

2 October 2026

Executive Summary

At IKEA Australia, we support climate-related financial disclosures and the important role they play in improving transparency, accountability and informed decision-making. Together with governments, businesses have a key role to play in accelerating the transition to a low-carbon economy and creating a more sustainable future.

As part of Ingka Group we support the goals of the Paris Agreement and are committed to reduce greenhouse gas emissions across our value chain through science-based emission reduction targets and long-term climate investments. We therefore support reporting frameworks that provide clear, comparable and decision-useful information for investors, regulators and other stakeholders.

The success of climate-related financial disclosures will ultimately depend on achieving the right balance between transparency, comparability and implementation practicality. Having now completed our first year of reporting under Australia's climate disclosure regime, our experience is that implementation requires significant investment of time, capability and resources. We therefore believe the regime can benefit from targeted simplification measures that preserve its core objectives while streamlining implementation and reducing unnecessary complexity. This would enable organisations to focus resources on producing decision-useful, high-quality disclosures that deliver greater value for both companies and the users of sustainability information, rather than treating reporting as an end in itself.

As the framework matures, we see an opportunity to improve efficiency while maintaining the integrity, transparency and international alignment of the regime. In particular, reforms should focus on reducing unnecessary duplication, improving consistency of application, supporting international interoperability and ensuring reporting obligations remain proportionate to the value they provide.

Australia has an opportunity to build a reporting framework that is globally aligned, practical and business-smart. This will help ensure resources remain focused on what matters most: accelerating the transition to a low-carbon economy, building resilience and creating positive outcomes for people and planet.

IKEA Australia recommends that reforms focus on:

1. Maintaining proportionate assurance requirements.
2. Reducing undue compliance costs and administrative burden.
3. Enhancing interoperability with international frameworks.
4. Introducing a subsidiary reporting exemption for multinational groups.
5. Improving consistency through practical implementation support.
6. Ensuring value-chain information requirements remain proportionate and practical.

This position is consistent with our submission to government consultation in 2024 and has become even more compelling following practical implementation experience.

1. Sustainability Assurance Should Remain Proportionate and Practical

IKEA Australia supports sustainability assurance as an important mechanism for strengthening the credibility and reliability of climate-related disclosures. Assurance can also deliver business value by improving data quality and enabling more informed decision-making. However, assurance requirements should be aligned with

organisations' ability to produce consistent, high-quality data and with the market's capacity to provide robust assurance services.

Recommendation 1.1: Maintain Limited Assurance as the Mandatory Requirement

IKEA Australia supports Treasury's proposal to maintain limited assurance requirements on an ongoing basis.

At this stage of market development, mandatory reasonable assurance would introduce significant additional costs and resource requirements for reporting entities without a corresponding increase in decision-useful information. Many climate-related disclosures necessarily rely on scenario analysis, estimates, forward-looking assumptions and value-chain information, all of which contain inherent uncertainty.

Maintaining limited assurance would provide an appropriate balance between confidence in reported information and the practical realities of implementation. It would allow reporting entities, assurance providers and regulators to continue building capability and consistency as reporting practices mature.

Importantly, this position is increasingly consistent with international developments. The European Union has moved away from its original pathway toward mandatory reasonable assurance under the CSRD framework and continues to focus on limited assurance arrangements while reporting practices mature.

For multinational organisations such as IKEA Australia, maintaining alignment with major reporting jurisdictions helps reduce duplication, supports comparability and improves the efficiency of reporting processes.

Companies should continue to have the option to obtain reasonable assurance voluntarily where this responds to investor expectations, financing requirements or broader business needs.

Maintaining limited assurance will help ensure resources remain focused on delivering climate action and business transformation, while continuing to support transparent and credible reporting.

Recommendation 1.2: Improve Consistency in Assurance Expectations

A significant implementation challenge has been inconsistent interpretation of assurance requirements by advisers and assurance providers. Differing expectations regarding evidence collection, materiality thresholds and financial quantification methodologies increase costs and complexity without improving reporting outcomes.

Australia should prioritise:

- Practical limited assurance guidance (in line with other Standards such as EU).
- Illustrative assurance reports.
- Guidance supporting consistent application of professional judgement.
- Common implementation resources for assurance providers and reporting entities.

Recommendation 1.3: Support Risk-Based Assurance

Assurance requirements should focus on disclosures that are genuinely material and decision-useful.

A risk-based approach that allows professional judgement is more appropriate than a prescriptive compliance-based model and is likely to produce higher quality reporting outcomes.

2. Reporting Requirements Must Not Divert Resources Away from Climate Action

IKEA Australia recognises that reporting plays an important role in accountability and transparency.

However, implementation experience demonstrates that reporting obligations can consume significant resources that would otherwise be directed toward emissions reduction and sustainability initiatives.

Experience from Implementation

To prepare its first climate disclosure, IKEA Australia required significant investment in:

- External consultant.
- Assurance provider.
- Internal governance structures.
- Climate scenario analysis.
- Financial impact modelling.
- Documentation and evidence gathering.

These requirements imposed substantial costs and resource burden despite IKEA already having:

- Established sustainability governance processes.
- Science-based emissions reduction targets.
- Detailed climate strategies.
- Global net-zero transition plan.
- Existing sustainability reporting practices; including global reporting that is working to comply with the CSRD.

While the process strengthened governance and understanding of climate-related financial risks, it required significant effort and investment for outcomes that, in some areas, duplicated capabilities and climate-related work already established within the business.

Recommendation 2.1: Apply a Strong Cost-Benefit Principle

Future reforms should be guided by the principle that reporting obligations should maximise transparency and comparability while minimising unnecessary administrative burden.

The objective of climate-related financial disclosures should be to support informed decision-making and capital allocation while enabling businesses to invest resources in emissions reduction, climate adaptation and business transformation.

For businesses already making substantial climate investments, reporting should complement climate action rather than compete with it.

3. Preserving International Interoperability Must Remain a Priority

IKEA Australia strongly supports Australia's commitment to alignment with international sustainability reporting standards.

Interoperability is critical for multinational businesses and remains one of the most effective mechanisms available to reduce compliance costs while maintaining transparency and comparability.

Recommendation 3.1: Preserve and Strengthen International Interoperability

Australia's climate reporting framework has been built on the IFRS Sustainability Disclosure Standards developed by the ISSB and should continue to prioritise interoperability with other internationally recognised reporting frameworks, including the European Sustainability Reporting Standards (ESRS).

As the framework evolves, Australia should carefully consider the cumulative impact of any additional local requirements or implementation variations compared to global requirements for multinational companies. Where local adaptations are necessary, they should be limited to circumstances where there is a clear regulatory need and should not undermine the ability of multinational organisations to leverage global reporting processes and disclosures.

Unnecessary divergence can result in:

- Duplicated reporting effort.
- Increased compliance and assurance costs.
- Reduced comparability across jurisdictions.
- Greater complexity for multinational organisations operating across multiple reporting frameworks.

Recommendation 3.2: Align Future Reporting Requirements with Major International Frameworks

For multinational organisations, interoperability is not simply a question of whether reporting standards contain similar disclosure requirements. The true test of interoperability is whether companies can efficiently utilise a single reporting process, a single set of data and a single governance framework to meet reporting obligations across multiple jurisdictions.

For multinational organisations, alignment of timing is as important as alignment of standards.

To support international consistency and reduce unnecessary implementation complexity, Australia should retain its current reporting settings and align future implementation timelines with comparable international regimes, including the EU's phased approach under the CSRD. Particular consideration should be given to disclosures that rely on emerging methodologies, significant estimation uncertainty or third-party data. The table below outlines practical phase-in measures that would support high-quality reporting outcomes while maintaining transparency and comparability.

Reporting area	Proposed phase-in approach	Benefit
Scope 3 emissions	Retain Australia's existing Reporting requirements (year 1) settings. Defer mandatory Scope 3 reporting requirements to align with comparable international jurisdictions.	Supports the development of more reliable value chain data and reduces the risk of inconsistent disclosures during the early years of implementation. Avoids duplication of Scope 3 reporting by multinational entities.
Anticipated financial effects	Retain flexibility for reporting entities to provide qualitative disclosures and directional assessments where quantitative estimates remain subject to significant uncertainty. Where robust methodologies, data and assumptions are available, entities should continue to disclose quantitative information. A phased approach should allow reporting practices to mature while	Recognises the varying levels of reporting maturity across entities and jurisdictions while supporting continuous improvement in disclosure quality. Avoids unreliable or highly subjective estimates where methodologies are still evolving, while enabling organisations with established climate risk assessment capabilities to

	building on existing climate-related financial disclosure requirements.	continue providing decision-useful quantitative information.
Assurance requirements	Align the phase in of limited assurance with international regimes and assign voluntary reasonable assurance.	Allows reporting entities, auditors and assurance providers sufficient time to build capability, systems and controls, supporting higher-quality assurance outcomes.
Climate scenario analysis and financial impact assessments	Permit greater flexibility in the level of quantitative detail required during the early implementation period, with reporting expectations increasing as market practice develops.	Recognises the significant judgement, modelling complexity and data limitations associated with these disclosures.
Future reporting reforms and guidance	Provide adequate implementation periods for new guidance, reporting requirements and assurance expectations before they become mandatory.	Supports regulatory certainty and enables organisations to make investments in systems, governance and reporting processes in an orderly manner.

This represents one of the most significant opportunities available to improve the efficiency of the reporting regime while maintaining transparency and disclosure quality.

4. Introduce a Subsidiary Exemption for Multinational Groups

Recommendation 4.1: Establish a Subsidiary Exemption Framework

IKEA Australia considers the introduction of a subsidiary exemption or streamlined reporting pathway to be the single most effective reform available to reduce duplication while maintaining transparency.

Where a parent company produces a climate or sustainability report under ISSB and CSRD, subsidiaries should have access to a streamlined reporting pathway or exemption.

Why This Matters

For many multinational organisations:

- Climate strategy is set globally.
- Transition plans are developed globally.
- Climate targets are established globally.
- Material climate risks are assessed globally.
- Value-chain emissions are monitored globally.

Requiring local subsidiaries to replicate disclosures that already exist within consolidated parent reporting creates duplication without generating meaningful additional transparency.

International Precedent

The Corporate Sustainability Reporting Directive (CSRD) includes subsidiary exemption provisions that recognise reporting conducted at a consolidated parent-company level. This means that IKEA subsidiaries

operating in EU countries can reduce duplicate work by claiming an exemption in their annual accounts, referring to the consolidated Group report to meet compliance with CSRD in their local market.

Australia should consider a similar approach for entities already covered by equivalent international disclosures.

5. Improving Consistency Through Practical Implementation Support

One of the most significant implementation challenges has been variation in how disclosure requirements are interpreted and applied by reporting entities, consultants and assurance providers.

The result is a reporting environment where disclosures are often difficult to compare despite being prepared under the same framework.

Recommendation 5.1: Provide Practical Guidance and Implementation Resources

Treasury, regulators and standard setters should work together to provide additional implementation support and practical examples.

This should include:

- Illustrative sustainability reports.
- Worked disclosure examples.
- Standard disclosure templates.
- Practical guidance on materiality assessments.
- Practical guidance on working with supplier data.
- Examples demonstrating the application of "reasonable and supportable information".
- Practical guidance on the application of "undue cost or effort".
- Example approaches to financial impact quantification and scenario analysis.

Providing clearer examples would reduce uncertainty, improve comparability and reduce compliance costs.

Additional implementation resources could be supported through a central knowledge hub, interactive guidance materials and worked case studies (such as [EFRAG](#)) to improve consistency across reporting entities and assurance providers.

Recommendation 5.2: Improve Consistency of Assurance and Disclosure Interpretation

One of the primary challenges emerging from implementation is that the same reporting requirements are often interpreted differently by preparers, consultants and assurance providers. This can lead to inconsistent disclosures, increased compliance costs and additional burden associated with evidence gathering and assurance.

Greater consistency would improve comparability, reduce implementation costs and support more efficient reporting outcomes while maintaining the flexibility inherent in a principles-based framework. Australia could draw on approaches such as the CEAOB's non-binding sustainability assurance guidance, which supports more consistent interpretation and assurance practices pending formal standards. Similar guidance would help align expectations between preparers and assurance providers, reduce rework and provide greater certainty regarding evidence requirements.

6. Value-Chain Reporting Should Remain Proportionate

As a retailer operating within a global supply chain, IKEA Australia recognises the importance of understanding value-chain emissions and climate-related risks.

However, value-chain reporting obligations must remain proportionate and practical.

Recommendation 6.1: Limit Information Requests to What Is Reasonably Available

Companies should only be required to obtain value-chain information that is reasonably available without undue cost or effort.

Reporting entities should be able to rely on information that is reasonably available and should not be required to pursue increasingly detailed supplier data where this creates disproportionate cost or burden, particularly for small businesses and SMEs.

Recommendation 6.2: Improve Access to Secondary Data

The Australian Government should support the development of credible national emissions factors and sector-specific datasets that can be relied upon where primary supplier data is unavailable. In addition, greater alignment and clarity are needed regarding the use of national versus state-based emissions factors and methodologies, including where reporting entities should apply one source in preference to another.

This would:

- Improve consistency.
- Lower compliance costs.
- Reduce burdens on suppliers.
- Improve reporting efficiency.
- Support more practical implementation of Scope 3 reporting requirements.

Conclusion

IKEA Australia supports the objectives of climate-related financial disclosures and remains committed to transparent reporting of climate-related risks, opportunities and performance.

Based on our first year of implementation experience, the greatest opportunity to improve the climate reporting regime lies in reducing duplication, improving consistency and strengthening international interoperability while maintaining the integrity of the framework. These changes would not only improve reporting efficiency and comparability but also enable organisations to focus resources on generating meaningful business insights and decision-useful information for investors and other stakeholders, rather than navigating unnecessary compliance complexity.

We encourage reforms that maintain proportionate assurance requirements, improve practical implementation guidance, support multinational reporting structures and enable businesses to leverage internationally aligned reporting processes wherever possible.

By focusing on efficiency alongside transparency, Australia can maintain high-quality disclosures while ensuring that business resources remain focused on delivering climate action, emissions reductions and long-term resilience.