

December 18, 2024

Claire LaBouchardiere
Senior Executive Leader
Companies & Small Business
Australian Securities and Investments Commission

GPO Box 9827
Melbourne
Victoria 3001
Australia

Impax Asset Management
Hong Kong Limited
Unit 805-808,
Jardine House,
1 Connaught Place
Central
Hong Kong
impaxam.com

By Email:

Re: Consultation Paper 380: Sustainability reporting

Dear Claire,

Impax Asset Management is a company founded in 1998 that specialises in making sustainable investments in companies contributing to the transition to a more sustainable economy. Nowadays, we are one of the world's largest specialised asset managers in this field. We are also a long-term investor who has been investing in the Australian market for over two decades.

As an active participant in the Australian market, we are pleased to see that the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024 (FMI Act), which introduced a mandatory climate disclosure framework for larger entities required to prepare financial reports under Chapter 2M of the Corporations Act, had successfully passed both Houses of Parliament and received Royal Assent in September 2024. With this new development, we appreciate this opportunity to comment on the Consultation Paper 380 on sustainability reporting [issued](#) by the Australian Securities and Investments Commission (ASIC) on November 7, 2024.

Firstly, we strongly recommend that ASIC provide more comprehensive guidance to assist issuers in defining both financial and non-financial materiality. This guidance is crucial for helping entities determine whether they must prepare a sustainability report. Materiality plays a vital role in enabling companies to identify and report on the sustainability issues that are most significant to their business operations and stakeholders. This ensures that the information disclosed is relevant and highly useful for those who rely on these reports. Additional guidance on materiality is particularly essential in light of ASIC's proposal that notes to the climate statements do not need to be included in a sustainability report.

IMPAX ASSET MANAGEMENT GROUP PLC

7th Floor, 30 Pantons Street, London, SW1Y 4AJ, UK. Office: 7th Floor, 30 Pantons Street, London, SW1Y 4AJ, UK. Registered in England, Company Registration No: 3262305 VAT Reg No: 743707624

Secondly, the Australian Securities and Investments Commission (ASIC) is encouraged to provide more detailed guidance on directors' duties concerning climate risk management. Our observations indicate that there is still a significant gap in sustainability governance at the board level within some Australian companies. Many directors struggle to comprehend investors' expectations regarding their active involvement in managing sustainability-related risks and the corresponding disclosure of this information.

Furthermore, guidance on disclosing the connection between directors' compensation and sustainability-related metrics and indicators would be highly beneficial. This is particularly important given ASIC's proposal of not providing additional guidance on the factors that would establish reasonable grounds for forward-looking disclosures. Clearer instructions in this area would help directors align their governance practices with investor expectations and regulatory requirements, thereby enhancing overall transparency and accountability.

Lastly, we fully support the remaining proposals outlined in the consultation paper, particularly those that advocate for specific labelling of sustainability-related financial disclosures. Regarding the question of whether additional guidance is necessary in certain areas, we believe that more guidance is generally beneficial. Providing issuers with more explicit instructions helps them produce more standardised and comparable information across the market. This facilitates better comparisons and promotes consistency and reliability in sustainability reporting. By offering more detailed guidance, ASIC can help issuers meet these objectives more effectively, ultimately contributing to a more transparent market and ensuring compliance with legal and industry standards.

We want to conclude our letter by expressing our vision that meaningful sustainability reporting can substantially enhance the reputation of the market as a whole by demonstrating a commitment to transparency and responsible business practices. As one of the first markets to proactively address greenwashing activities globally, we recognise that this issue is paramount to Australian regulators and standard setters. We genuinely appreciate ASIC's effort in putting out this consultation in the wave of sustainability-related backlash happening in some parts of the world. We look forward to seeing the final version of the regulatory guidance in Q1 2025. In the meantime, we will continue to advocate for the Australian market strongly and hope that our suggestions will constructively contribute to the ongoing development of the Australian capital market and economy.

Thank you!

Yours truly,



Nana Li

Head of Sustainability & Stewardship, Asia-Pacific
Impax Asset Management

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