



IWAY 5.2 Working Method for Suppliers of Transport & Logistics Services

Introduction

This document provides detailed information on the IWAY process for all providers of transport and logistics services to IKEA (Suppliers).

1. What is IWAY?

IWAY is short for "The IKEA Way of Purchasing Products, Materials and Services". Since the year 2000 it is IKEA suppliers' code of conduct. In a nutshell - IWAY is in the best interest of the child, the worker and the environment.

The following declarations, conventions and principles provide the main reference points for IWAY:

- The Universal Declaration of Human Rights (UN 1948)
- Convention on the Rights of the Child (UN 1989).
- Fundamental Principles and Rights at Work (ILO 1998) and related Conventions.
- Occupational Safety and Health Convention (ILO Convention 155).
- The Ten Principles of the UN Global Compact Framework (UN 2000).

The IWAY Standard covers the following topics:

- | | |
|-----------------------------------|---|
| - Forced and Bonded Labour | - Worker Health & Safety |
| - Accident Insurance | - Recruitment, Working Hours, Wages, Benefits |
| - General Conditions | - Accommodation |
| - Business Ethics | - Child Labour and Young Workers |
| - Environment | - Discrimination |
| - Chemicals | - Worker Involvement |
| - Waste | - Harassment, Abuse and Disciplinary Actions |
| - Emergencies and Fire Prevention | |

The IWAY Transport Section covers the following topics:

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|--------------------------|--|
| - Continuous Improvement | - Environmental Performance Survey (EPS) |
| - Minimum Truck Age | - Personal Protection Equipment (PPE) |
| - Firefighting Equipment | |

The same IWAY Standard and Transport Section is required in every country where IKEA has Suppliers. In cases where local legislation differs from the IWAY requirement, the strictest requirement will prevail.

2. Why Must IKEA Suppliers Work with IWAY?

IWAY is how IKEA sets minimum requirements on environment, social and worker conditions at suppliers because:

- At IKEA we recognise our impact on people and the planet.
- We want to do good business while being a good business.
- IWAY is how we meet our customers' expectations.
- It is a pre-condition to do business with IKEA.
- Last, but not least, it is the way we share our values with our suppliers.

3. The Benefits of Working with IWAY

IWAY also means added value to our Suppliers. There is a strong link between positive environmental, safety and working conditions and increased productivity, reduced absenteeism and reduced employee turnover. Furthermore, IWAY:



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- Brings fresh eyes to check and improve the environmental, safety and working conditions.
- Supports energy and resource efficiency management.
- Supports company risk management procedures.

In other words, IWAY helps to create the conditions for a more successful and sustainable business with better working conditions and higher efficiency.

4. Supplier Responsibility

IKEA Suppliers are responsible for implementing and maintaining IWAY requirements for all operations and locations performing transport and logistics services for IKEA. Suppliers are also responsible for securing IWAY at Sub-Suppliers, according to the scope defined below.

5. IWAY Scope

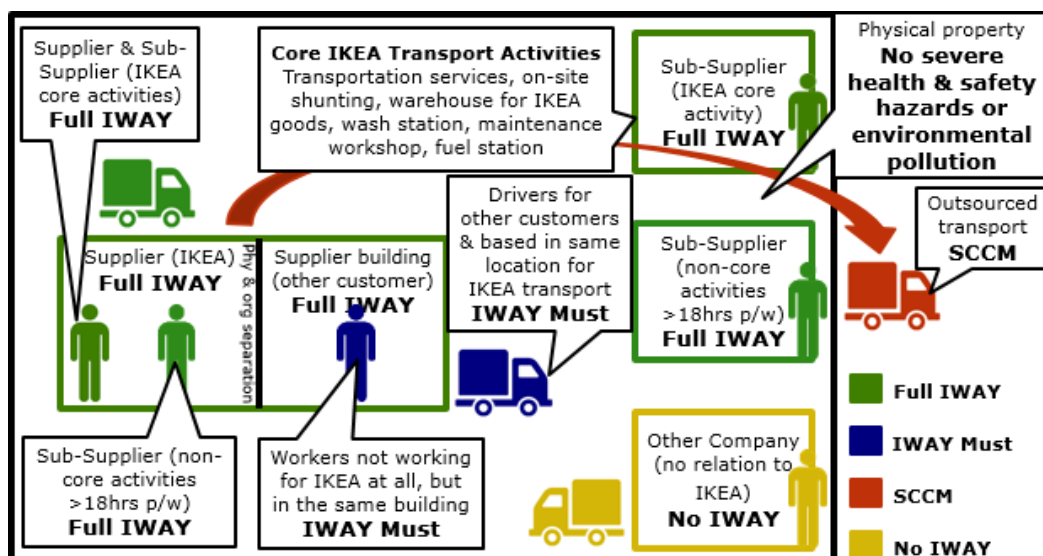
Complying with IWAY is a prerequisite for doing business with IKEA, and is an integral part of the General Terms & Conditions in the Frame Agreement signed by all Suppliers of transport and logistics services to IKEA. IWAY applies to services undertaken by Sub-Suppliers as outlined below.

Suppliers with Frame Agreements shall be handled as separate IWAY entities with individual implementation plans that cover all activities described in their Transport Agreements.

Category Land & Category Logistics Services

- Suppliers performing land transport, freight forwarding and logistics services must implement all requirements defined in the IWAY Standard and Transport Section for all their locations (sites) and mobile units (trucks, trains, vessels) providing services for IKEA.
- Suppliers will ensure that all Sub-Suppliers operating at the same site, and providing services related to IKEA, comply with IWAY requirements as outlined below for all Sub-Supplier tiers.
- Suppliers who outsource some or all IKEA land transport services (Freight Forwarders) to off-site Sub-Suppliers, or subsidiaries/daughter companies where the Supplier has <50% ownership, will ensure compliance with Sub-Contracting Chain Management (SCCM)¹ requirements (Appendix 1 *ISAG Working Instruction Sub-Contracting Chain Management*).
- Subsidiaries or daughter companies of the Supplier with >50% ownership providing services involving IKEA goods shall adhere to the same requirements as the Supplier.

The diagram below illustrates the IWAY implementation scope within a site boundary (black outline) containing buildings (coloured boxes) & trucks with workplaces for workers:



¹ Roll-out of Sub-Contracting Chain Management will commence in phases from 01.09.2017



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Full IWAY [green buildings, trucks and workers] – All IWAY Requirements

- Entire Supplier or Sub-Supplier building used exclusively or partly for IKEA-related activities (including core IKEA transport activities such as transportation services, on-site shunting, warehouses, wash stations, maintenance workshops and fuel stations, and non-core activities such as canteen, security, cleaning and maintenance areas related to the IKEA business) – even with physical separation to activities for other customers.
- Supplier employees and on-site Sub-Supplier employees working exclusively or partly on IKEA-related core transport activities, including corresponding equipment.
- On-site Sub-Supplier employees working exclusively or partly on non-core activities supporting IKEA transport and logistics activities for >18 hours per week on site (catering, security, cleaning and building maintenance).

IWAY Must [blue buildings, trucks and workers] – IWAY Chapter 1 Requirements

- Supplier employees working in part of on-site Supplier building with activities for other customers that is physically and organisationally separated from IKEA activities and who never work for IKEA.
- Truck drivers driving for the Supplier's other customers and never for IKEA.

Sub-Contracting Chain Management Requirements (SCCM) [red trucks and drivers]

- Off-site Sub-Suppliers transporting IKEA goods on behalf of the Supplier. The Supplier will implement the requirements in the *Sub-Contracting Chain Management Guideline*. IKEA will verify compliance during the Supplier's IWAY audit under IWAY 2.4.

No IWAY [yellow buildings, trucks and workers]

- Supplier or on-site Sub-Supplier building or other on-site company building never used for any IKEA-related activities.
- Supplier or on-site Sub-Supplier employees working in separate on-site or off-site buildings who never perform work related to IKEA.
- On-site Sub-Supplier working <18 hours per week on non-core activities such as catering, security, cleaning and building maintenance.
- Off-site Sub-Suppliers performing activities not exclusively for the Supplier (off-site wash station, off-site workshop and off-site fuelling station used by other companies).

No severe environmental pollution (IWAY 1.4) or health & safety hazards (IWAY 1.5) anywhere on site grounds, regardless of ownership. Deviations on property owned by the Supplier or Sub-Supplier shall be considered IWAY Must violations (see "IWAY Must Violation"). Deviations on property owned by another party will be handled on a case-by-case basis.

IWAY implementation at intermodal terminals and business parks hosting many companies with no relation to IKEA shall focus exclusively on core transport and logistics services for IKEA.

The Supplier shall provide, upon IKEA request or at least once a year, a detailed documented mapping of all the sites within the same legal group of companies involved in the IKEA business, including the number of sites, location of each site and activities performed at each location.

Category Ocean & Air

The IWAY approach for ocean transport acknowledges good coverage of IWAY requirements with existing mandatory IMO and ILO standards and control mechanisms. Suppliers performing ocean transport will adhere to the following:

- All Suppliers of ocean transport services must fulfil the minimum requirements outlined in IWAY at Ocean Carriers (*IWAY at Ocean Carriers Guideline*) for vessels, terminals and logistics units under their operational control involved in the handling of IKEA goods.
- Chartered vessels used for IKEA transport are expected to fulfil the same requirements as for Supplier-operated vessels.
- Ocean transport Suppliers will ensure Sub-Suppliers performing outsourced land transportation (carrier haulage) of IKEA goods comply with SCCM requirements².

² Roll-out of Sub-Contracting Chain Management for ocean transport Suppliers in FY19



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Air freight is completely excluded from the IWAY process.

6. IWAY Verification

IKEA will verify compliance with all IWAY requirements through physical audits of the Supplier's and /or Sub-Supplier's premises on a regular basis as outlined below. The first IWAY audit is undertaken by IKEA auditors and is always announced, however, subsequent audits may be undertaken by third party auditors and not be announced.

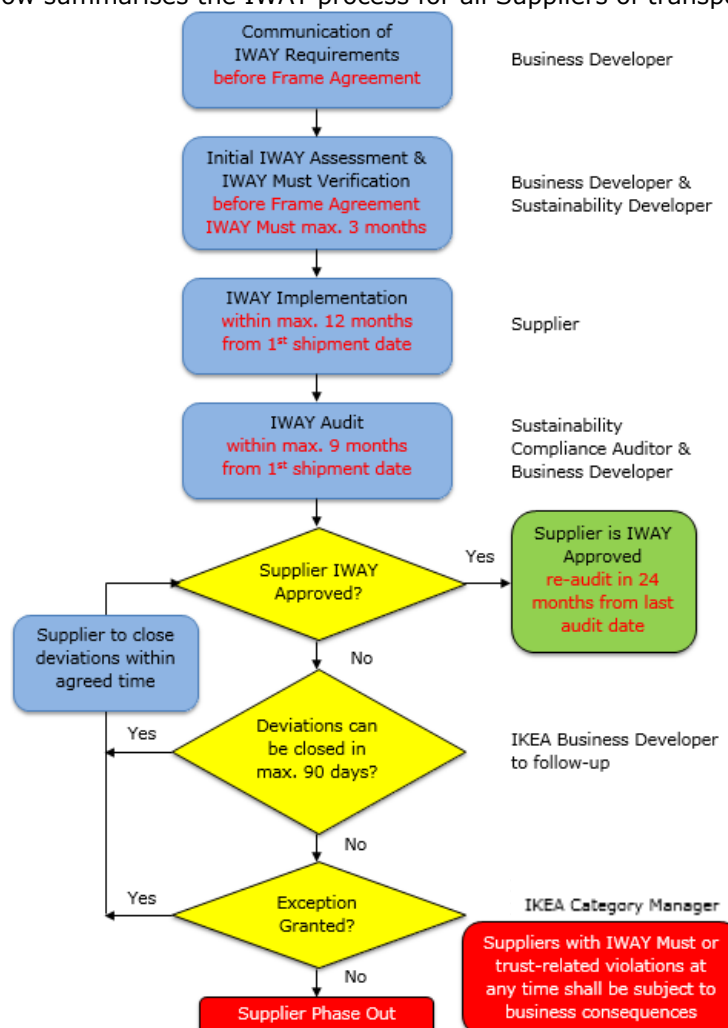
Anonymous Spot Check interviews of truck drivers transporting IKEA goods will be periodically undertaken at IKEA locations throughout the year. The results will be consolidated and used during IWAY audits. Suspected cases of non-compliance with IWAY or local legislation will be immediately addressed to the Supplier.

IWAY Audits of Freight Forwarders

IWAY compliance at Suppliers who outsource 100% of transport and logistics services for IKEA (Freight Forwarders) shall be verified during a physical audit of their premises or remotely via documentation review. Audits of Sub-Contracting Chain Management requirements shall be undertaken at two Sub-Supplier locations, together with representatives of the Freight Forwarder during the standard 24 month IWAY audit interval.

7. The IWAY Process Summary

The diagram below summarises the IWAY process for all Suppliers of transport & logistics services for IKEA:





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IWAY Process	Who	When
1. Supplier Selection		
Communication of IWAY	IKEA	Before commencing business with IKEA
2. Decision to Commence Business		
IWAY Initial Assessment (to assess the Supplier's ability to comply with IWAY)	IKEA	Before signing the Frame Agreement
IWAY Must Verification (to verify compliance with IWAY Must Chapter 1 + IWAY 4.8 & 4.9)	IKEA	Ideally together with the Initial Assessment – latest within 3 months after first service
3. Active Supplier		
IWAY Implementation	Supplier	Within 12 months from the date of first service
IWAY Verification - First IWAY Approval Audit	IKEA	Within maximum 9 months from the date of first service
IWAY Verification - Corrective Actions Plan	Supplier	Within 14 calendar days after the audit
IWAY Verification - Completion of Corrective Actions	Supplier	As agreed with the IWAY auditor to ensure completion within maximum 90 days after the audit
IWAY Verification - Verification and Approval	IKEA	Within maximum 90 days after the date of the audit
IWAY Maintenance	Supplier	IWAY requirements are to be maintained by the Supplier at all times Supplier must inform IKEA of any major operational changes for IKEA transport & logistics services
IWAY Verification - IWAY Re-Audit	IKEA	Within 24 months from the previous audit date (12 months in Asia except for Australia, Japan and New Zealand)
4. Business Consequences for Non-Compliance		
Non-Compliance - Corrective Actions not Completed within 90 days	IKEA	Immediate stop of business and Supplier phase-out
Non-Compliance - SCCM Requirements at Sub-Supplier	Supplier	Immediate stop of business with Sub-Supplier for IKEA business until corrected within agreed timeframe
Non-Compliance - IWAY Must Deviation	IKEA	Immediate stop of business until corrected within agreed timeframe
Non-Compliance - Repeated IWAY Must Deviation	IKEA	Immediate stop of business and business consequences up to Supplier phase-out