



IKEA Australia

Submission to climate-related financial disclosure: exposure draft legislation

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Introduction

This submission from IKEA Australia ("IKEA") is made in our capacity as a values-driven business with a vision to create a better everyday life for the many people. As part of the largest home furnishing retailer globally, Ingka Group, we believe we have a responsibility to play an active role in society advocating for, and promoting, positive change based on our values, which include caring for people and planet.

We believe there is no time to waste when it comes to addressing the challenges of climate change, loss of nature and growing inequality. Together with governments, business play a key role in driving the transition to a green, clean, and equitable future.

As you know, environmental, social, and governance ("ESG") reporting requirements are driving the biggest changes to financial reporting and disclosure standards in some time and will be transformational for the global economy.

ESG reporting, if globally harmonised and aligned, will create a level playing field between businesses who will need to step up and transform. It will also create increased transparency and comparability for customers and investors.

However, if not globally harmonised and aligned, it will create unnecessary administrative burden for companies – resources that could be better directed to implementing the extensive changes determined by the global goal of net zero by 2050.

In consultation with Ingka Group and across the IKEA Australia business, we have provided a series of considerations in this submission which we hope will inform amendments to the draft legislation. More information on IKEA can be found at the bottom of this submission.

Thank you for the opportunity to provide a submission to this important topic.



Submission

1. Creating a level playing field for reporting globally

Clear, comparable, globally harmonised and aligned reporting standards will lead to increased transparency creating a level-playing field between businesses around the world. It will encourage more companies to step up and transform their business, and direct financial flows towards responsible business conduct.

The success of new ESG reporting standards - to drive positive change and impact through transparency of businesses - will only be realised if global companies can create comparable disclosures in a cost-effective way and are business smart.

At a global level, Ingka Group have been active in our support of the EU's ambitious approach whilst pushing for pragmatism that will enable businesses to adopt the standards in a timely way. In support of the work of the International Sustainability Standards Board ("ISSB") to create a global baseline, and therefore a first step to double materiality reporting, Ingka Group is a member of the International Financial Reporting Standard ("IFRS" parent organisation to the ISSB) Corporate Champions Initiative and engages actively with the organisation with our viewpoint as a multinational, purpose driven brand.

We applaud the direction of the European Union ("EU") in setting ambitious, full scope standards for businesses operating within the EU with the Corporate Sustainability Reporting Directive ("CSRD") including double materiality and the work done by the ISSB to create a global baseline for adoption by non-EU jurisdictions. Ingka Group reporting will be compliant with its legal obligation to report to CSRD standards in time for its report covering Financial Year 2026 (covering September 2025 – August 2026).

2. Double materiality and interoperability

We support a double materiality approach to sustainability reporting, which considers both the financial and environmental impact. This approach has been captured within the CSRD in EU, as it steers both public and private financial flows in the direction of impact and change to drive transformational change on climate and other related areas. Double materiality ensures companies look at how sustainability issues will impact their own business going forward (outside – in), and also how their business has an impact on the world today (inside – out). This ensures businesses are more transparent about their own impact in the present day.

We are proud to already be using a double materiality assessment in our global [Ingka Group Annual Summary and Sustainability Report](#) today, as a way to provide greater understanding of our impact – and our actions - as a business on our planet.

Global alignment to the ISSB standards is the first step on this journey, and we commend the Australian Government for working to align with these international standards. However, in the longer term, we encourage the government to expand to



the EU direction and align with the CRSD as the highest scope standards internationally. It is our position that only requiring a single materiality approach – with the focus only on the financial risk to companies - will lead to discrepancies in the level of information businesses disclose in different regions. Also, information will be incomplete and not hold businesses to account for the environmental impact they cause – only the financial risk they face.

When it comes the proposed legislation in Australia, it is important to achieve full interoperability with both the ISSB and the EU CSRD for companies who are required, or choose to, report to these more extensive standards. Full Interoperability ensures that companies subject to either ISSB or CRSD standards can also comply with other standards without redundant or conflicting obligations. If not, complication and increased cost to companies is the result, with double reporting or burdensome reporting requirements being placed on subsidiary companies whose parent company is already reporting the EU CSRD standards. This is the situation for IKEA, but also for many others.

As jurisdictions across the world look to adopt ISSB standards into their local reporting standards or legislation, multiple different interpretations of the standards in different countries will create high levels of complexity for any large company operating in multiple markets/countries.

3. Set reporting boundaries in such a way that a parent company is able to report on behalf of its local subsidiaries, without the need for the production of country-specific reporting.

As more global businesses make the shift and report according to double materiality standards like in the EU (CRSD), countries should provide provisions in reporting standards to allow for this in a harmonised and interoperable way and without the need for additional subsidiary reporting if a global report that is aligned with CSRD and/or ISSB exists. Reporting by subsidiary businesses will create significant and unnecessary administrative burden for multinational companies as well as duplicated reporting efforts which ultimately risks a lack of clarity and comparability for end users looking for a single point of truth to understand the impact of a company.

We urge the Australian Government to consider including a subsidiary exemption similar to what is contained in the CSRD legislation in the EU, article 19, paragraph 9. The CSRD has a specific exemption that allows subsidiary companies in EU member states to refer to the report of the parent company and require only the following information to be submitted:

- A statement of exemption including information about the name and registered office of the parent company and web links to the consolidated report
- Translation of the consolidated report into local language (only if required by the member state in which the exemption is being sought).



This is a model example of how subsidiaries can be exempt based on the parent company already fulfilling the requirements and providing transparency into the operations of their global business.

If an exemption will not be considered, the ambition should be for multinational companies to re-use their global assessment of financial exposure to climate-related risks and risks related to the net zero transition to be accepted as part of reporting requirements in Australia.

4. Timing of legislation implementation

Given so many multinational companies are working to the EU reporting requirements, we call for the Australian legislation to align with the timing put forward by the EU for businesses to comply with CSRD. Alignment to this timing for Australian legislation would allow for better alignment, preparation and readiness – again ensuring resources of a company are best directed to implementing the solutions to the sustainability challenges at hand.

End Submission.

Thank you once more for the opportunity to contribute to the draft climate-related disclosure legislation and present our considerations for review. Please see over page for more information about IKEA.

Regards,

Mirja Viinanen, CEO and Chief Sustainability Officer, IKEA Australia

Ricardo Pereira, Chief Financial Officer, IKEA Australia

Renea Robson, Sustainability Manager



About IKEA

Our business

[IKEA is a franchise business](#), with many companies working together under one IKEA brand, all working towards the shared IKEA vision – to create a better everyday life for the many people. This vision guides every decision we make.

The IKEA business idea is to 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.

Customers around the world have embraced IKEA since it was founded in Sweden in 1943. Now the world's largest home furnishing retailer, Ingka Group, the largest IKEA retailer, operates 380 IKEA stores in 30 countries and employs more than 230,000 co-workers.

IKEA Australia operates:

- Ten stores
- Two Plan and order points
- Six external pick-up points for online orders
- One Service office
- One distribution centre

We are focused on increasing the affordability and accessibility of IKEA for the many Australians, enabling our customers to shop however, whenever and wherever they choose through a seamless physical, digital, and remote shopping experience.

IKEA Australia currently employs almost 4,000 co-workers.

People and Planet Positive

At IKEA, we want to have a positive impact on people, society and the planet. For us, it's about balancing economic growth and positive social impact with environmental protection and regeneration. We always think long term – to be able to meet the needs of people today without compromising the needs of future generations. Doing this requires rethinking and inspiring changes in lifestyles and consumption, and to adopt new ways of working. We are committed to leading the way forward together with our co-workers, customers and partners and to using our size to make a positive difference. This is both a responsibility and a business opportunity. The more people we reach, the bigger the impact we can have together, and the more people we can enable to live a better everyday life.

Our sustainability strategy can be accessed [here](#).