REPORT 809

Response to submissions on CP 380 Sustainability reporting

March 2025

About this report

This report highlights the key issues raised by the submissions received on Consultation Paper 380 *Sustainability reporting* (CP 380) and details our responses to those issues.

About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

Consultation papers: seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

Regulatory guides: give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

Information sheets: provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Reports: describe ASIC compliance or relief activity or the results of a research project.

Disclaimer

This report does not constitute legal advice. We encourage you to seek your own professional advice to find out how the Corporations Act and other applicable laws apply to you, as it is your responsibility to determine your obligations.

This report does not contain ASIC policy. Please see Regulatory Guide 280 *Sustainability reporting* (RG 280).

Contents

A Overview and consultation process

1 The *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024* introduced sustainability reporting requirements in September 2024 through amendments to the *Corporations Act 2001* (Corporations Act) and the *Australian Securities and Investments Commission Act 2001*.

2 In Consultation Paper 380 *Sustainability reporting* (CP 380), we consulted on:

(a) proposals to issue a regulatory guide for entities required to prepare a sustainability report under Ch 2M of the Corporations Act;

(b) proposals to facilitate sustainability reporting relief for stapled entities; and

(c) a range of other questions and issues that may inform our approach to future regulatory guidance.

3 We sought feedback from reporting entities, users of reporting, professional bodies, advisers and service providers, and other interested stakeholders.

4 Our proposals in CP 380 sought feedback on each section of draft Regulatory Guide 000 *Sustainability reporting* (draft regulatory guide), which was Attachment 1 to CP 380. The draft regulatory guide included:

(a) an outline of key requirements under the sustainability reporting requirements;

(b) proposed guidance for reporting entities preparing a sustainability report, including on the content required in the sustainability report;

(c) proposed guidance on disclosing sustainability-related financial information outside the sustainability report; and

(d) proposed guidance on how ASIC will administer the sustainability reporting requirements, including our approach to applications for sustainability reporting relief.

5 We received 53 non-confidential submissions and 7 confidential submissions in response to CP 380 from key stakeholders. Respondents included reporting entities, industry associations, law firms, advisory and audit service providers, academics and sustainability consultants.

6 In addition to receiving written submissions, we met with 11 respondents including reporting entities, industry groups, users and advisers (including accounting and audit firms) to discuss the labelling of sustainability-related information in sustainability reports, as we received a number of diverse submissions on this topic. We are grateful to respondents for their valuable feedback.

7 This report highlights the key issues raised by the submissions we received on CP 380, and our responses to those issues. It does not provide a comprehensive summary of all submissions received.

8 For a list of the non-confidential respondents, see the appendix. Copies of their full submissions are available on the CP 380 page on the ASIC website.

Responses to consultation

Feedback received on draft regulatory guide

9 All respondents to CP 380 were supportive of our proposal to provide guidance on the new sustainability reporting requirements in a regulatory guide.

10 The main issues raised by respondents on our draft regulatory guide were as follows:

(a) specific challenges faced by entities in preparing the sustainability report, including applying the proportionality mechanisms under the sustainability standards and undertaking scope 3 emissions reporting;

(b) requests for more specific examples and practical guidance to assist reporting entities to comply with the sustainability standards or other requirements for sustainability-related disclosure;

(c) requests for detailed guidance on the application of the sustainability reporting thresholds, particularly concerning the application of the Australian Accounting Standards (accounting standards) in determining revenue, value of assets and employees of a reporting entity;

(d) whether reporting entities that are Australian subsidiaries of foreign parent entities can rely on s292A(2) for consolidated sustainability reporting, or alternatively, how ASIC will consider relief applications for such entities;

(e) requests for further guidance on how entities can ensure they have reasonable grounds for making forward-looking climate-related disclosures;

(f) requests for practical guidance for directors of reporting entities about how to discharge their duties and other obligations relating to sustainability reporting;

(g) interpreting the modified liability provisions and whether they apply to sustainability-related disclosures in various contexts;

(h) ASIC's proposed labelling guidance on how mandatory and voluntary sustainability-related disclosures should be identified in an entity's annual reports;

(i) requests for clarification of ASIC's proposed guidance on sustainability-related financial information disclosed outside the sustainability report; and

(j) suggestions for specific enhancements to the guidance.

11 We acknowledge the range of feedback raised by stakeholders, and recognise that some aspects of sustainability reporting will likely present challenges and uncertainties for reporting entities.

12 We also understand that reporting practices, and report quality, will necessarily develop and mature over a number of reporting cycles.

Regulatory Guide 280 *Sustainability reporting* and other ASIC publications

13 We have considered the feedback received and, where appropriate, have made changes to the regulatory guide.

14 Our regulatory guidance is intended to be general in nature and applicable to all reporting entities and other entities making sustainability-related disclosures. As noted above, we also expect reporting practices will evolve over time. Accordingly, at this stage, RG 280 does not provide exhaustive guidance on the preparation of, and content required in, a sustainability report and does not include templates, worked examples, or detailed application guidance.

15 We may update RG 280 or provide other regulatory updates after we have observed how sustainability reporting and other sustainability-related disclosure practices develop in Australian and international markets.

16 ASIC will continue to expand its broader suite of publications related to sustainability reporting to assist reporting entities and other stakeholders. In addition to RG 280, this includes:

(a) general information on ASIC's website about the sustainability reporting requirements (see sustainability reporting);

(b) information on ASIC's website about how ASIC will administer the sustainability reporting requirements (see ASIC's administration of the sustainability reporting regime);

(c) reports we expect to publish in future years, setting out ASIC's findings from its review of sustainability reports prepared by reporting entities. These reports may include illustrative real-world examples that reporting entities find useful to consider; and

(d) updates to other relevant ASIC regulatory guides and information sheets, which we will update for sustainability-related disclosures.

17 ASIC also expects to develop and deliver a suite of educational materials on the core concepts underpinning the sustainability reporting requirements in the Corporations Act. These materials aim to support capacity building for sustainability reporting, with particular relevance for reporting entities that have not undertaken sustainability reporting before. Some respondents highlighted the need for capacity building for sustainability reporting, in particular by Group 3 reporting entities (entities commencing sustainability reporting from 1 July 2027) that are unfamiliar with such reporting.

Sustainability reporting relief

18 We have amended *ASIC Corporations (Financial Reporting by Stapled Entities) Instrument 2023/673* to enable stapled entities relying on the relief to prepare combined or consolidated financial statements on behalf of the stapled group, to also prepare a sustainability report on behalf of the stapled group: see *ASIC Corporations (Amendment) Instrument 2025/164*.

B Identifying whether the sustainability reporting requirements apply

Key points

This section outlines feedback on our proposal in CP 380 to issue guidance to help entities identify whether they are required to prepare a sustainability report.

In particular, we sought feedback on proposals to issue guidance on:

- the accounting standards that apply for reporting entities in determining whether they meet the sustainability reporting thresholds, including how an entity's revenue, assets and employees are to be calculated;
- how registrable superannuation entities (RSEs), registered schemes and retail corporate collective investment vehicles (CCIVs) can determine whether they meet the sustainability reporting thresholds; and
- the intersection between the sustainability reporting requirements and entities that are part of a consolidated entity.

Sustainability reporting thresholds

19 In CP 380, we sought feedback on our proposal to provide guidance on the accounting standards that apply for reporting entities in determining whether they meet the sustainability reporting thresholds.

Stakeholder feedback

20 Nineteen respondents sought further guidance on how to apply the sustainability reporting thresholds, noting that the judgement involved in interpreting key concepts such as 'revenue' and 'employees' for the purposes of s292A may lead to uncertainty and inconsistency in the way these thresholds are applied. Respondents sought guidance on:

(a) determining consolidated revenue of the entity and the entities it controls, for example:

(i) how gains and losses on financial and non-financial assets, including fair value gains or losses, should be recognised when calculating revenue—for example, uncertainties may arise for reporting entities that are registered schemes; and

(ii) whether equity-accounted share of profit should be classified as revenue where it forms part of an entity's main business activities and/or arises from an associate or a joint venture;

(b) determining consolidated gross assets of the entity and the entities it controls, for example, the applicability of the 'investment entity' exemption in AASB 10 *Consolidated financial statements* in determining gross assets;

(c) determining the number of employees of the entity and the entities it controls, for example:

(i) whether seasonal workers or casual workers are to be included; and

(ii) for reporting entities that outsource labour, whether and how the employees threshold will apply.

> *ASIC's response*
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> **Guidance amended**
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> In response to feedback, we have amended our guidance to include a new section on revenue, assets and employees. The section refers to relevant parts of the accounting standards that will generally apply to an entity and how its financial statement is prepared (e.g. which entities it controls, its revenue and its total assets). This general guidance will assist entities seeking to determine whether they meet a sustainability reporting threshold under s292A(3) or 292A(6).
>
> However, we recognise that the definitions of these concepts under the accounting standards allow for a degree of interpretation. Therefore, in some cases, a reporting entity may need to seek professional advice in relation to the application of the accounting standards to determine whether the entity meets a sustainability reporting threshold.
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> We have not provided more detailed guidance as we consider that this could impact longstanding financial reporting and audit practices as well as the interpretation of accounting standards in the financial reporting context.
>
> We have shared respondents' non-confidential feedback on these issues with the Australian Accounting Standards Board (AASB).

Stakeholder feedback on complex structures and changes in circumstances

21 Eight respondents also sought further guidance on:

(a) how the sustainability reporting thresholds apply to reporting entities with complex ownership or corporate structures (e.g. those with offshore subsidiaries); and

(b) how entities should proceed when it is uncertain or unknown whether they will meet the sustainability reporting thresholds as at the end of a financial year, for example where there is:

(i) substantial fluctuation in revenue or employee numbers over the course of a financial year;

(ii) for registered schemes, sudden or unexpected changes in markets or investor support, resulting in significant variability in revenue or assets from year to year; or

(iii) merger and acquisition activity that occurs towards the end of a financial year, with sustainability-related data potentially not available for the recently acquired company or assets;

(c) substantial fluctuation in revenue or employee numbers over the course of a financial year;

(d) for registered schemes, sudden or unexpected changes in markets or investor support, resulting in significant variability in revenue or assets from year to year; or

(e) merger and acquisition activity that occurs towards the end of a financial year, with sustainability-related data potentially not available for the recently acquired company or assets.

ASIC's response

We have not provided guidance on how reporting entities with complex ownership or corporate structures may meet the sustainability reporting thresholds. RG 280 is not intended to provide exhaustive guidance or advice on how the thresholds may apply in specific scenarios. It is for entities themselves to determine whether they meet the reporting thresholds, having regard to their specific circumstances. We encourage entities to consider seeking professional advice in this regard if necessary.

RG 280 makes clear that the sustainability reporting requirements crystallise at the end of the financial year, and that entities should establish adequate systems to assess whether they may be required to prepare a sustainability report, even if they do not meet the reporting thresholds at the commencement of that year.

RSEs, registered schemes and retail CCIVs

22 In CP 380, we proposed to provide guidance on how RSEs, registered schemes and retail CCIVs can determine whether they meet the sustainability reporting thresholds in s292A. We also sought feedback on what additional guidance we should provide to clarify how the sustainability reporting thresholds apply to RSEs, registered schemes and retail CCIVs.

Stakeholder feedback

23 Six respondents sought clarification on the application of the sustainability reporting threshold in s292A(6). Subsection 292A(6) applies to an entity for a financial year if the entity is an RSE, registered scheme, or retail CCIV and the value of assets at the end of the financial year of the entity and the entities it controls (if any) is $5 billion or more.

24 Respondents sought clarification as to:

(a) whether the term 'value of assets' is intended to be assessed by reference to assets under management or the size of the assets on the entity's balance sheet, noting that ASIC's draft guidance referred to both 'value of assets' and 'assets under management';

(b) whether the term 'value of assets' refers to gross assets or is net of leverage;

(c) whether a registered scheme, RSE or retail CCIV that does not meet the value of assets threshold of $5 billion, may still be required to prepare a sustainability report, if the registered scheme, RSE or retail CCIV meets the corporate size thresholds under s292A(3) or the emissions threshold under 292A(5) can apply to a registered scheme, RSE or retail CCIV; and

(d) whether s292A(6) applies to asset managers, and asset owners other than RSEs, registered schemes and retail CCIVs, such as unregistered schemes and investor directed portfolio services, and their trustees, platform operators or investment managers.

ASIC's response

Guidance amended

In response to feedback, we have amended our guidance in RG 280 to more closely reflect the drafting in s292A(6)(b). Our amended guidance no longer refers to 'assets under management', and instead refers to the 'value of assets' threshold.

For the purposes of s292A(6), the term 'value of assets' must be calculated in accordance with accounting standards in force at the relevant time: see s292A(7)(b).

We have also amended our guidance to clarify that:

- a responsible entity, RSE licensee or retail CCIV will be required to prepare a sustainability report in relation to a registered scheme, RSE or retail CCIV respectively, if the registered scheme, RSE or retail CCIV satisfies the corporate size threshold or the emissions threshold, even if the registered scheme, RSE or retail CCIV falls below the $5 billion value of assets threshold under s292A(6);
- the commencement of sustainability reporting requirements for a registered scheme, RSE or retail CCIV is 1 July 2026, if it meets the corporate size threshold in s296B(2), the emissions threshold in s292A(5) or the value of assets threshold in 2926A(6) (see s1707B(1)(b)), or 1 July 2027, if it meets the corporate size threshold in s292A(3); and
- the value of assets threshold under s292A(6) is not applicable to entities that are not RSEs, registered schemes or retail CCIVs: see s292A(6)(a). For example, it would not apply to investor directed portfolio service providers, RSE licensees, responsible entities, corporate directors of retail CCIVs or trustees of unregistered managed investment schemes.

Consolidated sustainability reporting

25 In CP 380, we sought responses on our proposed guidance on the intersection between the sustainability reporting requirements and entities that are part of a consolidated entity.

Stakeholder feedback

26 Six respondents sought clarification on the application of s292A(2). Subsection 292A(2) provides that if the accounting standards require a parent entity to prepare financial statements in relation to a consolidated entity for the financial year, and the parent entity elects to prepare a sustainability report for the consolidated entity for the financial year, then the parent entity is the only entity in the consolidated entity that must prepare a sustainability report for the financial year.

27 Clarification was sought on whether s292A(2) applies to enable consolidated sustainability reporting where a parent entity is:

(a) not required under the accounting standards to prepare financial statements in relation to the consolidated entity for a financial year, but voluntarily chooses to do so—for example, where a foreign parent of a reporting entity intends to voluntarily undertake consolidated sustainability reporting for the whole corporate group (including the reporting entity) and intends to comply with AASB S2 *Climate-related disclosures*; or

(b) an 'investment entity' that is required under AASB 10, in accordance with that standard, to measure all of its subsidiaries at fair value through profit or loss, rather than present consolidated financial statements.

ASIC's response

Guidance amended

Section 292A(2) only applies where the parent entity *must* prepare financial statements for the consolidated entity as a consequence of s292 and 295(1) of the Corporations Act and the accounting standards. This is because, for the purposes of Ch 2M, it is only under s292 and 295 that the accounting standards 'require' a parent entity to prepare financial statements for the consolidated entity for a financial year.

Accordingly, s292A(2) cannot operate to exempt an Australian subsidiary that meets the thresholds for sustainability reporting set out in s292A(3)–(6) from preparing a sustainability report where its parent entity is a foreign entity. Even if the foreign parent entity elects to prepare a sustainability report for a consolidated entity that includes the Australian subsidiary, s292A(2) will not apply, as foreign entities are not *required* under the accounting standards to prepare financial statements for the consolidated entity (and so the precondition in s292A(2)(a) cannot be satisfied).

We have included guidance in RG 280 to make this clear, including an example of the above circumstances.

Where the accounting standards do not require a parent entity to prepare financial statements in relation to a consolidated entity (e.g. where an exception under the accounting standards applies), then s292A(2) does not apply.

C Preparing a sustainability report

Key points

This section outlines feedback on our proposal in CP 380 to issue guidance related to preparation of a sustainability report, in particular concerning:

- sustainability records;
- challenges in preparing the content of a sustainability report;
- statements containing forward-looking climate information in a sustainability report;
- cross-referencing other documents in a sustainability report;
- sustainability records;
- how directors of reporting entities can discharge their obligations; and
- climate statements made under s296B(1), where the reporting entity has no material climate-related risks or opportunities.

Sustainability report content challenges

28 Feedback from reporting entities and industry associations highlighted a range of challenges faced by entities in preparing the sustainability report and applying the sustainability standards. In particular, respondents sought practical guidance about how to comply with the reporting obligations including application of the proportionality mechanisms under the sustainability standards, undertaking scope 3 emissions reporting, and performing scenario analysis.

Stakeholder feedback on further guidance

29 Fifteen respondents sought practical guidance or worked examples to demonstrate how reporting entities can comply with the sustainability standards and their reporting obligations, for example:

(a) a template for an assessment of material risks and opportunities relating to climate, or worked examples showing how reporting entities can undertake such an assessment;

(b) a checklist or template for use by smaller or less-resourced reporting entities that are likely to have limited sustainability-related disclosures;

(c) worked examples of how to interpret or apply the proportionality mechanisms in AASB S2 (e.g. what ‘without undue cost and effort’ or ‘reasonable and supportable’ information means for entities of a particular size or corporate structure);

(d) practical guidance or worked examples of when it is appropriate to use estimates in preparing sustainability-related disclosures and how these should be formulated;

(e) practical guidance on how entities can document and substantiate their assessment of what is 'reasonable and supportable' or 'not overly burdensome' under AASB S2; and

(f) practical guidance on what steps directors should take to ensure they are able to make the directors' declaration required under s296A(6).

ASIC's response

Approach to guidance

As set out in Section A of this report, RG 280 is intended to provide sustainability reporting guidance that is general in nature and applicable to all reporting entities. Accordingly, we do not propose to include templates, worked examples or detailed application guidance.

However, we may supplement our regulatory guidance once we have observed how sustainability reporting and other sustainability-related disclosure practices develop over the coming years.

Application of the sustainability standards including proportionality mechanisms

ASIC acknowledges that a significant number of respondents sought specific guidance on how to apply the proportionality mechanisms under AASB S2, as well as how to comply with other aspects of the sustainability standards.

In line with the Government's policy objectives for the Australian sustainability reporting requirements, the sustainability standards made by the AASB are aligned with the standards issued by the International Sustainability Standards Board in IFRS S1 *General requirements for disclosure of sustainability-related financial information* and IFRS S2 *Climate-related disclosures* (ISSB standards).

ASIC considers that issuing prescriptive or detailed application guidance regarding the sustainability standards for the Australian market could lead to fragmentation of, or misalignment with ISSB issued guidance on, climate-related financial disclosures.

We encourage reporting entities to consider the supporting materials issued by the AASB and the International Financial Reporting Standards Foundation (IFRS) in relation to the Australian and/or international sustainability standards. For example, in January 2025, IFRS published a webcast on *Proportionality mechanisms in IFRS Sustainability Disclosure Standards*.

We have shared respondents' non-confidential feedback on these issues with the AASB for their consideration.

Stakeholder feedback on scope 3 emissions

30 Six submissions sought more detailed guidance on reporting scope 3 emissions. Respondents identified financed emissions as a particular challenge due to limitations in the availability and quality of sustainability-related data, and the need to rely on third-party information. Respondents sought acknowledgement by ASIC that best practice data collection and estimation methodologies for scope 3 emissions reporting are still in development, which may affect the quality of disclosures and their comparability and consistency across the market.

> *ASIC's reponse*
>
> **Guidance amended**
>
> ASIC acknowledges that some reporting entities may face particular challenges in reporting their scope 3 emissions (including financed emissions).
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> We have inserted a new section in RG 280 providing general guidance on scope 3 greenhouse gas emissions. It sets out that:
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> - reporting entities are required to disclose their scope 3 greenhouse gas emissions under the Corporations Act and AASB S2 but in the first annual reporting period in which reporting entities apply AASB S2, they will have a transition relief from the requirement to disclose scope 3 greenhouse gas emissions under AASB S2; and
> - a reporting entity is permitted to use estimation and both primary and secondary data in measuring scope 3 greenhouse gas emissions and the proportionality mechanisms apply to these disclosures.
>
> Our guidance notes that the accuracy of estimation techniques may improve over time, as the quality and the availability of data for reporting scope 3 greenhouse gas emissions improves.

Stakeholder feedback on scenario analysis

31 Four submissions raised concerns about the express requirement under s296D for disclosure against a climate-related scenario of an increase in global average temperature of 1.5°C above pre-industrial levels, given that they considered this scenario is likely to be surpassed. Six respondents sought that guidance on this topic be included in the regulatory guide. Some submissions sought clarification of the timeframe over which the scenario applies, and whether the scenario could include an 'overshoot' of more than 1.5°C within that timeframe with a return to 1.5°C by the end of the period.

32 Respondents otherwise submitted that greater flexibility should be permitted to allow reporting entities to disclose against common publicly available climate scenarios (such as RCP2.6, which involves an increase in global average temperature of 1.6°C rather than 1.5°C).

ASIC's response

Guidance amended

We have inserted a new section in RG 280 that provides general guidance on scenario analysis. The section sets out:

- that to comply with AASB S2, reporting entities must use climate scenario analysis to assess their climate resilience;
- that under the Corporations Act, reporting entities must use a minimum of two climate scenarios that specifically include an increase in global average temperature well exceeding 2°C above pre-industrial levels (higher global warming scenario), and an increase in global average temperature of 1.5°C above pre-industrial levels (lower warming scenario);
- the key objective of these requirements; and
- that these scenarios provide insight into the reporting entity's climate resilience.

Consistent with our approach in RG 280 as set out in Section A of this report, the new section on scenario analysis provides general guidance on the legislative requirements and their intent. As real-world facts and circumstances change, we expect that the climate scenarios used by reporting entities will also evolve. Accordingly, any detailed regulatory guidance on specific scenarios could quickly become outdated, limiting its longer-term utility.

We will continue to observe reporting practices in this area, and if appropriate, address this topic through further guidance.

Statements with forward-looking climate information

33 In CP 380, we sought feedback on our proposed guidance about statements with forward-looking climate information in the sustainability report, which highlighted the need to comply with relevant aspects of application guidance in Appendix D of AASB S2.

Stakeholder feedback

34 Twenty-two respondents provided submissions on our proposed guidance. While most stakeholders (14) considered that ASIC should provide additional guidance for reporting entities making forward-looking statements in their sustainability reports, three respondents considered that it is not ASIC's role to provide such guidance. Stakeholders seeking additional guidance asked that our guidance:

(a) be expanded to address how reporting entities can ensure they have 'reasonable grounds' for making forward-looking statements related to climate—in particular, that our guidance include case studies, examples, or a list of considerations, to illustrate what may or may not amount to reasonable grounds, and clearly set out ASIC's expectations in this regard;

(b) explicitly acknowledge and make allowances for the inherent uncertainties and challenges in formulating some forward-looking statements related to climate that are required under AASB S2;

(c) address how reporting entities can balance the need to set long-term ambitious climate targets with the requirement to ensure these disclosures are reliable and not misleading;

(d) explain how the proposed guidance should be read with ASIC's existing guidance in Regulatory Guide 170 *Prospective financial information* (RG 170) that we generally consider that prospective financial information relating to a period of more than two years may require independent or objectively verifiable sources of information to establish that there are reasonable grounds to provide it;

(e) address how the use of expert reports from authoritative sources, such as the Intergovernmental Panel on Climate Change, can be used as a basis for making forward-looking statements, for example, in the context of climate scenario analysis; and

(f) elaborate on the interaction between the sustainability reporting requirements and the continuous disclosure requirements for disclosing entities.

35 Some respondents submitted that due to the legal framework and liability settings in Australia, reporting entities face greater litigation risk in Australia than in other jurisdictions. Respondents submitted that, in light of this, ASIC should issue specific guidance on the interaction between forward-looking disclosures required under the sustainability reporting requirements and the statutory setting that particular representations made with respect to future matters will be misleading if made without 'reasonable grounds'.

Note: The statutory setting referred to arises from s769C of the Corporations Act which provides that, for the purposes of Ch 7 of the Act or proceedings under that chapter, if a person makes a representation with respect to any future matter, and the person does not have reasonable grounds for making the representation, the representation is taken to be misleading.

36 Five stakeholders also submitted that we should clarify or remove our proposed guidance encouraging non-disclosing entities to update the market when relevant facts or circumstances change in relation to a forward-looking statement in a climate statement.

ASIC's response

Guidance amended

In response to submissions, we have amended our guidance on forward-looking statements.

The amended guidance:

- provides examples of forward-looking climate information that is specifically required to be disclosed under AASB S2;

- refers to the proportionality mechanism under AASB S2 that reporting entities are to 'use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort' in disclosing some forward-looking climate information;
- acknowledges that the quality and availability of data to support forward-looking climate information is expected to evolve over time; and
- notes that the assessment of reasonable grounds is to be made at the time the forward-looking representation is made (i.e. the date of the sustainability report).

We note that some respondents, including reporting entities, are referring to RG 170 for guidance. Readers should bear in mind that RG 170 was developed out of ASIC's regulatory experience in reviewing Product Disclosure Statements (PDSs), prospectuses and other disclosure documents and is intended to help issuers of financial products understand whether and how to include prospective financial information in those types of disclosure documents.

RG 170 was not informed by, and does not specifically contemplate, climate-related financial information that is required to be disclosed in a sustainability report.

Therefore, some parts of RG 170 may not be usefully applied to disclosures in a sustainability report, which has different disclosure requirements and a different objective to the types of disclosure documents contemplated in RG 170. For example, as noted in submissions, the guidance on 'reasonable short-term estimates' outlined in RG 170.39–RG 170.41 is unlikely to assist preparers of sustainability reports where AASB S2 requires reporting entities to disclose forward-looking climate information that relates to the medium and long term.

We have amended the note in RG 280 to clarify that RG 170 provides guidance on disclosure of prospective financial information in contexts such as PDSs and prospectuses.

ASIC's regulatory and enforcement approach

ASIC recognises that reporting entities face challenges in obtaining high-quality and verifiable climate-related data to support some forward-looking statements made in sustainability reports.

In line with ASIC's general approach to supervision and enforcement of the sustainability reporting requirements, ASIC will be taking a proportionate and pragmatic approach when considering forward-looking representations in reporting entities' sustainability reports.

As noted above, we have amended our guidance in RG 280 to reflect our expectation that, over time, the quality and availability of climate-related information to support forward looking statements will evolve.

> **Continuous disclosure**
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> The sustainability reporting requirements do not impose new continuous disclosure obligations on disclosing entities or non-disclosing entities. To avoid confusion, we have removed the proposed guidance in relation to non-disclosing entities.
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> Our amended guidance clarifies that under the existing obligations, climate-related financial information, like other information, may trigger the continuous disclosure obligation that applies to disclosing entities where s674(2) or 675(2) is satisfied.

Cross-referencing

37 In CP 380 we sought feedback on our proposed guidance about information that is included by cross-reference in a sustainability report (under paragraph 63 in Appendix D of AASB S2). In our proposed guidance, we strongly encouraged entities to lodge cross-referenced documents with ASIC at the same time as the sustainability report, unless the document had already been lodged with ASIC.

Stakeholder feedback

38 Five respondents, primarily users of reports, were supportive of entities lodging cross-referenced documents with ASIC, emphasising the importance of cross-referenced documents being publicly accessible to users of sustainability reports. One respondent further sought that reporting entities be encouraged to include in the sustainability report, a table that lists the cross-referenced documents for each section of the climate statement.

39 Four respondents (primarily preparers of reports, their advisers or industry bodies) disagreed with our proposed guidance on lodgement of cross-referenced documents, noting potential confusion and some practical implications with lodging all cross-referenced documents with ASIC. For example, one submission noted that it would be impractical to re-lodge a climate transition plan every year, given these plans are provided for a multi-year period. That submission also noted the limited utility of lodging cross-referenced documents where those documents are readily available e.g. on the entity’s website).

40 Feedback from preparers of sustainability reports indicated a desire to cross-reference documents to avoid unnecessary length and duplication. Several respondents sought further guidance on how to best utilise cross-referencing in practice, including when referencing the entity’s own documents (such as parts of its annual report, prospectuses or PDSs) and whether cross-referencing related entities’ sustainability reports is permitted (e.g. cross-referencing a foreign parent’s transition plan that is relevant to all of its subsidiaries).

> *ASIC's response*
>
> **Guidance amended**
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> Reporting entities should refer to AASB S2 for application guidance on cross-referencing in the sustainability report.
>
> Following consultation with the AASB, we have clarified in our guidance that cross-referencing reports prepared by another entity within the reporting entity's corporate group is not permitted.
>
> To promote transparency and accessibility, we have amended our guidance to encourage reporting entities to lodge cross-referenced documents with ASIC with their sustainability report, if these cross-referenced documents have not already been lodged with ASIC.

Sustainability records

41 In CP 380, we sought feedback on the proposed guidance regarding sustainability records, and whether additional guidance should be provided.

Stakeholder feedback

42 Nineteen respondents sought further guidance in relation to sustainability records, including:

(a) more specific examples of the types of records that ASIC expects entities to keep;

(b) guidance about whether sustainability records are required to be kept in relation to other reports or documents cross-referenced in a sustainability report;

(c) guidance about how entities should develop adequate systems to assess whether they need to prepare a sustainability report and what records they should keep regarding these assessments; and

(d) guidance about how sustainability records are to be kept, including how long records must be kept for, electronic storage of records, and storage of records in other jurisdictions or by other entities in the same corporate group as the reporting entity.

43 Four respondents considered that our guidance was too prescriptive, or exceeded existing record-keeping requirements concerning financial records for the preparation of financial reports.

> *ASIC's response*
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> **Guidance amended**
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> In response to this feedback, we have included in RG 280 further guidance that:
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> - sustainability records must be kept for seven years under s286A(2) of the Corporations Act;

- sustainability records must be kept in relation to disclosures made by way of cross-referenced documents in the sustainability report; and
- addresses keeping records electronically or outside Australia.

In relation to our proposed guidance that entities should assess whether they meet the sustainability reporting thresholds, we have moved this guidance to Section B of RG 280 under the heading, 'Who must prepare a sustainability report' and added a note to explain that the systems reporting entities should establish will depend on the entity's size, circumstances and likelihood that it will meet a sustainability reporting threshold.

We have retained the general examples of sustainability records included in our proposed guidance. In response to submissions that considered these were overly prescriptive, we have added a note to clarify that these are examples only, and the types of sustainability records required to be kept by a reporting entity will depend on the nature of the reporting entity and their circumstances.

We have not provided further specific examples of sustainability records that should be kept by entities, as the records kept will depend on the circumstances of the reporting entity.

Directors' duties and directors' declarations

44 In CP 380 we sought feedback on our proposed guidance about how material climate-related risks broadly intersect with the duties of:

(a) directors of companies under s180(1);

(b) directors of responsible entities under s601FD(1)(b);

(c) directors of corporate directors of retail CCIVs under s180(1) (as modified by s1224C(1)); and

(d) directors of RSE licensees under s52A(2)(b) of the *Superannuation Industry (Supervision) Act 1993*.

45 Our proposed guidance also set out our expectations in light of the sustainability reporting requirements, including in relation to the directors' declaration on the climate statement in the sustainability report.

Stakeholder feedback on directors' duties

46 Ten submissions requested further guidance on ASIC's expectations of directors in relation to their duty of care and diligence in the context of the sustainability reporting requirements.

47 Many respondents were concerned about our use of the terms 'regularly' and 'ongoing basis' in our proposed guidance that directors of reporting entities

should 'ensure they are regularly informed' about the extent to which a climate-related risk or opportunity may be material to the reporting entity, and that assessments of these risks or opportunities are not confined to the annual reporting season but are 'considered on an ongoing basis'. Eight respondents expressed concern that the proposed guidance could be read as imposing obligations on directors beyond what is required under existing directors' duties, or sought further clarity about ASIC's expectations concerning appropriate governance processes. Specific examples were sought of the frequency with which, and frameworks under which, directors should be informed and financial materiality assessments conducted.

48 Four submissions sought clarity on the intended materiality threshold where our proposed guidance referred to '*material* climate-related (physical or transitional) risks or opportunities' in the section of the guide about directors' duties. Respondents considered that use of this term in the directors' duties guidance may cause confusion, given 'materiality' is also a threshold for disclosure under AASB S2. Guidance was sought on the steps directors should take to assess whether climate-related risks and opportunities are material and whether they pose a foreseeable risk of harm to the interests of the entity, as well as examples of what factors may be relevant in making such assessments.

ASIC's response

Guidance amended

To address the feedback received about directors' duties, we have removed the proposed guidance referred to in paragraphs 47 and 4848 above. Instead, we have provided general guidance for directors of reporting entities.

In summary, our amended guidance provides that directors of reporting entities should:

- understand the entity's sustainability reporting obligations and the climate-related risks or opportunities that could reasonably be expected to affect the entity's prospects;
- require the reporting entity to establish systems that identify, assess and monitor any material financial risks relating to climate (including any changes);
- require the reporting entity to establish controls, policies and procedures to manage and prepare the sustainability report and keep sustainability records; and
- apply a critical lens to the proposed disclosures in the sustainability report.

RG 280 also includes general examples of what the above may involve. For example, applying a critical lens to proposed disclosure may require a director to question the appropriateness or completeness of methodologies, inputs and assumptions used to support disclosures.

> Our guidance does not impose new obligations on directors, and is intended to help directors of reporting entities understand their existing obligations in light of the sustainability reporting requirements.
>
> We have amended the way we refer to 'material' in response to feedback about how we used this term in our draft regulatory guide. For the avoidance of doubt, the reference to '*material* financial risks relating to climate' in this section of RG 280 relates to sustainability reporting requirements under s296B(1), 296B(6) and 296D(1)(a): see the note under RG 280.15.

Stakeholder feedback on directors' declarations

49 Seven respondents sought clarification on the difference between:

(a) a directors' declaration during the first three financial years between 1 January 2025 and 31 December 2027 (modified declaration), which requires the directors to declare whether, in the directors' opinion, the entity has taken reasonable steps to ensure the sustainability report (other than the directors' declaration) is in accordance with the Corporations Act (see s1707C); and

(b) a directors' declaration for the financial years commencing on or after 1 January 2028, which requires the directors to declare whether, in the directors' opinion, the sustainability report (other than the director's declaration) is in accordance with the Corporations Act (see s296A(6)).

50 Some respondents sought practical examples of the steps required to be taken by directors prior to making a declaration.

51 Several respondents also sought guidance on how directors of reporting entities that prepare climate statements under s296B(1) may comply with s296A(6). Where s296B(1) applies, the reporting entity's climate statements are a statement that there are no material financial risks or opportunities relating to climate for the entity, and a statement explaining how the entity determined that it has no material financial risks or opportunities relating to climate. Respondents were concerned about how to frame the s296A(6) directors' declaration in light of the statutory language used in s296A(6), which specifically refers to s296C (and therefore compliance with the sustainability standards).

> *ASIC's response*
>
> **Guidance amended**
>
> We acknowledge that the modified directors' declaration is a novel concept and directors are seeking clarity as to ASIC's expectations of them in making the modified declaration under s1707C, compared with the directors' declaration under s296A(6).
>
> The inclusion of a modified declaration in the legislative settings for the first three years of the sustainability reporting requirements

recognises that reporting entities are still establishing reporting procedures and building the necessary capabilities to produce the required disclosures, and the directors of reporting entities are likewise building their understanding and capabilities in relation to sustainability reporting. We have amended our guidance in RG 280 to reflect this.

In relation to a directors' declaration for entities lodging a statement of no material climate-related financial risks and opportunities under s296B(1), ASIC is considering this matter further. As the s296B(6) directors' declaration cannot be made by directors of reporting entities relying on s296B(1) until Group 3 reporting commences on 1 July 2027, we may provide further guidance on this issue at a later date.

Statements of no financial risks or opportunities relating to climate

52 In CP 380, we sought feedback on our proposed guidance for reporting entities that may prepare climate statements under s296B(1). Our proposed guidance set out that these entities must:

(a) assess, in accordance with AASB S2, whether for a financial year, there are no material financial risks or opportunities relating to climate;

(b) maintain adequate sustainability records in relation to their assessment; and

(c) establish robust processes that will enable them to ensure that they meet the sustainability reporting requirements under s296A(1) for any subsequent financial year where s296B(1) does not apply.

Stakeholder feedback

53 Eight respondents sought further guidance on how a reporting entity should assess 'materiality' for the purposes of determining that it has no material financial risks or opportunities relating to climate and therefore that s296B(1) applies. Some submissions sought explicit guidance on the interaction or connection between the assessment under s296B(1) and AASB S2, noting the slightly different language used in legislation. Some submissions sought detailed guidance on:

(a) the assessment required for an entity to be satisfied it has no material financial risks or opportunities relating to climate;

(b) the steps an entity should take to determine whether it has any material financial risks or opportunities relating to climate, including whether it would need to undertake scenario analysis; and

(c) how the assessment undertaken can be adequately recorded and substantiated.

54 A small number of submissions indicated that some respondents may have misinterpreted our proposed guidance to mean that an assessment of material

financial risks or opportunities is applied to ‘a financial year’, and another respondent sought that our guidance clarify that the assessment includes climate-related risks and opportunities over the medium and long term and not just for ‘the financial year’.

55 Two submissions noted that s296B(5) does not preclude RSEs, registered schemes or retail CCIVs from utilising s296B(1), provided that its value of assets is below the $5 billion threshold specified under s296B(5).

56 Seven respondents were generally supportive of our proposed guidance on keeping sustainability records and ensuring that reporting entities are in a position to comply with s296A(1) in subsequent financial years, if material financial risks and opportunities arise. However, one respondent considered that the use of terms such as ‘adequate sustainability records’ and ‘robust processes’ in our guidance may lead to subjective and differing interpretations, and two respondents requested further guidance on the meaning of these terms.

ASIC’s response

Guidance amended

In response to feedback, we have amended our guidance to clarify the interaction between s296B(1) and AASB S2.

For the purposes of s296B(1)(a), a reporting entity has no material financial risks or opportunities relating to climate if it has no material climate-related risks or opportunities that it would need to disclose under AASB S2: see s296B(6). Section 296B(1)(a) is satisfied where:

- the reporting entity has assessed whether any climate-related risks or opportunities could reasonably be expected to affect the entity’s prospects, including its access to cash flows, its access to finance or cost of capital over the short, medium and long term (see paragraph 2 of AASB S2);
- the entity has determined that none of the climate-related risks or opportunities it has identified in its assessment are ‘material’ and need to be disclosed under AASB S2; and
- those matters are not ‘material’ because omitting the information would not reasonably be expected to influence decisions of primary users of financial reports (see Appendix D[18] of AASB S2).

In response to feedback, we have also amended our guidance to clarify that:

- any Group 3 entity may rely on s296B(1)—for the avoidance of doubt, this includes RSEs, registered schemes and retail CCIVs that have less than $5 billion in assets (i.e. under the value of assets threshold); and
- an entity preparing climate statements under s296B(1) must undertake an assessment each financial year to determine whether it has no material risks and opportunities related to climate.

D Labelling a sustainability report

Key points

This section outlines feedback we received in relation to our proposal to encourage the use of specific labels for sustainability-related information in sustainability reports.

Use of labels for a sustainability report

57 In CP 380, we sought feedback on our proposed guidance that a ‘sustainability report’ should exclusively refer to a sustainability report prepared under s292A that consists only of the climate statement and directors’ declaration on the climate statement. We also recommended that disclosures should be labelled as ‘voluntary’ where they referred to sustainability-related disclosures under AASB S1 *General requirements for disclosure of sustainability-related financial information*.

Stakeholder feedback

58 In total, 35 stakeholders provided feedback on our proposed guidance on labelling. We also conducted a further targeted consultation with nine respondents to further understand the substantive issues they raised on this topic and to explore the implications, risks and benefits of alternative labelling options.

59 The majority of written submissions sought greater flexibility for the labelling of sustainability-related information to meet the different needs of users. Respondents highlighted that there was demand, from both a preparer and a user perspective, to include information disclosed under other sustainability reporting frameworks and standards in a sustainability report. Respondents noted that this would reduce the duplication of sustainability-related information across documents published by reporting entities and reduce the complexity and costs of preparing sustainability-related information for reporting entities that also operate in multiple jurisdictions. However, other respondents indicated a preference to prepare a sustainability report consisting only of the climate-related financial information required under the Corporations Act and AASB S2.

60 Some respondents noted that index tables could be used in a sustainability report to distinguish climate-related financial information required under the Corporations Act and AASB S2 from other sustainability-related information that might also be included.

61 In our further targeted consultation on labelling, respondents were supportive of ASIC providing guidance that permits greater flexibility for the labelling of reports containing sustainability-related information (and to enable market practices to develop), provided the climate-related financial information required under the Corporations Act and AASB S2 is clearly identifiable and not obscured in the sustainability report.

ASIC's response

Guidance amended

In response to feedback received, we have amended our guidance on labelling to provide greater flexibility for reporting entities that wish to disclose broader sustainability-related information in their sustainability report.

In RG 280, we state the following:

- Reporting entities may prepare a standalone report that only contains the climate-related financial information required under the Corporations Act and AASB S2.
- ASIC will administer the sustainability reporting requirements on the basis that reporting entities may include additional sustainability-related information in the sustainability report, provided that climate-related financial information required under the Corporations Act and AASB S2 is clearly identified and not obscured. RG 280 suggests that this could be done using an index table that identifies the mandatory disclosures required under the Corporations Act and AASB S2.

We also state that the sustainability report and annual financial report should be lodged at the same time and relate to the same reporting period.

We will observe how market practice evolves in this area before considering whether ASIC should provide further guidance on this topic.

E Sustainability-related disclosures outside the sustainability report

Key points

This section outlines feedback on our proposals in CP 380 to issue guidance on the disclosure of sustainability-related financial information outside of a sustainability report, including in operating and financial reviews (OFRs), prospectuses and other disclosure documents under Ch 6D, and PDSs.

The feedback received related to:

- our proposed guidance that entities 'consider, and be informed by' sustainability standards when disclosing sustainability-related financial information outside the sustainability report;
- selective use or reproduction of information contained in a sustainability report;
- sustainability-related financial information in OFRs;
- sustainability-related financial information in prospectuses and other disclosure documents under Ch 6D; and
- sustainability-related financial information in PDSs.

Guidance to 'consider, and be informed by' sustainability standards

62 In CP 380, we sought feedback on our proposed guidance that all entities should consider, and be informed by, the sustainability standards when preparing sustainability-related financial information disclosed outside the sustainability report. This includes where sustainability-related financial information is required to be included in annual reports, including in OFRs, prospectuses and other disclosure documents issued under Ch 6D, and PDSs.

Stakeholder feedback

63 Overall, respondents were supportive of our proposal to provide guidance on the inclusion of sustainability-related financial information in disclosure documents. However, nine respondents disagreed with, or sought clarification on, how to interpret the phrase 'consider, and be informed by' as set out in our proposed guidance.

64 The feedback we received also included:

(a) submissions from three respondents indicating that they interpreted our proposed guidance to mean that information required under the sustainability standards must be included in other disclosure documents including prospectuses and PDSs, or that the sustainability standards must be complied with when preparing those documents;

(b) two submissions that raised concerns about duplication with the sustainability report, and the length of disclosure documents, if the above were to apply; and

(c) queries about whether non-reporting entities were also expected to consider the sustainability standards when preparing these other disclosure documents.

65 Some respondents disagreed that entities should be informed by AASB S1, emphasising its voluntary status, while another respondent suggested expanding our guidance in relation to prospectuses and PDSs to also include AASB S1.

66 Respondents also sought specific guidance about, or examples of, the inclusion of sustainability-related financial information in other disclosure contexts (such as prospectuses or PDSs), to illustrate what good or bad disclosure looks like when considering and being informed by the sustainability standards.

ASIC's response

Guidance amended

Our guidance applies where existing disclosure obligations (e.g. s299A, s710, s1013D and s1013E) require the inclusion of sustainability-related financial information in a disclosure document. Our guidance does not require compliance with the sustainability standards when preparing prospectuses, PDSs or other disclosure documents.

We have amended our guidance to encourage entities disclosing sustainability-related financial information outside the sustainability report to:

- adopt the definitions in the sustainability standards, if those terms are used in, or may be applicable to, the disclosure: see Appendix A of AASB S1 or AASB S2; and
- apply the principles for disclosing useful sustainability-related financial information in paragraphs D4–D33 in Appendix D of AASB S1 and AASB S2—these principles relate to 'Fundamental qualitative characteristics of useful climate-related financial information' and 'Enhancing qualitative characteristics of useful climate-related financial information'.

Our guidance refers to the defined terms and disclosure principles from both AASB S1 and AASB S2, and applies to both reporting and non-reporting entities. As explained in our guidance, we consider that, over time, these defined terms and disclosure principles will become widely understood and prevalent in Australia. Accordingly, we are providing this guidance to encourage entities to disclose sustainability-related financial information in a manner that will be consistent with the expectations of investors, lenders and other users of the information, and will enhance comparability for these users.

As addressed in Section A of this report, our guidance is intended to be general in nature and applicable to a variety of entities. Accordingly, we have not included specific examples illustrating the inclusion of sustainability-related financial information in other disclosure contexts.

Selective use or reproduction of information contained in a sustainability report

67 In CP 380, we sought feedback on proposed guidance that reporting entities that selectively reproduce or use information from a sustainability report:

(a) increase the risk of compromising the objective of the sustainability reporting requirements; and

(b) increase the risk that these disclosures may be misleading, when made outside the sustainability report.

68 Our guidance provided some general examples of where selective reproduction or use of information from a sustainability report may be misleading.

Stakeholder feedback

69 Seven respondents sought examples or case studies to illustrate when summarising information outside the sustainability report would not be misleading, and how information could be summarised or referenced outside the sustainability report without distorting the balance, tenor or prominence of that information.

70 One respondent raised concerns with the general example included in the proposed guidance (using a climate-related target in the headline of an investor presentation without disclosing or referencing the target's accompanying inputs, assumptions and contingencies that are disclosed in the sustainability report), suggesting that entities should be able to determine, at their discretion, the information necessary to inform effective investor decision-making.

71 One respondent sought clarification on whether our guidance would be satisfied if a hyperlink or footnote to the full content in the sustainability report were included in the disclosure document.

> *ASIC's response*
>
> **Guidance amended**
>
> In response to feedback, we have removed the subsection on 'selective use or reproduction of information contained in a sustainability report'. Submissions indicated that respondents did not find this guidance helpful without the inclusion of illustrative examples. As explained in Section A, we have not provided worked examples or detailed application guidance in the regulatory guide at this time. If appropriate, we may include illustrative examples in other ASIC publications or further guidance in the future.
>
> When making sustainability-related financial disclosures in relation to sustainability-related products, entities can refer to Information Sheet 271 *How to avoid greenwashing when offering or promoting sustainability-related products* (INFO 271). INFO 271 provides guidance on how to avoid making misleading or deceptive representations, including when making a headline claim about sustainability-related matters. INFO 271 also includes an example of a potentially misleading headline claim. However, INFO 271 does not specifically address information reproduced from a sustainability report.

Operating and financial review

72 In CP 380, we sought feedback on ASIC's proposed interpretation of s299A(1), and our proposed guidance on OFR disclosures.

Stakeholder feedback

73 There were mixed responses to ASIC's proposed guidance on OFR disclosures, with an equal split between agreement and disagreement. The most common concern, raised by four respondents, was that our proposed guidance took an overly expansive interpretation of the requirements under s299A(1).

74 Most respondents also requested further guidance, primarily on how reporting entities should:

(a) determine what climate-related information is reasonably required by users and material to include in the OFR; and

(b) weigh the significance of climate-related matters within the broader context of an entity's operations, financial position, business strategies and prospects.

75 Three submissions raised concerns about the duplication and reproduction of sustainability-related disclosure across the OFR and sustainability report. Two respondents requested that ASIC's guidance, including in Regulatory Guide 247 *Effective disclosure in an operating and financial review*

(RG 247), be amended to permit reporting entities to cross-reference the sustainability report in the OFR and vice versa, to reduce duplication.

76 Some respondents sought that RG 247 be updated more generally to provide further clarity on the disclosure of sustainability-related information in the OFR including, for example, expectations regarding future forecasts and climate data.

ASIC's response

Guidance amended

RG 280 provides general guidance on the sustainability-related disclosures that may be required under the existing requirements in s299A. It does not seek to expand the content of the s299A requirements.

We have amended our guidance to clarify that climate-related disclosures must be included in the OFR only to the extent required to satisfy the requirements in s299A. Consistent with the amended guidance on other sustainability-related financial information disclosed outside the sustainability report, we have clarified that in preparing sustainability-related disclosures for inclusion in the OFR, entities are encouraged to:

- adopt the definitions used in the sustainability standards, if the defined terms are used in the OFR: see Appendix A of AASB S1 and AASB S2; and
- apply specific principles for disclosing useful sustainability-related financial information: see paragraphs D4–D33 in Appendix D of AASB S1 and AASB S2.

The extent to which it is appropriate to include sustainability-related information in the OFR and the level of detail that should be included, depends on the nature of the entity's business and other relevant circumstances. Where climate-related financial disclosures are included in the OFR to satisfy s299A requirements, these should be contextualised within the overarching summary of the entity's operations, financial position, and business strategies and prospects for future financial years.

The OFR has a distinct role in annual reporting. It allows investors to find relevant information about the entity in a single location, rather than requiring reference to various past disclosures that investors may not have necessarily read. Therefore, consistent with ASIC's existing guidance in RG 247, cross-referencing the sustainability report in the OFR is not permitted.

However, a reporting entity may cross-reference their OFR in a sustainability report. We have amended our guidance to note this.

Sustainability-related financial information in disclosure documents under Ch 6D

77 In relation to disclosure documents under Ch 6D, in CP 380 we also sought feedback on our proposed guidance that if s710 requires the disclosure of sustainability-related financial information:

(a) the issuer should consider disclosing the sustainability-related financial information required under s710 in the body of the prospectus itself (rather than merely as an annexure) to facilitate clear, concise and effective disclosure under s715A;

(b) the issuer should provide an overarching analysis and narrative in the investment overview section of the prospectus, explaining the significance of the sustainability-related financial information within the broader context of the issuer's corporate strategy, business model and prospects;

(c) the issuer should consider disclosing the sustainability-related financial information in further detail in the business model and investment risk sections of the s710 prospectus (as appropriate);

(d) where an issuer has lodged a sustainability report with ASIC for the most recent financial year, a statement of this fact should be included in the s710 prospectus; and

(e) an issuer that has lodged a sustainability report with ASIC for the most recent financial year should include a summary of climate-related financial information from that report in the s710 prospectus.

Stakeholder feedback

78 Most of the feedback we received in relation to our guidance concerning sustainability-related financial information in disclosure documents under Ch 6D related to our guidance to 'consider, and be informed by,' the sustainability standards. This report addresses that feedback after paragraph 66 above.

79 Four respondents highlighted that in their view, reasonable investors and other professional advisers are likely to expect climate-related financial information to be included in prospectuses, particularly where it assists investors in analysing investment risks.

80 One respondent considered that our guidance should:

(a) acknowledge that the level of detail required (if any) in the investment overview, investment risk and business model section of an s710 prospectus will depend on the nature of the issuer's business; and

(b) state that forward-looking climate information in s710 prospectuses are only required to be disclosed if the issuer has a reasonable basis.

81 One assurance provider sought guidance on the assurance requirements for sustainability-related information included in disclosure documents under Ch 6D (other than offer information statements).

82 Some respondents suggested integrating INFO 271 principles into Regulatory Guide 228 *Prospectuses: Effective disclosure for retail investors* (RG 228).

ASIC's response

Guidance amended

Consistent with the amended guidance on sustainability-related disclosures outside the sustainability report, we have also amended the guidance to clarify that in preparing sustainability-related disclosures for inclusion in s710 prospectuses, issuers are encouraged to:

- adopt the definitions used in the sustainability standards, if the defined terms are used in the s710 prospectus (see Appendix A of AASB S1 and AASB S2); and
- apply specific principles for disclosing useful sustainability-related financial information (see paragraphs D4–D33 in Appendix D of AASB S1 and AASB S2).

Our amended guidance notes that the level of detail to be included when disclosing sustainability related financial information will depend on the nature of the issuer's business model and its circumstances.

RG 170 provides some general guidance about disclosures of prospective financial information in disclosure documents and PDSs, including as to reasonable grounds, that may assist issuers. However, as set out earlier in this report, please note that RG 170 does not specifically contemplate disclosures of climate-related financial information.

RG 280 primarily provides guidance for preparers of sustainability reports and their advisers under the new sustainability reporting requirements. We have not provided guidance on assurance requirements for sustainability-related information in RG 280 at this stage.

Sustainability-related financial information in PDSs

83 In relation to PDSs specifically, we sought feedback on our proposed guidance that, if s1013D or 1013E requires the disclosure of sustainability-related financial information in a PDS:

(a) the issuer should consider, and be informed by, AASB S2 in preparing any climate-related financial disclosures required under s1013D or 1013E;

(b) the issuer should consider whether it is necessary to disclose any sustainability-related financial information required under s1013D or 1013E in the PDS itself (including the investment strategy or investment risk sections); and

(c) where the issuer has lodged, on behalf of the reporting entity, a sustainability report with ASIC for the most recent financial year, the PDS should include a statement of this fact.

84 We also sought feedback on our proposed guidance that if an issuer of an investment product takes into account environmental considerations that are climate-related in the selection, retention or realisation of the investment, it should summarise both the methodology applied, and the weighting given, in taking these climate-related considerations into account.

Stakeholder feedback

85 Most of the feedback we received in relation to our guidance concerning sustainability-related financial information in PDSs related to our guidance to 'consider, and be informed by' the sustainability standards. This report addresses that feedback after paragraph 66 above.

86 Two respondents suggested that our guidance should not prohibit sustainability-related disclosures in PDSs aligned with other sustainability reporting frameworks or standards, or should not pre-empt other developments, for example relating to the potential forthcoming sustainable investment product labelling regime.

87 One respondent queried whether our guidance meant that ASIC expects sustainability-related financial information to be included in insurance PDSs. The respondent also sought clarity on whether ASIC expects insurance issuers to provide a copy of a sustainability report and accompanying auditor's report to interested parties, as is the requirement for superannuation products.

> *ASIC's response*
>
> **Guidance amended**
>
> Consistent with the amended guidance on sustainability-related disclosures outside the sustainability report, we have clarified that in preparing sustainability-related disclosures for inclusion in the PDS, issuers are encouraged to:
>
> - adopt the definitions used in the sustainability standards, if the defined terms are used in the PDS (see Appendix A of AASB S1 and AASB S2); and
> - apply specific principles for disclosing useful sustainability-related financial information (see paragraphs D4–D33 in Appendix D of AASB S1 and AASB S2).

As noted in our response after paragraph 66 above, our guidance does not introduce new requirements or extend existing disclosure requirements. Therefore, disclosure of sustainability-related information in the PDS is only required to the extent that it is necessary for the issuer to include that information under the PDS disclosure requirements in s1013D, 1013E and 1013DA.

Our guidance does not seek to preclude other sustainability-related disclosures aligned with other reporting frameworks, or pre-empt or preclude compliance with future reforms.

We have also made several amendments to simplify our guidance in relation to including sustainability-related financial information in PDSs.

In relation to insurance products, we note that our guidance in RG 280 relates to situations where sustainability-related information is required to be included in a PDS under existing disclosure obligations. It does not introduce additional obligations to include content in a PDS. For general insurance products, the existing disclosure obligations are subject to a tailored regime: see our guidance in Regulatory Guide 168 *Disclosure* (RG 168) at RG 168.125–RG 168.131.

The requirement referred to in RG 280 in relation to superannuation products is an existing requirement under s1017C(3AA). There is no equivalent requirement for insurance products.

F Relief

Key points

This section outlines feedback on our proposals in CP 380 relating to sustainability reporting and audit relief.

We sought feedback on:

- the proposed guidance explaining our approach to sustainability reporting and audit relief;
- the proposal to facilitate sustainability reporting relief for stapled entities;
- the intersection between the sustainability reporting requirements and *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*; and
- whether any other ASIC legislative instruments that grant relief in relation to financial reporting or audit requirements should be extended to sustainability reporting.

Our approach to sustainability reporting and audit relief

88 We sought feedback on the proposed guidance for our approach to granting relief from the sustainability reporting and audit requirements, including that we will consider:

(a) the underlying policy objectives of the sustainability reporting requirements;

(b) the users of the sustainability report, their information needs, and how those users are likely to be impacted if relief is granted;

(c) established policy and precedents from financial reporting relief;

(d) whether to provide individual relief on a short-term basis or a no-action letter during the early years of the sustainability reporting requirements; and

(e) in reviewing applications for relief in which an applicant is claiming that preparing a sustainability report would impose an unreasonable burden, the proportionality mechanisms and exceptions that are available to the reporting entity under AASB S2.

Stakeholder feedback

89 Eight respondents sought more detail about the matters that ASIC is likely to take into account when assessing an application for relief in specific circumstances. Two respondents requested examples of circumstances where compliance with

the sustainability reporting requirements would 'impose unreasonable burdens' or 'be inappropriate in the circumstances' within the meaning of s342, such that relief is likely to be granted. Two respondents requested more precise guidance on ASIC's timeframe for processing applications. Three respondents submitted that ASIC should publish the instances where reporting relief has been granted as well as the reasons for the relief.

ASIC's response

Given the early stage of the sustainability reporting requirements and the diverse range of circumstances that could arise for reporting entities and other potential applicants for relief, ASIC does not propose to provide further detailed guidance at this time on:

- specific scenarios that may give rise to the need for relief;
- specific criteria that must be met for relief to be granted; or
- precise timeframes for processing applications for relief.

We will assess applications for relief on a case-by-case basis based on the principles set out in RG 280. However, during the early years of the sustainability reporting requirements, these applications will generally involve new policy considerations, and therefore require a longer period for decision.

As we start to receive and consider relief applications, and as new precedents develop, we will assess whether further guidance is appropriate on specific matters.

We intend to publish information about our decisions on significant or novel relief applications in due course, to illustrate the application of our approach to sustainability reporting relief.

Relief for stapled entities

90 ASIC Instrument 2023/673 enables stapled entities to prepare combined financial statements or consolidated financial statements on behalf of the stapled group.

91 In CP 380, we proposed to extend the relief in ASIC Instrument 2023/673 to enable stapled entities relying on the relief in that instrument to also prepare a sustainability report on behalf of the stapled group. Under the proposed revised instrument, if a stapled entity chooses to rely on the relief, it must prepare a sustainability report as if all members in the stapled group are a single entity (even if one or more members of the stapled group is not required to prepare a sustainability report under s292A).

Stakeholder feedback

92 All eight respondents who made submissions about ASIC Instrument 2023/673 were supportive of our proposal to extend the relief in that

instrument to enable stapled entities relying on the relief to prepare a sustainability report on behalf of the stapled group. Respondents generally agreed that sustainability reports should cover all members in the stapled group as a single entity; however, one respondent suggested that within that sustainability report each stapled entity should also provide a summary of their individual position to facilitate greater transparency.

> *ASIC's response*
>
> Based on the feedback received, we have amended ASIC Instrument 2023/673 to enable stapled entities relying on the relief to prepare a sustainability report on behalf of the stapled group. The sustainability report must be prepared as if all the members of the stapled group are a single entity. The amendments commence on 1 April 2025.

Wholly-owned companies

93 In CP 380, we sought feedback from preparers and users of sustainability reports about the intersection between ASIC Instrument 2016/785 and the sustainability reporting requirements.

Stakeholder feedback

94 Feedback on the intersection between ASIC Instrument 2016/785 and the sustainability reporting requirements was mixed.

95 Three respondents submitted that no amendments are required to ASIC Instrument 2016/785 for the following reasons:

(a) parent entities of wholly-owned companies relying on the relief in the instrument may elect to apply s292A(2) and prepare a consolidated sustainability report for the group that aligns to the consolidated financial report; and

(b) wholly-owned companies in environmentally sensitive industries should not automatically be granted relief from sustainability reporting requirements merely because relief has been granted from financial reporting requirements.

96 One respondent submitted that ASIC should consider amending ASIC Instrument 2016/785 to require, as a condition of the relief, that the holding entity of a wholly-owned entity that is a reporting entity under s292A prepares and lodges a consolidated sustainability report, to avoid wholly-owned reporting entities and their holding entities being unintentionally exempted from the sustainability reporting requirements in some circumstances.

ASIC's response

We are unable to amend ASIC Instrument 2016/785 to address sustainability reporting, or issue comparable relief for sustainability reporting via a standalone instrument, in a manner that extends the modified liability settings in s1707D of the Corporations Act to sustainability reports prepared pursuant to the ASIC relief. Section 1707D currently applies only to sustainability reports required to be prepared under s292A, and does not apply to sustainability reports prepared pursuant to ASIC relief.

Accordingly, we do not propose to amend the instrument to require the preparation of sustainability reports by a holding entity at this time.

We note the draft Treasury Laws Amendment Bill 2025: Miscellaneous and technical amendments (Autumn 2025) released for public consultation in January 2025 contained proposed legislative changes that, if enacted, would extend the coverage of the modified liability provisions to some types of sustainability reports prepared pursuant to ASIC relief issued under s340(1) or 341(1) (see also, modified liability in Section G).

We will reconsider amending ASIC Instrument 2016/785 once the modified liability provisions expire, or if the draft Bill is enacted.

In the interim, we expect that where s292A(2) applies to a holding entity relying on the instrument for financial reporting relief, that the holding entity will elect to prepare a consolidated sustainability report for the group.

Extending the relief in other ASIC instruments

97 In CP 380, we sought feedback on whether any other ASIC legislative instruments that grant financial reporting or audit relief should also be extended to apply to sustainability reports and auditor's reports of sustainability reports.

Stakeholder feedback

98 Five respondents suggested relief in other legislative instruments should also be extended. Respondents suggested the following legislative instruments could be extended to apply to sustainability reporting and audit:

(a) *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*—to enable rounding of quantitative amounts in sustainability reports; and

(b) *ASIC Corporations (Audit Relief) Instrument 2016/784*—to extend audit relief to the sustainability report where audit relief is available for the related financial report under the instrument.

99 One respondent submitted that ASIC should provide clarity on whether *ASIC Corporations (Related Scheme Reports) Instrument 2015/839* may be utilised by fund managers and superannuation funds to combine multiple funds' sustainability reports into a single report.

ASIC's response

ASIC Instrument 2016/181

We have amended the title of *ASIC Corporations (Electronic Lodgment of Financial Reports) Instrument 2016/181* to '*ASIC Corporations (Electronic Lodgment of Financial Reports and Sustainability Reports) Instrument 2016/181'* to reflect that the instrument permits electronic lodgment of sustainability reports.

ASIC Instrument 2016/191

We have not extended ASIC Instrument 2016/191 at this time. We consider that rounding relief is not required because AASB S2 provides adequate flexibility in relation to the presentation of amounts in a sustainability report. As explained in CP 380:

- AASB S2 provides that for certain quantitative information, an entity may disclose a single amount or a range: see paragraphs 17 and 22 of AASB S2; and
- the application guidance for AASB S2 provides that climate-related financial information can be accurate without being perfectly precise in all respects: see paragraph D15 in Appendix D of AASB S2.

ASIC Instrument 2016/784

We have not extended ASIC Instrument 2016/784 at this time. In response to submissions, we will give further consideration to extending the effect of this instrument to the audit requirements for sustainability reports. We will also consider the standards on sustainability assurance (ASSA 5000 *General Requirements for Sustainability Assurance Engagements* and ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001*) which were recently made by the Auditing and Assurance Standards Board in January 2025.

In the meantime, we will consider any applications for audit relief for a sustainability report, including those sought by reporting entities that have the benefit of audit relief under ASIC Instrument 2016/784. For any application for relief under s340(1) or 341(1), the applicant must satisfy us that one of the subparagraphs in s342(1) applies.

ASIC Instrument 2015/839

ASIC Instrument 2015/839 allows responsible entities to present financial statements of related schemes in adjacent columns in a single financial report. The relief applies to annual financial reports, concise financial reports and half-year financial reports. It does not apply to sustainability reports.

In CP 380, ASIC sought submissions on whether ASIC should extend the relief in ASIC Instrument 2015/839 so that it applies to sustainability reports and if so, how climate statements of the related schemes should be presented in the sustainability report: see CP 380 E4Q1. As none of the submissions received addressed these questions, we have not extended ASIC Instrument 2015/839 at this time.

ASIC will consider applications for related scheme relief for sustainability reports, if sought by reporting entities relying on the relief under ASIC Instrument 2015/839. The application should address how one of the subparagraphs in s342(1) applies, and how it is proposed that the climate statements of the related schemes will be presented in the sustainability report.

G Modified liability

Key points

This section outlines feedback on our proposal in CP 380 to issue guidance in relation to the modified liability settings for the sustainability reporting requirements.

Modified liability settings

100 In CP 380, we sought feedback on our proposed guidance about how the modified liability settings in s1707D of the Corporations Act apply to statements made in the sustainability report, auditor's report on the sustainability report, and other documents or communications prepared by reporting entities. Consultation on CP 380 closed in December 2024.

101 In January 2025, the Government consulted on the draft Treasury Laws Amendment Bill 2025: Miscellaneous and technical amendments (Autumn 2025). This draft Bill proposed to make minor and technical amendments to the modified liability provisions that, if enacted, will have the effect of extending the modified liability provisions to:

(a) 'relief condition reports', being sustainability reports prepared pursuant to, or to fulfil a condition of relief under, an ASIC order made under s340(1) or 341(1); and

(b) voluntary sustainability reports prepared by a company, registered scheme, RSE or disclosing entity that is not required to prepare a sustainability report.

Stakeholder feedback

102 Eleven submissions expressed concern about the modified liability settings not extending to voluntary disclosures of sustainability-related financial information. Stakeholders submitted that the limited application of the modified liability settings may have the effect of stifling voluntary disclosures outside sustainability reports. Some submissions sought expansion by ASIC of the coverage of the modified liability settings through ASIC-issued relief, safe harbours or guidance.

103 The key areas where respondents sought expansion of coverage were:

(a) voluntary statements made in investor presentations and promotional material;

(b) voluntary sustainability reports prepared by non-reporting entities (that comply with AASB S2);

(c) voluntary disclosures contained in a sustainability report prepared under s292A that are not disclosures made to comply with AASB S2;

(d) sustainability-related financial information disclosed in documents outside the sustainability report where it is unclear whether the disclosure is 'required to be made under a Commonwealth law' but investors would expect to see such information included in the document; and

(e) sustainability-related disclosures made in documents outside the sustainability report that are required under or for the purposes of the Corporations Act, that is lodged or submitted to ASIC.

104 Several submissions also sought clarification on whether the modified liability provisions applied in certain circumstances, such as where:

(a) disclosures are made in another document that is cross-referenced in the sustainability report;

(b) disclosures are made in the OFR;

(c) disclosures are made in response to shareholder questions at annual general meetings; and

(d) a summary of the protected statement from the sustainability report is included in another disclosure document such as a PDS.

ASIC's response

ASIC does not have the power to expand the coverage of the modified liability settings in s1707D. Our relief powers in respect of the sustainability reporting requirements do not enable us to establish 'safe harbours' or otherwise extend the scope of s1707D.

Guidance amended

ASIC's guidance explains the application of the existing modified liability settings. In response to submissions, our guidance now clarifies that:

- a statement made in another report prepared by the reporting entity that is only included in a sustainability report by way of cross-reference is not covered by the modified liability settings;
- a protected statement that is required to be included in the OFR under s299A is covered by the modified liability settings; and
- when disclosures are made outside the sustainability report or auditor's report on the sustainability report, the disclosure will only constitute a protected statement where it replicates the protected statement appearing in the sustainability report or auditor's report. A summary of the protected statement or a statement that expands on the content of the protected statement will not be protected.

We have also amended the guidance to clarify that disclosures made in the sustainability report will only constitute a protected statement if they are made for the purposes of complying with the sustainability standards.

If the Government's proposed amendments to the modified liability settings set out in the draft Treasury Laws Amendment Bill 2025: Miscellaneous and technical amendments (Autumn 2025) consulted on in January 2025 are enacted, we will update our regulatory guidance to reflect the expansion of these settings to disclosures in relief condition reports and voluntary sustainability reports.

H ASIC's regulatory and enforcement role

Key points

This section outlines ASIC's approach to supervision and enforcement of the sustainability reporting requirements.

ASIC's administration of the sustainability reporting requirements

105 In CP 380 we sought feedback on proposed guidance about how ASIC will administer the sustainability reporting requirements, including how we may review sustainability reports and audit files and exercise our directions power under s296E.

106 Our guidance documents acknowledge that there will be a period of transition as reporting entities continue to build their reporting capabilities. We will take a proportionate and pragmatic approach to supervision and enforcement during the transition period.

Stakeholder feedback

107 Submissions generally supported ASIC's stated enforcement approach. Six submissions sought further elaboration on how an enforcement posture of 'proportionate and pragmatic' will be implemented and applied to different aspects of the sustainability reporting requirements such as:

(a) disclosures on matters covered by the modified liability settings, such as forward-looking statements and reporting scope 3 emissions;

(b) voluntary statements made outside of a sustainability report that are not covered by modified liability settings; and

(c) where reporting entities make good faith attempts to comply with the reporting requirements but uncertainties in methodology or calculation may impede the accuracy of disclosures.

108 Three submissions sought further clarification or examples of how ASIC may exercise its directions power under s296E. Two submissions sought that ASIC provide enforcement updates in relation to use of the s296E directions power.

ASIC's response

Guidance amended

In response to feedback, we have included additional guidance in Section E of RG 280 to explain ASIC's proportionate and pragmatic approach to supervision and enforcement of the sustainability reporting requirements.

ASIC is cognisant of the challenges reporting entities face in transitioning to mandatory sustainability reporting requirements and the uncertainties involved in making climate-related disclosures that are forward-looking and required to be disclosed under AASB S2.

Reporting entities will need to build up their reporting capabilities, establish or improve processes to collect climate-related data, and refine inputs, methodologies and assumptions as they gain more reporting experience under the sustainability standards. Over time, it is expected that the availability, quality and consistency of climate-related information will improve as more entities undertake sustainability reporting, allowing reporting entities to provide more accurate disclosures in due course.

In administering the sustainability reporting requirements, we seek to balance statutory objectives of facilitating fair and efficient capital markets by fostering high-quality, consistent and comparable climate-related financial disclosures, and giving effect to these requirements including by taking enforcement action, when appropriate to do so.

ASIC will review sustainability reports lodged by reporting entities and undertake an annual surveillance program on sustainability reporting that is modelled on our existing annual financial reporting surveillance program. We will publicly report on the findings of our review, in order to drive continued improvement in the reporting standards. Reporting entities may find it useful to consider these reports, which may include our commentary on illustrative real-world examples, which was sought by many respondents to CP 380.

Appendix: List of non-confidential respondents

- Australian Small Business and Family Enterprise Ombudsman (ASBFEO)
- Australian Banking Association (ABA)
- Australian Council of Superannuation Investors (ACSI)
- Australian Finance Industry Association (AFIA)
- Australian Financial Markets Association (AFMA)
- Australian Industry Greenhouse Network (AIGN)
- Australian Institute of Company Directors (AICD)
- Australian Land Conservation Alliance (ALCA)
- Australian Public Policy Committee (APPC)
- Australian Sustainable Finance Institute (AFSI)
- BDO Global
- Bloomberg
- Business Council Australia (BCA)
- Business Council of Co-operatives and Mutuals (BCCM)
- BWD Strategic
- Chartered Accountants Australia & New Zealand and CPA Australia (CA ANZ & CPA)
- CDP
- Climate Integrity
- Climateworks Centre
- Clubs Australia
- Craig Caulfield
- Customer Owned Banking Association
- David Hardidge
- Deakin Sustainable Business Centre
- Deloitte
- Environmental Defenders Office
- Ernst & Young (EY)
- Financial Services Council
- GHD Group
- Governance Institute
- Grant Thornton
- Group of 100
- Herbert Smith Freehills (HSF)
- Impax Asset Management
- Institute of Public Accountants
- Insurance Council of Australia (ICA)
- Investor Group on Climate Change
- KPMG Australia (KPMG)
- KWM and Owl Advisory
- Law Council of Australia (LCA)
- Maritime Union of Australia
- Mukesh Garg and Luisa A. Unda
- National Australia Bank (NAB)
- Norges Bank Investment Management
- PricewaterhouseCoopers
- Prof. Carol Adams
- Property Council of Australia
- Responsible Investment Association Australasia (RIAA)
- SESIO – Swinburne University
- Skyjed
- Sportsbet
- Woolworths
- Zenith Investment Partners