

19 December 2024

Claire LaBouchardiere
Senior Executive Leader
Companies & Small Business
Australian Securities and Investments Commission
GPO Box 9827
Melbourne VIC 3001

By email: sustainable.finance@asic.gov.au

Dear Ms LaBouchardiere,

Re: Submission, Consultation Paper 380 on Sustainability reporting

Woolworths Group (Woolworths) welcomes the opportunity to provide a response to the Australian Securities and Investments Commission (ASIC) request for feedback on proposed guidance on the sustainability reporting regime, "Regulatory Guide 000 Sustainability Reporting" (the Guide).

We are the nation's largest retailer and private sector employer, with more than 200,000 team members across Australia and New Zealand. In Australia, we have more than 1,100 Supermarkets and Metros, around 180 BIG W stores and almost 30 Distribution Centres and Customer Fulfilment Centres.

EXECUTIVE SUMMARY AND RECOMMENDATIONS

As we enter the final year of our Sustainability Plan 2025, our sustainability ambition is anchored in our purpose of working collaboratively to create a better tomorrow. We support the Government's objective for Australia's financial and sustainability-related reporting frameworks to be internationally aligned: minimising compliance costs for companies and maximising comparability for users.

We also note the Government intends international alignment with the ISSB standards will support Australia's reputation as an attractive destination for international capital and help draw the investment required for the transition to net zero.

To ensure reporting entities maintain focus on the core objectives of delivering progress and impact, ASIC's guidance should assist with streamlining the reporting process and - by extension - maximising entities' capacity for impactful work. This should be a focus of the early years of these new reporting requirements.

Our key feedback focuses on the following issues.

Forward-Looking Statements: provide further clarity with respect to forward-looking climate statements and how entities can balance the need for long-term projections and to set ambitious

targets within the regulatory environment. This includes addressing the potential conflict between ASIC's existing guidance discouraging projections beyond two years and meaningful climate reporting.

Directors' Duties and Liability: we support ASIC adopting a "proportionate and pragmatic" approach to enforcement.

Content of the Sustainability Report: provide guidance on disclosing data limitations, including potential restatements. Further clarification is sought on ASIC's expectations on where, within the Sustainability Report, corporates will be required to outline the principles under which the report has been completed (also known as the 'basis of preparation').

PART B: PREPARING A SUSTAINABILITY REPORT

Our feedback in response to the guidance on preparing a sustainability report is focused on sustainability records, directors' duties and modified liability.

Sustainability records, directors' duties and modified liability

Sustainability Records

We note that ASIC's proposed guidance is intended to clarify: (a) the types of sustainability records that may be kept, as these are new record keeping obligations; (b) the systems that should be developed for maintaining adequate sustainability records that support the preparation of the sustainability report; and (c) the systems that should be developed to ensure that sustainability records are available on request by ASIC and provided promptly to auditors to support the auditor's report on the sustainability report.

Proportionate mechanisms

We consider that the guidance regarding record keeping should also extend to proportionate mechanisms where the standard requires companies to use "reasonable and supportable information without undue cost or effort." We suggest that ASIC provide practical guidance on how companies can document and evidence the decision-making process around what constitutes "reasonable" and "not overly burdensome" in their specific circumstances. A worked example would be beneficial.

Directors' Duties

We note that ASIC is proposing to issue guidance about how material climate-related risks may broadly intersect with the duties of directors, including additional expectations in light of the sustainability reporting requirements, and in relation to the directors' declaration on the climate statement in the sustainability report.

Transition period

The data on which the materiality of climate related risks and opportunities are assessed will improve as the industry adapts to the new standards.

In this context, we support ASIC taking a "proportionate and pragmatic approach to supervision and enforcement as the requirements are being phased in". Examples of how that approach will be implemented may be helpful.

PART C: CONTENT OF THE SUSTAINABILITY REPORT (SPECIFIC ISSUES)

We note that ASIC is proposing to provide guidance on the content of a sustainability report. Our feedback is focussed on the proposed guidance on statements with forward-looking climate information, cross-referencing in a sustainability report, labelling, notes to the climate statements, and the proportionality mechanisms and exceptions under AASB S2.

Statements with forward-looking climate information

ASIC has provided guidance on forward-looking climate statements, emphasising the need for them to be relevant, faithful, comparable, verifiable, timely and understandable.

However, ASIC's existing guidance discourages projections beyond two years unless supported by independent or objective data because such statements are unlikely to have a reasonable basis and may therefore be deemed to be misleading.

This creates a potential conflict with target setting and may impact climate reporting beyond a two year outlook.

ASIC might usefully provide more guidance on how corporations might balance long-term climate projections with nearer term projections. Case studies to demonstrate examples of reasonable grounds for forward-looking statements would be beneficial.

We also note that entities may rely on data from government agencies, credible scientific research organisations or respected industry bodies that may be contested. Industry would benefit from guidance on the degree to which differences in expert opinion about the data that is used in a Sustainability Report should be acknowledged. For example, it may be helpful for ASIC to suggest that entities may highlight and reference data conflicts, to explain the assumptions and judgements used in the final analysis, and note any potential risks associated with relying on the data.

Labelling

ASIC notes that, under the sustainability reporting regime, 'sustainability report' has a precise meaning.

We note that the consultation paper acknowledges that historical and longstanding practice has

involved providing sustainability information in a voluntary 'sustainability report' that may encompass climate-related financial disclosures.

We agree with the need to clearly distinguish between the 'sustainability report', (what ASIC has labelled) the 'climate statement', and other voluntary disclosures on sustainability made in other reports and documents. We propose that companies should be able to retain flexibility in labelling their voluntary sustainability statements as long as they are clearly distinguished from mandatory disclosures.

Notes to climate statements

While RG 000.91(b) states that AASB S2 does not explicitly require notes for climate statements, the nature of the information required (assumptions, uncertainties, sources, etc.) suggests that a comprehensive basis of preparation is crucial for users to understand, and assess the reliability and context of the disclosures.

Therefore, if ASIC expects this information to be presented in a particular location within the Sustainability Report, this should be clarified to ensure consistency and transparency in reporting practices.

Proportionality mechanisms and exceptions under AASB S2

ASIC proposes to issue guidance that reporting entities should take particular care to ensure adequate sustainability records are kept that substantiate the reporting entity's application of the proportionality mechanisms under AASB S2.

When considering proportionality mechanisms, we note that large corporate groups often comprise smaller related bodies corporate, operating as independent businesses with separate systems and resources and it would be helpful to lay out expectations in this regard.

In addition, ASIC might address the potential future challenge to sourcing Scope 3 emissions data directly from third parties, as that data will often originate from smaller entities. This data may remain 'unverified' or 'unaudited' in the foreseeable future due to the potential cost burden on smaller organisations.

Guidance might usefully acknowledge this reality and offer practical advice on managing this aspect of reporting, ensuring compliance without imposing unreasonable costs on smaller entities.

Recommendation: Allow companies to retain flexibility in how they label their voluntary sustainability statements.

Recommendation: If ASIC has a position on the placement of the 'basis of preparation' for climate-related financial disclosures, it should issue clear guidance.

Recommendation: Provide practical guidance on applying proportionate, risk-based approaches to record-keeping particularly for large entities with smaller subsidiaries, and supply chain participants, acknowledging the potential burden on these smaller entities.

PART D: OTHER ISSUES REGARDING DISCLOSURE OF SUSTAINABILITY-RELATED INFORMATION

Other areas where we can support the transition to sustainability reporting

We also note that reporting entities face a significant challenge in providing useful sustainability information when data is scarce or unreliable, particularly with regard to Scope 3 emissions. This data is likely to continue to evolve. Clearer guidance may assist, including an acknowledgment of data limitations and explicitly recognising the evolving nature of sustainability data, especially Scope 3 emissions, and the possibility of variability in reporting.

This may help entities produce higher quality disclosures while maintaining transparency about the limitations of current data.

Recommendation: Provide clearer guidance on reporting sustainability data, especially Scope 3 emissions, emphasising transparency about data limitations.

CONCLUSION

Thank you for the opportunity to provide this submission for consideration. Please contact [REDACTED], Manager, Government Relations and Industry Affairs - Sustainability by email at [REDACTED] if you have any questions about our submission. We welcome ongoing engagement throughout the reform process.