

Tillsammans

Together for a better future

As stubborn optimists, we believe in people and the power of working together, “tillsammans” as we say in Swedish. We know we are at our best when we trust each other and pull in the same direction, leading by example, and getting things done. It is at the very heart of the IKEA culture.

IKEA believes that Europe’s future economy is rooted in incentivising innovative and progressive business practices, continually working to remove unnecessary burdens and inefficiencies, and ensuring long-term competitiveness. We urge the next EU legislature to promote the adoption of just and sustainable businesses models, with a renewed focus on circularity, championing a strong open trade agenda as a dependable partner on the world stage, and responsibly leveraging the transformative potential of AI, data, and digital technologies. We have a responsibility to play our part in solving some of the many challenges facing our business and the world. Yet our ability to deliver on our goals is greatly impacted by the policy-making environment and frameworks we all work within. In this paper, we list several priorities we at IKEA feel are important for the EU to consider in the next historic five years.

Together, we can create a better future, but businesses need the support of a policy framework that has sustainability and people at its centre. We want to contribute to the future policy-making discussions as a constructive partner, tillsammans, invested in Europe’s long-term success.

IKEA has come a long way from our humble origins in Småland, Sweden where our founder, Ingvar Kamprad, started selling matches over 80 years ago. Today we are one brand, many companies, and many, many people. Through our global value chain, we continue to learn about the intricate aspects of generating business growth within the boundaries of the planet, while contributing to better lives for our co-workers, customers, and communities. With a passion for home furnishings, our focus is steadfastly on helping more people have better homes and developing a better company for current and future generations. Our success will be greatly affected by the clarity and consistency of policymaking in the coming years.

Enabling the transition to a circular and climate neutral Europe

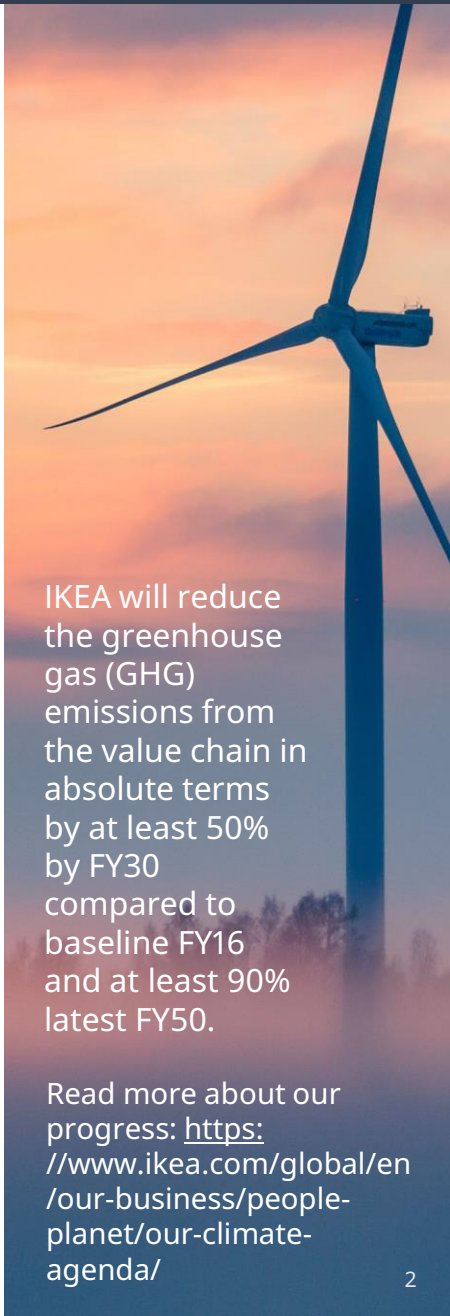
- EU leadership delivering on the strong climate policies and keeping 1.5°C within reach, working closely with businesses and Member States
- Reframing of existing "waste" policies to "resource" policies
- Accelerating the transition to renewable energy-based systems and supporting the decarbonisation of transport
- Making responsible forest management the norm

Achieving meaningful impact in the many complex areas of sustainability (such as climate and circularity) while securing a just transition requires systemic change and a radical transformation of businesses and economies alike.

We urge the EU to continue demonstrating leadership - driving progress and delivering to the strong climate policies by keeping 1.5°C within reach and working more closely than ever with businesses. EU and national policies will be needed to deliver upon the ambition of the EU Climate Law and Paris agreement. Action is needed to implement the COP 28 commitment to phase out the use of fossil fuels and the adoption of an ambitious 2040 climate target. While the implementation of the laws within the EU Green Deal and Circular Economy Action Plan begins, ambition levels must remain high. It is therefore essential to ensure the EU continues the necessary focus and resources to deliver on its commitments.

Favouring and supporting businesses, practices, and technologies contributing to climate neutrality, while removing incentives for companies and sectors lagging behind are vital. As its institutions and Member States carry out the many laws adopted in the past five years, including the numerous secondary legislations, collaboration together with industry and businesses such as IKEA who are already investing in developing solutions will be indispensable in this work. Policy action should also promote upskilling and reskilling to deliver a successful green and just transition.

Work must continue to accelerate the transition to renewable energy-based systems and the decarbonisation of transport. Years of underinvestment in electricity grids is risking our ability to meet agreed targets for renewable energy production and electric vehicle charging. Permitting periods for new renewables installations must continue to be monitored. Companies investing in decarbonising their operations and supply chains need to be confident their projects will be approved and operational within the deadlines outlined in the Renewable Energy Directive (REDIII). Furthermore, the EU must continue to push forward with sustainable investments in improving charging and hydrogen refuelling infrastructure along key European highways to enable a faster transition to zero-emission vehicles.



IKEA will reduce the greenhouse gas (GHG) emissions from the value chain in absolute terms by at least 50% by FY30 compared to baseline FY16 and at least 90% latest FY50.

Read more about our progress: <https://www.ikea.com/global/en/our-business/people-planet/our-climate-agenda/>



Reframe the EU's waste policy to a resource policy. The EU Waste Framework Directive should be replaced with a proposal for a new Resource Framework Regulation within the first 100 days. Fundamentally reframing waste as a 'resource', the aim should be to introduce a more harmonised application of resource policies, such as Extended Producer Responsibility, facilitating the handling and sorting of waste resources, and support further development of the recycling infrastructure. It would represent an opportunity to further strengthen the waste resource hierarchy. Avoiding harmful and unnecessary incineration and landfilling, encouraging consumers and businesses to reuse, repair, and recycle, thus bolstering the secondary raw materials market. This framework should be accompanied by tangible investments in pan-European recycling infrastructure and incentives to enable further reuse, repair, recycling and remanufacturing of goods.

Make responsible forest management the norm. Wood is the material most associated with IKEA furniture, and for good reason. Wood is an excellent material from a design, quality, and environmental perspective, provided it comes from responsibly managed forests. We remain committed to using our size to drive change and positively influence the forestry sector, and urge the EU policy makers to:

- Increase investments in forestry and nature-based solutions at European level to improve biodiversity and protect natural landscapes. EU institutions should come forward with a funding mechanism, similar to the Strategic Technologies for Europe Platform, to spur investments in nature-based solutions;
- Fund and coordinate research and sharing of best practices for responsible forest management;
- Help boost the market for recycled wood by: a) removing regulatory barriers rooted in outdated waste definitions and traceability requirements applied to recyclates; b) supporting increased and improved collection of wood for recycling; c) effectively implementing the cascading principle; d) supporting industry partnerships and scientific innovation for additional wood recycling or biobased applications (e.g. fibre board);
- Proactively consider the value and use of credible voluntary third-party certification schemes and multistakeholder initiatives as an additional means of verifying compliance to sustainability and human rights requirements.

The wood used in IKEA products comes from many locations around the world. Learn more about the types of wood we source:

<https://www.ikea.com/global/en/our-business/people-planet/wood-forestry/>

The single market has been a key enabler to the success of IKEA, fostering fair competition and enabling greater choice and affordability for our customers. Our business idea is to provide the same range of high quality, safe and sustainable products to all our customers. The single market where all countries are following the same harmonised rules helps us to do just that. However, increasing geopolitical risks and trade disruptions are creating a rapidly evolving and unpredictable global landscape, impacting supply chains. We must also look beyond the EU and consider international alignment. As a business operating in numerous markets, a misaligned regulatory environment negatively affects our operations, our ability to innovate at scale and, most importantly, limits the availability of products for our customers, rising costs resulting in higher prices. The rebuilding of the global economy in new and creative ways should be based on using technologies to create meaningful jobs for the many people and developing new business models that stand out on a global stage and protect our customers

Building EU competitiveness from within to stand out on the global stage

- Deepen the single market by harmonising, streamlining, and simplifying regulation
- Work more closely with trade partners to strengthen global trading rules
- A supportive digital policy framework to enable the future of retail, omnichannel and immersive experiences, while protecting people and securing fair competition

The EU should use its role to deepen the single market by harmonising, streamlining, and simplifying regulation wherever possible. This will support businesses of all shapes and sizes in navigating the rapidly increasing regulatory landscape, limiting bureaucracy and additional costs.

- The single market and environmental agenda needs to be strongly connected to achieve maximum impact.
- Attention should also be focused on enabling the free movement of goods and establishment of services throughout the EU so retailers can truly tap into the potential of the single market and revitalise city centres. To solve some of the existing challenges, we need more effective ways for companies to react and have cases of infringement of single market rules solved. To make a real impact, the speed of reaction when a country does something that is contrary to the single market need to be much faster and effective. This could include for example preventive measures that allow to stop application of national laws when there are distortions for industries and work towards a more harmonised enforcement of single market rules.
- Secondary legislation and/or guidelines need to be adopted on time, along with national level enforcement of EU law, and the provision of sufficient time for companies to implement new requirements.
- Ensuring a transparent and participatory process for the adoption of secondary legislation will enable companies to monitor and contribute more concretely to regulatory discussions, while navigating the landscape of numerous implementation requirements within recently adopted legislation.

We call on the EU to work ever more closely with trade partners to strengthen global trading rules. We see trade as crucial for reaching the climate goals, being a key enabler for people, planet, and prosperity. The green transition depends on the free flow of goods and services to facilitate the transfer of technologies and know-how, and to secure cross boarder operations. Building a global market of secondary raw materials will support companies in their journey to adopt more circular ways of operating. But there needs to be predictability and harmonisation of rules, globally. This will make it easier for companies to do the right thing.

For this to happen the rules-based trading framework must be secured and amended on the WTO and WCO levels. Reforming the WTO is critical to achieve this. The modernisation of the Union Customs Code can ensure that trade and customs processes support the circular economy. Furthermore, free trade agreements play a vital role in setting a stable foundation for both competitiveness and sustainability for all players globally. We encourage the EU to take a leadership role in addressing barriers to reaching the climate goals by making sure they are supported by trade and investment policies.

Digital policy should support the future of retail, empowering omnichannel and immersive experiences while protecting people and securing fair competition. As retailers have transformed into digital players in recent years, our focus is now shifting towards accelerating our digital capabilities to improve our customers' experiences and provide our co-workers with better places to work. The Digital Services and Markets Acts are a step towards a fairer digital environment for Big Tech and newly digitalised businesses alike, and policy action must focus on their effective implementation. The EU should continue to increase the attractiveness of digital skills for citizens through the Pact for Skills. Enabling the development and scale-up of new business models within the EU and beyond is essential for future business growth. The upcoming review of consumer protection law should focus on making EU rules easier to understand for consumers and businesses alike – especially with regards to price changes and unfair commercial practices

At IKEA we have long made efforts to have a positive impact on society. We support greater supply chain transparency, more sustainable business operations and the responsible use and handling of data and digital technology. We believe in the importance of setting and improving robust corporate policies and rules to foster responsible behaviour, however, they must, wherever possible, be built on and interoperable with existing, globally recognised standards.

Fostering better corporate behaviour



IWAY is the IKEA way of responsibly sourcing products, services, materials and components. It sets clear expectations and ways of working for environmental, social and working conditions, as well as animal welfare, and is mandatory for all suppliers and service providers that work with IKEA.

Read more about IWAY:
<https://www.ikea.com/global/en/our-business/people-planet/wood-forestry/>

- Prioritise international alignment in the fields of due diligence and Environmental, Social and Governance (ESG) policy
 - Advance reporting obligation and streamline across EU
 - Innovation for an EU ethics-first digital acceleration hub
- **The EU should prioritise international alignment in the fields of due diligence and Environmental, Social and Governance (ESG) policy in the next mandate.** The Corporate Sustainability Reporting and Due Diligence Directives (CSRD and CS3D) are putting the EU at the forefront of corporate responsibility. We call upon the EU to lead an international debate to establish common measurements, definitions, and standards that will provide common solutions to global issues.
 - **Reporting obligations should advance and be streamlined across the EU acquis.** We welcome the ongoing work of the Commission to reduce burdens associated with reporting requirements by 25%. Opportunities to simplify, rationalise, and reduce duplicated reporting requirements established at EU and National level remain, therefore we encourage closer collaboration with business to foster better understanding of reporting challenges facing their operations. Due consideration of how the reporting enables change on the ground should always be a key starting point for additional reporting requirements.
 - **Keeping up with innovation will be the greatest challenge for the EU in becoming a true ethics-first digital acceleration hub.** EU policy should ensure the harmonised implementation of the Artificial Intelligence Act and focus on addressing gaps as they materialise. We call upon the EU to closely monitor developments pertaining to AI in the workplace, how consumers interact with AI and intellectual property rights in generative AI. IKEA has implemented data and digital ethics policies to responsibly leverage the vast potential of AI and connected technologies for our co-workers and customers. We believe any further policy action should be based on evidence and thorough impact assessments to create a comprehensive EU rulebook on AI ensuring people are at the core.



For further information, please contact:

Inter IKEA Group

Roberta Dessi

roberta.dessi@inter.ikea.com

Ingka Group

Jack Berringer

jack.berringer@ingka.ikea.com

Hej!

Read more about our business at Inter IKEA Group:

<https://www.ikea.com/global/en/our-business/how-we-work/>

Read more about our business at Ingka Group:

<https://www.ingka.com/what-we-do/>

About IKEA

IKEA offers well-designed, functional, and affordable, high-quality home furnishing, produced with care for people and the environment. There are several companies with different owners, working under the IKEA Brand, all sharing the same vision: to create a better everyday life for the many people. IKEA was founded in Sweden in 1943.

About the IKEA franchise System

The IKEA retail business is operated through a franchise system with franchisees that are authorised to market and sell the IKEA product range within specified geographical territories. Inter IKEA Systems B.V. is the owner of the IKEA Concept and worldwide IKEA franchisor, who also assigns different IKEA companies to develop the range, supply products and deliver communication solutions. Today, 12 different groups of companies own and operate IKEA sales channels under franchise agreements with Inter IKEA Systems B.V.

About Inter IKEA Group

Inter IKEA Group includes Inter IKEA Systems B.V., IKEA of Sweden AB, IKEA Supply AG, IKEA Industry AB, and related businesses. Inter IKEA Holding B.V. is the holding company for the Inter IKEA Group.

About Ingka Group

With IKEA retail operations on 31 markets, Ingka Group is the largest IKEA retailer and represents about 90% of IKEA retail sales. It is a strategic partner to develop and innovate the IKEA business and help define common IKEA strategies. Ingka Group owns and operates IKEA sales channels under franchise agreements with Inter IKEA Systems B.V. It has three business areas: IKEA Retail, Ingka Investments, and Ingka Centres. Ingka Group operates business under the IKEA vision – to create a better everyday life for the many people by offering a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible can afford it.