4 Minimum Age Convention, and Worst Forms of Child Labour Convention (ILO conventions 138 and 182)
- R5 Forced Labour Convention, and Abolition of Forced Labour Convention (ILO Conventions 29 and 105)
- R6 Equal Remuneration Convention, and Discrimination (Employment and Occupation) Convention (ILO Conventions 100 and 111)
- R7 Freedom of Association and Protection of the Right to Organise Convention, Right to Organise and Collective Bargaining Convention (ILO Conventions 87 and 98)
- R8 Fundamental Principles of Rights at Work (ILO Declaration, June 1998)
- R9 Rio Declaration on Sustainable Development (UN 1992)

IKEA References

- R10 The IKEA Way on Purchasing Home Furnishing Products
- R11 The IKEA Way on Preventing Child Labour
- R12 IKEA Hazardous Waste Guidelines
- R13 IKEA-0036 Rules for the Forest Tracing System
- R14 IKEA Supply Chain Audit Procedure



IWAY Standard

Minimum Requirements for Environment, Social & Working Conditions and Wooden Merchandise when Purchasing Home Furnishing Products

Introduction

The IKEA Way on Purchasing Home Furnishing Products (IWAY) is a Code of Conduct in our relation with suppliers approved by the board of IKEA (INGKA Holding B.V.). It is based on the eight core conventions defined in the Fundamental Principles of Rights at Work, ILO declaration June 1998 and the Rio Declaration on Sustainable Development 1992. IWAY covers IKEA's minimum requirements in the following three areas: Outside Environment, Social & Working Conditions (including Child Labour) and Wooden Merchandise.

These requirements are applicable to IKEA suppliers as well as our own IKEA Trading Organisations. IKEA suppliers shall always abide by the most demanding of the requirements whether it is the applicable legislation or IWAY specific requirements.

IKEA recognises the fundamental principles of Human Rights, as defined by the "Universal Declaration of Human Rights" (United Nations 1948).

We believe that our business has an impact on Human Rights issues, in particular in relation to people's working and living conditions. Good workshop conditions and orderliness in the factory is a pre-requisite to quality and environmental work.

IKEA adheres to UN decisions regarding trade boycotts and embargoes.

Professional Secrecy

IWAY and all of its activities are dependent upon co-operation, mutual trust and respect between the supplier and IKEA. All observations, discussions and written information received from the supplier are to be treated confidentially by IKEA, its employees and any third party organisations appointed by IKEA.

The IWAY Approval Process

1. Start-up Requirements

Potential IKEA suppliers – prior to starting a business relationship with IKEA – must fulfil the IWAY start-up requirements: No forced or bonded labour, no child labour and no wood from intact natural forests or high conservation value forests. Suppliers delivering IKEA products containing solid wood, veneer, plywood, layer glued wood, bamboo and rattan must ensure that tracing of these raw materials is completed.

2. Performing the IWAY audit

IKEA will conduct an IWAY audit at the supplier before 1st delivery. The first IWAY audit will always be performed by an IWAY auditor from the IKEA Trading Service Office. Future audits may also be performed by IKEA Compliance & Monitoring Group, as well as 3rd party Audit Organisations appointed by IKEA, to ensure calibration of different Trading Service Offices' judgement level. The IKEA supplier shall support on-site audits conducted by any of the above mentioned parties. This means e.g. allowing for confidential employee interviews and maintaining and allowing access to all documentation and records as required.

The IWAY audit consists of the following activities:

I. Preparation of the audit

Before the actual audit suppliers need to prepare, and e.g. make sure appropriate documentation is available and that key persons (as instructed by IKEA) are available for interviews.

II. Opening meeting

The IWAY audit will start with an opening meeting between the IWAY auditor(s) and representative(s) of the factory management.

III. Factory tour

The auditor will conduct a factory walk-through accompanied by a representative from the supplier. However, the auditor will always decide which parts of the factory to include in the factory tour. Obviously, time allocated to this portion of the audit varies substantially depending on the size of the factory. Auditors will speak with factory employees briefly on the production floor asking questions related to the fulfilment of IWAY. Additionally, auditors may perform tests of fire fighting equipment or evacuation alarms, perform measurements of emissions or noise as well as checking maintenance records.

IV. Document review

Required documentation such as permits from authorities, training records, lists of chemicals will be examined in order to verify compliance with IWAY/legal demands. Auditors will also examine documentation related to employees working hours and pay records.

V. Employee interviews

Employee interviews are a vital part of the IWAY audit. Findings and observations are verified through the interviews. Interviews may be performed in the production areas as well as in separate private rooms. Employee interviews shall be conducted without factory management or their representatives present. Typically, auditors will identify individuals for interview during the walk-through of the factory. Some workers may also be selected as a result of the document review. IKEA do not under any circumstances accept that interviewees are harassed, mistreated or dismissed as result of the interviews performed. This will be followed up by IKEA.

VI. Closing meeting

The result of the audit will be summarised in a closing meeting with factory management.

VII. Audit report

Observations of areas requiring improvement found during the IWAY Audit will be presented in a written audit report.

3. Corrective Actions

In the event of non-conformances, IKEA will require a written action plan from the supplier detailing how the non-conformances will be corrected. An action plan must be sent to IKEA within 2 weeks from the audit. The action plan must include a description of the corrective action, responsible person and timelines for each non-conformance to be rectified. IKEA must review and approve the action plan received from the supplier.

4. IWAY Approval

IKEA Trading will follow up and verify to ensure the Supplier has completed the necessary corrective actions according to the action plan and timelines. When all non-conformances have been verified and approved by IKEA (or applicable third party), the supplier is IWAY Approved.

5. Maintenance and Re-auditing

IKEA reserves the right to perform unannounced audits or inspections to verify that the IWAY requirements are fulfilled. IKEA will perform re-audits – as a minimum – every two years to ensure the IKEA supplier maintains its IWAY Approved status.



IWAY Standard

Minimum Requirements for Environment, Social & Working Conditions and Wooden Merchandise when Purchasing Home Furnishing Products

1. General Conditions and Legal Compliance

1.1 IWAY Compliance Commitment (Start-up requirement)

The IKEA supplier shall acknowledge and accept the IWAY requirements by signing the IWAY compliance commitment.

1.2 IWAY communication to sub-suppliers

The IKEA supplier shall communicate the IWAY requirements to its suppliers, involved in the production of IKEA products ⁽¹⁾.

The IKEA supplier must ensure that its suppliers have signed a document where they acknowledge and accept the requirements.

Note 1: Included here are only first level of sub-suppliers which are

a) processing work for the IKEA supplier e.g. weaving, dyeing, stitching, cutting, polishing, surface treatments etc (what could be called sub-contractors) and b) providing components or raw material to the IKEA supplier e.g. steel-pipes, thread, fabrics, yarn, timber, chemicals, wires. Please also note the specific requirements regarding solid wood, rattan and bamboo sub-suppliers as described in section 16.2.

Requirements do not need to be communicated to partners that e.g. provide electricity, fuel, office material or other services that are not connected to production or that provide production equipment e.g. machinery or tools.

1.3 IWAY communication to employees

The supplier shall communicate the IWAY requirements to all its co-workers. The IKEA demands must be displayed in a place where all workers have access e.g. on notice boards in a language understood by workers.

1.4 IWAY organisation

The IKEA supplier shall appoint one or several persons who shall have defined responsibilities and the authority to ensure compliance with requirements pertaining to the Environment, Social & Working Conditions and Wooden Merchandise areas as specified in this document.

The responsible person(s) shall have the necessary competence and knowledge about issues related to his/hers area of responsibility and type of business.

1.5 Internal IWAY audits

The IKEA supplier shall at least once every 12 months perform an internal audit of the IWAY performance. The results from the audits must be documented, and on request, be given to IKEA. If deviations are found during the audit, the supplier shall ensure corrective actions are taken.

The results from internal supplier IWAY audits will be reviewed by IKEA during supplier visits and IWAY audits.

1.6 Factory registration / licence

The IKEA supplier shall have basic factory registration/ licence to operate, if the law requires this, and comply with terms stated therein.

1.7 Classification

If required by law, the IKEA supplier shall have a valid environmental, health & safety and/or fire classification.

The IKEA supplier shall comply with requirements stated in the classification.

1.8 Reporting to authorities

If required by law, the IKEA supplier shall make an environmental report, health investigation and/or a work place risk analysis.

If required by law the IKEA supplier shall conduct an environmental impact assessment and obtain approval from authorities prior to changes in production, processes and buildings.

1.9 Legal compliance

The IKEA supplier shall comply with all relevant and applicable laws and regulations pertaining to Environment, Social & Working Conditions, Fire, Health & Safety, as well as Labour issues.

The supplier shall maintain a list of laws and regulations and there shall be a procedure for updating the list on a regular basis.

The IKEA supplier shall always comply with the most demanding requirements whether they are relevant applicable laws or IKEA IWAY specific requirements.

2. Environment – Air, Noise and Water Pollution

2.1 Inspections by environmental authorities

The IKEA Supplier shall ensure compliance with the results from inspections by environmental authorities. The required corrective actions must be documented and completed in stipulated time.

If there is a legal requirement to be inspected, and no inspection has been carried out, the supplier must at least send a request to be inspected to the authorities.

2.2 Air pollution

The IKEA supplier shall ensure compliance with applicable laws & regulations pertaining to emissions to the air – and if required obtain the necessary permits and demonstrate compliance with those permits.

2.3 Noise pollution

The IKEA supplier shall ensure compliance with applicable laws & regulations pertaining to noise pollution – and if required obtain the necessary permits and demonstrate compliance with those permits.

2.4 Water pollution

The IKEA supplier shall ensure compliance with applicable laws & regulations pertaining to discharges to ground and water – and if required obtain the necessary permits and demonstrate compliance with those permits.

Effluent treatment plants (ETPs) shall be operated and maintained appropriately. Staff operating the ETP must have the appropriate competence.



IWAY Standard

Minimum Requirements for Environment, Social & Working Conditions and Wooden Merchandise when Purchasing Home Furnishing Products

3. Ground Contamination

3.1 Ground contamination

The IKEA supplier shall ensure compliance with applicable laws and regulations regarding ground contamination. The supplier shall investigate and assess the possible risks of ground contamination, due to previous or ongoing activities on the site.

If contaminated ground has been identified, the supplier must ensure the following measures are taken:

1. Immediately stop the source of contamination to the ground if this is still ongoing.
2. If judged to be feasible, clean up the ground, ensuring disposal in an environmentally acceptable way according to legal demands (normally to be treated as hazardous waste).
3. If cleaning up the ground is judged not to be feasible (e.g. involving significant investments) this must be reported to and discussed with the authorities and IKEA.

4. Chemicals

4.1 List of chemicals with valid MSDS's

The requirements stipulated in 4.1-4.6 are applicable for all chemicals⁽²⁾ used in production and maintenance.

The IKEA supplier shall establish and maintain a list of all chemicals used in production and maintenance. The list shall - as a minimum - include; the name of the chemical product, the purpose/area of use and a reference to an MSDS.

The IKEA supplier shall have valid Material Safety Data Sheets (MSDS) for all chemicals used in production and maintenance.

Note 2: By chemicals we mean chemical substances and products e.g. lubricant oil, diesel, glue, lacquer, solvents, paints, dyes, hardeners, stains, waxes, acids, salts, additives, gases etc.

4.2 Procedure for chemicals

The IKEA supplier shall have a written procedure for the procurement, storage, handling and use of chemicals. The procedure shall include guidelines on safe handling and use of different chemicals, with specific emphasis on hazardous chemicals.

The procedure shall include responsible person(s) at the supplier.

4.3 Competence and training

The supplier must ensure that employees that procure, store, handle and use chemicals have the right competence and are adequately trained. Records from training shall be kept by the supplier.

4.4 Storage and handling of chemicals

The IKEA supplier shall prevent chemicals from leaking to air, ground and water. Chemical storage facilities shall have a floor with a hard surface that can easily be cleaned. Storage of liquid chemicals shall be free of drainage holes and protected by sills (bundling, containment). The containment must at least be able to hold the volume of the largest barrel/tank. There shall be adequate ventilation in storage facilities with e.g. flammable liquids/gases, to prevent explosions or other possible hazards.

Electrical equipment (e.g. switches and lighting) in such facilities must be suitable for the specific environment and prevent risks of ignition/explosion.

Chemicals located at the production line shall be stored and handled in such a way that they cannot easily be spilled or cause accidents for workers. The volume stored shall not exceed the volume normally used during 24 hours.

For chemicals stored outside, the same requirements for bunding etc as given above apply. They must also be protected from rain. Exceptions: unopened chemical containers and chemicals in tanks can be stored outside without bunding and rain protection as long as this does not lead to corrosion of the containers. Storage must still always be on a hard surface, e.g. concrete or asphalt.

To prevent the risk of leakage, above ground storage tanks equal to or larger than 1,5 m³, as well as all underground storage tanks, shall be inspected, for corrosion and other damage either

- according to a legally defined inspection procedure involving certified inspection bodies, or
- at least once every five years, including for above-ground storage tanks both an internal and external inspection; and for underground tanks a pressure test.

The applicable information regarding the risks and safe handling of chemical compounds and substances shall be displayed at storage areas and in production areas where the chemical is used. The information can be either the MSDS itself or specific instructions for safe handling and use (taken from the MSDS). Information must be in a language understood by the workers.

4.5 Labelling of chemicals

The IKEA supplier shall ensure all containers of chemicals - including temporary containers - are properly labelled with appropriate danger symbols⁽³⁾ and chemical names to ensure the contents are known and the potential risk minimised.

Note 3: Examples of symbols to be used on chemical containers are as follows: Flammable, Explosive, Oxidising, Irritating, Corrosive, Harmful, Toxic and Dangerous for the environment.

4.6 Legal compliance

The IKEA supplier shall ensure compliance with applicable laws and regulations pertaining to procurement, storage, handling and use of chemicals.

The IKEA supplier shall have a valid permit for chemicals that are legally restricted. The supplier shall demonstrate compliance with those permits.

5. Hazardous and Non-Hazardous Waste

5.1 List of waste

The IKEA supplier shall establish and maintain a list of hazardous and non-hazardous waste in order to monitor the type and quantity that is generated at the supplier. The list shall clearly show which kind of waste is hazardous which is not, and be updated at least every 12 months.

When classifying hazardous waste, the "IKEA Hazardous Waste Guidelines" together with legal demands shall be used. The supplier shall always comply with the most demanding, whether it is the local law or the IKEA demands.



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5.2 Procedure for handling of waste

The IKEA supplier shall establish a procedure for the safe handling, storing, transportation and disposal of waste. The procedure shall ensure compliance with legal and IKEA demands (see further 5.4).

5.3 Competence and training

The supplier must ensure that employees handling hazardous waste have the right competence and are adequately trained. The training shall include:

- Risks involved in the handling of hazardous waste
- Handling instructions for hazardous waste, including emergency provisions in case of an accident or incident

Records from training shall be kept by the supplier.

5.4 Storage and handling of waste

The IKEA supplier shall ensure compliance with applicable laws & regulations pertaining to handling, storage, utilisation, transporting and disposing of hazardous and non-hazardous waste, and if required obtain the necessary permits and demonstrate compliance with those permits.

Different categories of hazardous waste must not be mixed. Hazardous waste and non-hazardous waste must be kept separate. Areas for storage shall be marked and barrels/containers properly labelled.

The hazardous waste storage facility shall consist of a secure, designated area that is clearly identified. The storage facility must be free of possible leakage to minimise the risks for people and the environment (the same requirements as for storage of chemicals are valid, see section 4.4).

In general, the site should give a good impression to visitors. Raw material, chemicals and waste must not be stored in disorder all over the site.

5.5 Licensed contractors

The IKEA supplier shall ensure that their contractors for transport, storage and final disposal of hazardous waste are licensed according to applicable legislation. The IKEA supplier shall have copies of its waste contractors' licences. If appropriate licensed contractors, transport companies or end disposal companies do not exist, IKEA supplier shall ensure that the hazardous waste is kept in storage until appropriate final disposal can be assured⁽⁴⁾.

Note 4: Should the IKEA requirement of storing hazardous waste be in violation with national laws or regulation, the law shall always be complied with and prevail. In such cases, the supplier shall immediately inform IKEA.

5.6 Incineration / landfill on site

Hazardous waste shall not be land-filled or incinerated on-site.

If non-hazardous waste is land-filled or incinerated on-site all relevant legal requirements must be fulfilled.

6. Fire prevention

6.1 Inspections by fire authorities

The IKEA supplier shall ensure compliance with applicable laws & regulations pertaining to fire protection including compliance with inspections by the fire authorities. The required corrective actions from such inspections must be documented and completed within the stipulated time.

6.2 Fires

The IKEA supplier shall document any fires and serious incidents that can cause a fire, including corrective and preventive actions. If required by law, a report shall be sent to the authorities.

6.3 Competence and training

The IKEA supplier shall have an adequate number of employees trained to use the fire fighting equipment in each work area, covering all production shifts. All co-workers shall be made aware of basic safety issues, e.g. not blocking fire fighting equipment and emergency exits.

Records of training must be maintained.

6.4 Fire fighting equipment

The IKEA supplier shall have the appropriate fire fighting equipment. Placing and maximum distance shall comply with applicable laws and regulations and/or specific approvals from the fire authorities. In the absence of laws, regulations or specific approvals covering this issue, there shall be a maximum distance of 25 meters between individual fire fighting devices.

The fire fighting equipment must be marked in such a way that it is easily identified, also from a distance. It must be easily accessible for co-workers and maintained in good working order. Fire hydrants/hoses must always be kept unlocked.

All fire fighting equipment must be appropriately maintained. The supplier shall have an internal review process to regularly, at least every 12 months, check that fire fighting equipment is functioning with documented maintenance records and/or stickers/tags placed on the equipment.

6.5 Escape routes & emergency exits

The IKEA supplier shall - as a minimum - have two independent emergency exits⁽⁵⁾ per working area. All exits that shall function as emergency exits shall be marked with luminescent or illuminated signs. Emergency exits shall ensure a fast evacuation of all workers. The IKEA supplier shall ensure all emergency exit(s), access routes and fire fighting equipment are free from obstruction.

Note 5: Emergency exits shall open outwards. Sliding doors, used as emergency exits, must always be kept open during work hours. Otherwise, the sliding doors must be equipped with an encased, built-in EXIT door.

It's acceptable for smaller workshops (less than 100 m² and less than 6 people regularly in the workshop) to have only one exit, if the exit is immediately accessible from all parts of the workshop.



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6.6 Evacuation alarm

The IKEA supplier shall have an independent and functioning evacuation alarm with continuous sound to notify all employees about smoke and/or fire and to ensure a safe evacuation of the supplier's facility(s) ⁽⁶⁾.

The alarm can be manually or automatically activated, but must after activation evoke a continuous signal by itself. The alarm must also function during power-cuts.

Note 6: The decision for determining a proper and suitable evacuation alarm is based upon; the suppliers field of business, the size of the workplace, the degree of planning, as well as extent and ease that the workplace can be evacuated. In noisy environments the sound signal could be complemented by a light signal. The signal must be possible to hear or observe in all parts of the production when the factory is operating.

6.7 Evacuation plan

The IKEA supplier shall have evacuation plans ⁽⁷⁾. An evacuation plan shall include a map where you can easily identify your position and the way out. The plan shall show emergency exits, appropriate meeting area(s), location of fire alarms and a means to contact the fire brigade.

Evacuation plans shall be placed at appropriate designated locations. As a minimum evacuation plans shall be available at the main entrance(s) of the factory production unit(s), and if there are several floors, at least one per floor.

Note 7: An evacuation plan is not needed for workplaces in which the size of the workplace, the risk involved, as well as the extent and ease of evacuation poses no potential risk to the safe evacuation of employees.

6.8 Evacuation drills

The IKEA supplier shall perform evacuation drills at least once in every twelve-month period. These drills must involve all production shifts and departments. In case of an evacuation, the supplier shall ensure that designated persons are responsible for performing a head count to ensure all co-workers have evacuated the building and are accounted for.

Records of evacuation drills must be maintained.

Minimum requirements of recorded information:

- 1) The time it took to evacuate
- 2) Date of drill and who participated
- 3) The results of the drill and any corrective actions needed

7. Worker Health & Safety

7.1 Inspections by authorities

The IKEA supplier shall ensure compliance with inspection results by the labour and health & safety authorities.

The required corrective actions must be documented and completed in stipulated time.

7.2 Accidents and incidents

The IKEA supplier shall maintain records of work incidents and accidents including corrective actions. ⁽⁸⁾ If required by law the accidents must be reported to the authorities.

Note 8: Incident = an event in the work place that could have caused an accident. e.g., a heavy object falling down in the work-area but nobody was injured.

7.3 Health & safety training

The IKEA supplier shall ensure that employees are aware of the safety risks in their respective production area.

Employees shall be given the necessary and adequate safety training before operating machines and other equipment (e.g. as one part of an introduction programme).

The IKEA supplier shall keep records of training.

7.4 Machine safety devices

The IKEA supplier shall ensure that all machines and other equipment used in production are equipped with the necessary and required ⁽⁹⁾ safety devices in order to prevent employee injuries.

Examples of safety devices are emergency stop buttons, gates and safety cages to prevent injuries caused by crushing, squeezing, cutting, etc.

Note 9: Machines and other equipment marked with CE-labels or similar, that have not been tampered with or modified are to be considered as fulfilling the Health & Safety requirements.

7.5 Safety instructions

If there is a risk for health or risk of injuries, The IKEA supplier shall ensure that safety instructions and/or warning signs ⁽¹⁰⁾ are clearly and visibly posted at designated work area(s), in close proximity to machines and other equipment, and at entrances to such area(s) where such machine(s) or equipment are used.

The IKEA supplier shall ensure that all its employees follow instructions and warning signs.

Note 10: Risks and hazards can either be described in the form of figurative signs or described in a written instruction or procedure. The warning signs should also show what kind of PPE to be used and where.

7.6 Safety hazards

The IKEA supplier shall make sure that other occupational hazards of an immediate character are avoided, e.g.

- severely damaged staircases,
- dangerous electrical wires close to workers,
- big holes in the floor,
- unsafe storage of LPG (Liquefied Petroleum Gas) or similar extremely flammable products,
- gas-tubes standing loose on the floor and without collars around the valve,
- baths with hazardous chemicals which easily splash into the work environment,
- etc.

7.7 Use of personnel protective equipment

The IKEA supplier shall provide the appropriate Personal Protective Equipment (PPE) ⁽¹¹⁾ to all workers in any harmful or potentially risky work area(s). The IKEA supplier must ensure the PPE is maintained.

The IKEA supplier shall ensure all employees wear the PPE when working in or in close proximity to any harmful or potentially risky work area(s).

The supplier must always pay for PPE and any other specific clothes required to be worn at work.

PPE must also be provided for visitors.

Note 11: Protective equipment for head, eyes, hands, feet, hearing, body and breathing.



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7.8 PPE signs

The IKEA supplier must ensure that areas where PPE are to be used are clearly marked. (e.g. symbol for helmet, ear muffs, gloves, mask, goggles, boots, etc.)

7.9 First aid equipment

First aid equipment shall be adequately stocked and available to co-workers. The extent of the first aid equipment shall be based upon the size of the facility, the extent of the activities performed as well as the potential risk of injury. Each floor and each building shall have at least one first-aid box placed in a designated area.

The first aid box shall be available during all work shifts.

7.10 First aid trained persons

The IKEA supplier shall have at least one first aid trained employee present during working hours covering all production shifts. First aid trainers must be certified trainers, doctors or nurses.

7.11 Internal air quality

The IKEA supplier shall comply with all relevant and applicable laws, legislation and regulations pertaining to internal air quality (fumes, particles and appropriate ventilation).

7.12 Temperature

The IKEA supplier shall comply with all applicable laws and regulations pertaining to temperature ⁽¹²⁾ levels in the workplace.

Note 12: In tropical or sub-tropical areas, the outside temperature is acceptable as the workplace temperature, provided there's a roof that provides shade and protection from sunlight. Fans shall be used to ease the heat.

7.13 Workplace noise

The IKEA supplier shall comply with all applicable laws and regulations pertaining to noise levels in the workplace.

7.14 Workplace light

The IKEA supplier shall comply with all applicable laws and regulations pertaining to lighting levels.

7.15 Drinking water

The IKEA supplier shall provide clean drinking water to all employees. Clean drinking water must be provided, free of charge and within a reasonable distance of the work area(s).

7.16 Hygiene

The IKEA supplier shall ensure an adequate number of washing and toilet facilities are available for both men and women, and ensure they are appropriately maintained.

8. Housing Facilities

8.1 Requirements for housing

If there is legislation within this area, the IKEA supplier shall comply with legal requirements. The IKEA supplier shall also, when providing housing facilities to its employees ensure reasonable cleanliness, privacy, quietness, personal hygiene and access to drinking water. No restrictions shall be applied which interfere with the employee's right to leave the housing facility during his/her free time.

Employees, for whom accommodation is provided, shall be provided with his/her own individual bed/mattress or sleeping mat.

The living space provided per individual shall be according to the legal requirements, and if there are no such requirements, the area shall be minimum two square metres per person.

Separate accommodations, toilets and washing facilities shall be available for men and women respectively.

Fire Safety for Housing Facilities

Demands as per section 6.

9. Wages, Benefits and Working hours

9.1 Contracts

The employees at the IKEA supplier shall be employed according to applicable laws and regulations and there shall be a contract (or appointment letter) written accordingly. The IKEA supplier shall pay wages to its employees (applicable also to temporary workers, trainees and workers on trial), including compensation for overtime, and working hours in accordance to legal requirements.

A written contract must contain everything specified in local legislation, and as a minimum the following: employer, name of worker, birth date, position, salary, working hours, overtime compensation, benefits and notice time ⁽¹³⁾.

Note 13: Information about working hours, overtime compensation, benefits and notice time could instead be described in an Employee Handbook or similar.

9.2 Payrolls and attendance records

The IKEA supplier shall maintain payroll and attendance records pertaining to the documented payment of wages and working hours for each employee, including piece-rate and temporary workers.

The IKEA supplier shall make available – upon request – the above mentioned records during the course of an IWAY Audit ⁽¹⁴⁾.

The IKEA supplier shall – prior to employment – provide written information to the employee (this also counts for temporary workers) regarding wages and the terms of employment. In connection with the payment of wages at regular intervals, the employee shall receive details of the wages, including overtime hours, and other legal or agreed upon deductions.

Note 14: Payroll records are to be seen as confidential records and shall be handled according to applicable legislation.

9.3 Working hours and overtime

Suppliers shall not require their employees to work more than sixty hours per week on a regularly scheduled basis, including overtime. Working time must not exceed the legal limit.

IKEA can, during extraordinary business conditions, accept that the supplier obtains waivers from the local labour authority to temporarily exceed the maximum overtime hours. The waiver must always be in writing and presented to IKEA upon request.

Overtime hours must be on a voluntary basis. IKEA can under certain circumstances, well defined in the local legislation and/or agreed with local trade union, accept that overtime hours can be mandatory and decided by the management of the supplier.



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9.4 Minimum wage

The IKEA supplier shall pay its employees with no less than the legal applicable minimum wage. The minimum wage shall be paid as per local legal demands (based on legally stipulated standard working hours).

9.5 Overtime pay

Employees shall be compensated for all overtime hours worked according to the legal requirements.

Employees shall receive details of wages on pay-slips, including information regarding overtime hours and any deductions made.

9.6 Regular payments

Wages shall be paid at regular intervals and on time with respect to work performed, according to local legislation. Wages shall be paid at least monthly. The supplier must not withhold workers' salary.

9.7 One day off in seven

Employees shall have at least one day off in seven.

9.8 Leaves

Employees shall have time off from their job according to applicable legislation, local traditions and standards (e.g. sick/medical leave, annual/earned leave, maternity leave, national holidays etc.).

9.9 Breaks

The IKEA supplier shall provide its employees with appropriate time off for meals and breaks. At least one break per day and shift shall be 30 minutes or more, if not otherwise agreed in writing between the supplier and the employees (e.g. through an agreement with the local union or workers representatives).

9.10 Benefits

The IKEA supplier shall provide its employees with all legally mandated benefits to which they are entitled. These could be medical insurance, social insurance, pensions etc.

10. Child Labour

10.1 Prevention of child labour (Start-up requirement)

Child labour is defined as work performed by children, which interferes with a child's right to healthy growth and development and denies him or her the right to quality education. The IKEA supplier shall not make use of child labour⁽¹⁵⁾. All measures to avoid child labour shall be implemented taking into account the best interests of the child.

The IKEA supplier must abide by the United Nations Convention on the Rights of the Child (1989), and comply with all relevant national and international laws, regulations and provisions applicable in their country of production.

The IKEA supplier shall take the appropriate measures to ensure that no child labour occurs at their own place of production or at sub-suppliers place(s) of production⁽¹⁶⁾.

The IKEA supplier shall maintain a Labour force register including date of birth for all the workers.

Note 15: According to ILO Minimum Age Convention no. 138 (1973), a child is defined as any person less than fifteen years of age, unless local minimum age law stipulates a higher age for work or mandatory schooling, in which case the higher age would apply.

If the local minimum working age is set at fourteen years of age in accordance with exceptions for developing countries, the lower age will apply.

National laws or regulations may permit the employment or work of persons 13 to 15 years of age or 12 to 14 years of age on light work which is:

- a) *Not likely to be harmful to their health or development; and*
- b) *Not such as to prejudice their attendance at school, their participation in vocational orientation or training programmes approved by the competent authority or their capacity to benefit from the instruction received."*

Note 16: If child labour is found in any place of production, IKEA will require the supplier to establish a corrective action plan. The action plan shall take the child's best interests into consideration, i.e. family and social situation and level of education. Care shall be taken not merely to move child labour from one supplier's workplace to another, but to enable more viable and sustainable alternatives for the children.

10.2 Young workers

The IKEA supplier shall protect young persons of legal working age, up until the age of 18, from any type of employment or work which, by its nature or circumstances in which it is carried out, is likely to jeopardise their health, safety or moral.

11. Forced & Bonded Labour

11.1 Forced and bonded labour (Start-up requirement)

The IKEA supplier shall not make use of forced⁽¹⁷⁾, prison⁽¹⁸⁾, bonded⁽¹⁹⁾, indentured or involuntary labour⁽²⁰⁾.

The IKEA supplier shall allow its employees to freely leave the factory premises when their work shifts ends. The IKEA supplier shall not withhold ID cards, passports or require deposits (e.g. for working clothes or uniforms).

If employment contracts are terminated according to agreed notice time, the IKEA supplier shall not make any salary deductions for workers who leave.

Note 17: Forced labour is understood as all work or service that a person is compelled to carry out under any threat of punishment or confiscation of any personal belongings, such as ID card, passport etc., and for which work the said person has not offered him/herself voluntarily.

Note 18: Use of state or military prisoners at the supplier or at sub supplier is prohibited

Note 19: Bonded labour is understood as labour not only physically bonded, but also bonded by financial debts, loans or deposits.

Note 20: If guest workers or temporary labour are employed on a contractual basis, such workers shall never be required to remain employed against their own will, for any period beyond the agreed time of the contract. The supplier shall pay all commissions and other fees to the recruitment agency in connection with their employment.

12. Discrimination

12.1 Discrimination

The IKEA supplier shall, as a general principle, base decisions pertaining to hiring, salary, fringe benefits, promotion, termination and retirement on workers individual skills and ability to do the job.

The IKEA supplier shall not discriminate with regards to employees based on race, creed, sex, marital or maternal status, age, political affiliation, national origin, sexual orientation or any other basis prohibited by law.



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13. Freedom of Association

13.1 Labour union

The IKEA supplier shall ensure that employees are not prevented from associating freely.

13.2 Collective bargaining

The IKEA supplier shall not prevent employees from exercising collective bargaining ⁽²¹⁾.

Note 21: Collective bargaining is defined as negotiations between employer and employee representatives (freely and independently chosen by the employees).

14. Harassment, Abuse and Disciplinary Actions

14.1 Punishments and appeal

The IKEA supplier shall not engage in or support the use of corporal punishments, threats of violence, other forms of mental or physical coercion or engage in sexual harassment.

The IKEA supplier shall not make use of public warning and punishment systems. Reprimands for breach of duty or misconduct shall be a private matter between the employer and the employee and/or his/her representative. The employee at the supplier shall have the right to appeal reprimands/disciplinary actions/dismissal. These appeals shall be recorded.

15. Continuous Improvements

15.1 Health & safety improvements

The IKEA supplier shall ensure and demonstrate continuous health and safety improvements in various areas through the formation of a Health & Safety Committee aiming at

- reducing the number of incidents and accidents
- increasing workers involvement in improving their working environment.

The Health & Safety Committee shall follow up accident & incident reporting and ensure measures are taken to prevent recurrence. It shall identify the need for training of workers, perform regular inspections of the work environment and ensure that deficiencies are addressed. Inspections shall be done at least once every quarter. The committee shall also make sure the IKEA requirements (e.g. the IWAY Standard) are available for workers.

The Health & Safety Committee shall include workers as well as management, with at least 50% participation of workers. It shall have regularly scheduled meetings at least once every quarter. The results of the meetings shall be documented and made available for all employees.

Results from Health & Safety Committee inspections and meetings will be reviewed by IKEA during supplier visits and IWAY audits.

15.2 Environmental improvements

The IKEA supplier shall ensure and demonstrate continuous environmental improvements – relative to increases in production – in various areas e.g. reduction of:

- Emissions to air
- Discharges to ground and water
- Noise
- Hazardous and non-hazardous waste
- The use of natural resources e.g. energy, raw materials, chemicals etc., as well as working to reduce and replace the use of fossil fuels.

The supplier shall also continuously work to replace hazardous substances with less hazardous (i.e. applying the substitution principle).

16. Routines for Procurement of Wood, Bamboo & Rattan

16.1 Responsible person

The IKEA Supplier shall have a responsible person and a procurement procedure to ensure that all wood, bamboo and rattan used in IKEA products, comply with IWAY requirements.

16.2 Information to sub-suppliers

All sub-suppliers of wood, bamboo and rattan shall be informed about IKEA's minimum requirements for wooden merchandise. The IKEA supplier shall sign written agreements with all wood, rattan and bamboo suppliers, covering the IWAY requirements. Each part in the supply chain is responsible for securing that the next part in the chain complies with the IWAY requirements.

The IKEA supplier shall support on-site audits conducted by either; an IKEA audit team, an independent auditor or an audit organisation recognised by IKEA. IKEA reserves the right to perform unannounced audits at various links in the supply chain, to verify that the IWAY requirements are fulfilled. IKEA suppliers shall allow for confidential employee interviews and shall maintain and allow access to all documentation and records as required.

16.3 Known origin and records of sources (Start-up requirement)

The IKEA supplier shall maintain records of the origin of all wood, bamboo and rattan sources. This must be defined to at least the specific region within the country.

The IKEA supplier shall establish and maintain a register of all wood, bamboo and rattan sources used over the course of the last 24 months.

The IKEA supplier must – upon request from IKEA or by a 3rd party appointed by IKEA - be able to report the origin of the wood within 48 hours.

16.4 Forest Tracing System (Start-up requirement)

The Forest Tracing (FTS) must be completed yearly according to IKEA requirements. New suppliers must complete FTS before first delivery.

16.5 Separation of non-complying wood, bamboo and rattan

If the IKEA supplier mixes or utilises wood, bamboo and rattan that do not comply with IKEA's IWAY requirements, the supplier shall establish and implement a procedure to ensure that adequate storage facilities exist to separate non-complying material from material used for IKEA products, and secure this throughout the whole process.



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17. Fulfilment of IKEA and Legal Forestry Demands

17.1 Compliance with forestry legislation and other applicable laws

The IKEA supplier shall for IKEA products, only use wood, bamboo and rattan that have been produced in compliance with existing laws & legislation and accepted forest practices within the country and/or region where the wood originates from.

17.2 Wood from Intact Natural Forests or High Conservation Value Forests (Start-up requirement)

The IKEA supplier shall not utilise wood from Intact Natural Forests⁽²²⁾ or nationally/regionally recognised and geographically identified High Conservation Value Forests⁽²³⁾ unless the forest area is certified according to a standard recognised by IKEA.

In the event that maps of Intact Natural Forests have been distributed by IKEA to the IKEA supplier, the IKEA supplier shall use these maps to secure that the wood does not come from such forests.

Note 22: *Intact Natural Forests that are intact, i.e. unfragmented with a minimum block size of 50 000 ha, where no systematic forest management has been carried out within the area and where access to the area is restricted, i.e. no roads, mines, pipelines etc.*

Note 23: *High Conservation Value Forests: Forests that possess one or more of the following attributes:*

- a) *Forest areas containing globally, regionally or nationally significant concentrations of bio diversity values (e.g. endangered species); and/or large landscape level forests, contained within, or containing the management unit, where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance*
- b) *Forest areas that are in or contain rare, threatened or endangered ecosystems.*
- c) *Forest areas that provide basic services of nature in critical situations (e.g. watershed protection, erosion control).*
- d) *Forest areas fundamental to meeting basic needs of local communities (e.g. subsistence, health) and/or critical to local communities' traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in co-operation with such local communities).*

17.3 Wood, bamboo and rattan from protected areas

The IKEA supplier shall not utilise wood, bamboo and rattan from protected areas (e.g. national parks, nature reserves) unless it can be proven that the wood, bamboo and rattan has been harvested in accordance with management prescriptions for the protected area and/or has been certified according to a standard recognised by IKEA.

17.4 Wood from plantations in the tropical and sub-tropical region

The IKEA supplier shall not utilise wood from plantations in tropical and sub-tropical region, that have been established after Nov 1994 by replacing Intact Natural Forests.

17.5 High value tropical tree species

The IKEA supplier shall only use high value tropical tree species⁽²⁴⁾ that are certified according to FSC or other IKEA recognised level 4 standards.

Note 24. *High-value tropical tree species: teak, meranti, rosewood, mahogany.*

17.6 Origin of bamboo and rattan

The IKEA supplier shall ensure that no bamboo or rattan is coming from Myanmar (Burma).

Large diameter rattan canes (above 18 mm in diameter) from Indonesia must originate from Sulawesi. All other sources and species of large diameter rattans originating from other parts of Indonesia must prior to usage be approved in writing by IKEA.

Annex 3

The Ikea Way on Preventing Child Labour



IKEA Services AB

Issued by
Marianne Barner

Approved by
Anders Dahlvig

2005-07-01

THE IKEA WAY ON PREVENTING CHILD LABOUR

The IKEA Group of Companies (IKEA) acknowledges the fact that Child Labour does exist in various countries. However, IKEA disassociates itself from Child Labour, and works actively against it. The complexity of the Child Labour problem requires a consistent, long-term effort to create broad-based and enduring developments.

IKEA respects different cultures and values in countries where IKEA operates and sources its products, without compromising the basic requirements regarding the Rights of the Child.

This is our Code of Conduct on Child Labour and a part of the overall document "The IKEA Way on Purchasing Home Furnishing Products". Our goal is to ensure that no products delivered to IKEA are manufactured by Child Labour. This IKEA Way on Preventing Child Labour has been established in order to make the IKEA position clear to suppliers and their co-workers, as well as any other parties. It is a mandatory requirement that all suppliers comply with and implement the stipulations contained herein.

1. General Principle

IKEA does not accept Child Labour.

IKEA supports the United Nations (U.N.) Convention on the Rights of the Child (1989). The IKEA Child Labour Code of Conduct is based on this Convention, stipulated in:

Article 3; *"All actions concerning the Child shall take full account of his or her best interests."*

Article 32.1 *"the right of the child to be protected from economic exploitation and from performing any work that is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral or social development"*.

In addition, this Code of Conduct is based on the International Labour Organisation (ILO) Minimum Age Convention no. 138 (1973).

According to this convention, the word "Child" is defined as any person below fifteen (15) years of age, unless local minimum age law stipulates a higher age for work or mandatory schooling, in which case the higher age would apply. If, however, the local minimum working age is set at fourteen (14) years of age in accordance with exceptions for developing countries, the lower age will apply.

This Code of Conduct also incorporates the ILO Convention on the Worst Forms of Child Labour no. 182 (1999).



IKEA Services AB

2. Implementation

All actions to avoid Child Labour shall be implemented taking the Child's best interests into account.

IKEA requires that all suppliers shall recognise the U.N. Convention on the Rights of the Child, and that the suppliers comply with all relevant national and international laws, regulations and provisions applicable in the country of production.

Suppliers are obliged to take the appropriate measures to ensure that no Child Labour occurs at suppliers' and their sub-contractors' places of production.

If Child Labour is found in any place of production, IKEA will require the supplier to implement a corrective action plan. If corrective action is not implemented within the agreed time-frame, or if repeated violations occur, IKEA will terminate all business with the supplier concerned.

A corrective action plan shall take the Child's best interests into consideration, i.e., family and social situation and level of education. Care shall be taken not merely to move Child Labour from one supplier's workplace to another, but to enable more viable and sustainable alternatives for the children.

The supplier shall effectively communicate to all its sub-contractors, as well as to its own co-workers, the content of the IKEA Way on Preventing Child Labour, and ensure that all measures required are implemented accordingly.

3. Young workers

Young workers of legal working age have, until the age of 18, the right to be protected from any type of employment or work which, by its nature or the circumstances in which it is carried out, is likely to jeopardise their health, safety or morals.

IKEA therefore requires all its suppliers to ensure that young workers are treated accordingly, this includes measures to avoid employment during school hours. Limits for working hours and overtime should be set with special consideration to the workers' low age.

4. Labour force register

The supplier shall maintain documentation for every worker verifying the worker's date of birth. In countries where such official documents are not available, the supplier must use appropriate assessment methods as per local practice and law.

5. Monitoring

All suppliers are obliged to keep IKEA informed at all times about all places of production (including their sub-contractors). Through the General Purchasing Conditions for the supply of products to the IKEA Group of Companies, IKEA has reserved the right to make unannounced visits at any time to all places of production (including their sub-contractors) for goods intended for supply to IKEA. The IKEA Group furthermore reserves the right to, at its sole discretion, assign an independent third party to conduct unannounced inspections in order to ensure compliance with the IKEA Way on Preventing Child Labour.

This is a living document, and as we gain more experience and learn, it will be revised.