



**ASIC**  
Australian Securities &  
Investments Commission

CONSULTATION PAPER 380

# Sustainability reporting

November 2024

## About this paper

This paper seeks feedback on:

- ASIC's proposals to issue a regulatory guide for entities required to prepare a sustainability report under Ch 2M of the Corporations Act;
- ASIC's proposals to facilitate sustainability reporting relief for stapled entities; and
- broader questions, issues or uncertainties that may inform our approach to any future guidance.

Note: For draft Regulatory Guide 000 *Sustainability reporting* (RG 000) and the draft legislative instrument, see the attachments on the [CP 380 landing page](#).

### 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.

### Document history

This paper was issued on 7 November 2024 and is based on the legislation as at the date of issue.

### Disclaimer

The proposals, explanations and examples in this paper do not constitute legal advice. They are also at a preliminary stage only. Our conclusions and views may change as a result of the comments we receive or as other circumstances change.

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## The consultation process

You are invited to comment on the proposals in this paper, which are only an indication of the approach we may take and are not our final policy.

As well as responding to the specific proposals and questions, we also ask you to describe any alternative approaches you think would achieve our objectives.

We are keen to fully understand and assess the financial and other impacts of our proposals and any alternative approaches. Therefore, we ask you to comment on:

- the likely compliance costs;
- the likely effect on competition; and
- other impacts, costs and benefits.

Where possible, we are seeking both quantitative and qualitative information. We are also keen to hear from you on any other issues you consider important.

Your comments will help us develop our guidance on and approach to the sustainability reporting requirements in the Corporations Act. In particular, any information about compliance costs, impacts on competition and other impacts, costs and benefits will be taken into account if we prepare a Regulation Impact Statement: see Section G, 'Regulatory and financial impact'.

### Making a submission

You may choose to remain anonymous or use an alias when making a submission. However, if you do remain anonymous we will not be able to contact you to discuss your submission should we need to.

Please note we will not treat your submission as confidential unless you specifically request that we treat the whole or part of it (such as any personal or financial information) as confidential.

Please refer to our privacy policy at [www.asic.gov.au/privacy](http://www.asic.gov.au/privacy) for more information on how we handle personal information, your rights to seek access to and correct personal information, and your right to complain about breaches of privacy by ASIC.

Comments should be sent by 19 December 2024 to:

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Australian Securities and Investments Commission  
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## What will happen next?

<b>Stage 1</b>	7 November 2024	ASIC consultation paper released
<b>Stage 2</b>	19 December 2024	Comments due on the consultation paper
<b>Stage 3</b>	Q1 2025	Regulatory guide released

## A Background to the proposals

### Key points

Sustainability reporting requirements have been introduced into the *Corporations Act 2001* (Corporations Act) following the enactment of the *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024* (FMI Act).

An entity must prepare an annual sustainability report under Ch 2M of the Corporations Act if they:

- are required to prepare an annual financial report under Ch 2M; and
- meet one of the sustainability reporting thresholds under s292A.

Sustainability reports must contain climate-related financial disclosures that comply with the Corporations Act and the sustainability standards made by the Australian Accounting Standards Board (AASB) under s336A.

We are seeking your feedback on:

- our proposal to issue a regulatory guide for entities required to prepare sustainability reports under Ch 2M;
- our proposal to facilitate sustainability reporting relief for stapled entities; and
- broader questions, issues or uncertainties that may inform our approach to any future guidance.

### Introduction of the sustainability reporting regime

- 1 The Australian Parliament has introduced sustainability reporting requirements into the Corporations Act through the enactment, in September 2024, of the FMI Act.
- 2 An entity must prepare a sustainability report and keep sustainability records if they:
  - (a) are required to prepare an annual financial report under Ch 2M of the Corporations Act; and
  - (b) meet one of the sustainability reporting thresholds under s292A.

Note: In this consultation paper and our draft guidance, a ‘reporting entity’ refers to an entity that must prepare a sustainability report for a financial year under Ch 2M. See also draft Regulatory Guide 000 *Sustainability reporting* (RG 000) at draft RG 000.36, which relates to when a sustainability report is prepared on behalf of another entity under the Corporations Act.

- 3 The objective of the sustainability reporting regime is to improve the quality, consistency and comparability of climate-related financial disclosures of reporting entities.
- 4 Reporting entities may include companies (including registered corporations under the *National Greenhouse and Energy Reporting Act 2007* (NGER Act)), registered schemes, registrable superannuation entities (RSEs) and retail corporate collective investment vehicles (CCIVs).
- 5 A reporting entity’s sustainability report for a financial year currently consists of the:
- (a) climate statements for the year;
  - (b) notes to the climate statements for the year; and
  - (c) directors’ declaration about the climate statements and notes (see s296A).
- Note: See proposal C6 for our proposed guidance about notes to the climate statements.
- 6 The climate statements are those statements required by Australian Sustainability Reporting Standard [AASB S2](#) *Climate-related disclosures*, made by the AASB under s336A.
- Note: For some entities, the climate statement for a financial year is a statement that there are no material financial risks or opportunities relating to climate for the relevant entity—see s296B. See also proposals C1–C2 for our proposed guidance on preparing climate statements under s296B(1).
- 7 AASB S2 is based on the international sustainability standards [IFRS S1](#) *General requirements for disclosure of sustainability-related financial information* and [IFRS S2](#) *Climate-related disclosures*, issued by the International Sustainability Standards Board (ISSB).
- Note 1: Australian Sustainability Reporting Standard [AASB S1](#) *General requirements for disclosure of sustainability-related financial information* has been issued by the AASB as a voluntary sustainability standard.
- Note 2: AASB S2 is based on IFRS S2 and the parts of IFRS S1 that are relevant for preparing climate-related financial disclosures.
- 8 Reporting entities must have the report audited in accordance with Div 3 of Pt 2M.3 of the Corporations Act: see s301A. The audit requirements are being phased in between 1 January 2025 and 30 June 2030.

## Our proposed guidance

- 9 We expect entities to engage with the new sustainability reporting requirements and take steps to ensure they will be ready to comply with them as they are phased in.

- 10 We are proposing to issue guidance to help entities comply with the sustainability reporting requirements. Our draft regulatory guide covers:
- (a) when reporting entities need to prepare a sustainability report and how to comply with related requirements, such as around keeping sustainability records (see Section B);
  - (b) specific issues in relation to the contents of a sustainability report, such as statements with forward-looking climate information, labelling, the use of cross-referencing, and the proportionality mechanisms and exceptions under AASB S2 (see Section C);
  - (c) how the sustainability reporting requirements interact with existing legal and regulatory requirements (see Section D); and
  - (d) our role in administering and enforcing the sustainability reporting requirements, including our approach to exercising ASIC's powers to grant relief from these requirements (see Section E).

Note: See Attachment 1 to this consultation paper for a copy of draft Regulatory Guide 000 *Sustainability reporting* (draft RG 000).

- 11 Draft RG 000 does not seek to provide exhaustive guidance on the preparation of, and content required in, a sustainability report. It explains our interpretation of the sustainability reporting requirements under the Corporations Act and how we will administer and enforce them.

- 12 Preparers and users of sustainability reports should also refer to guidance from other sources. For example:
- (a) Appendix B to [AASB S2](#) provides guidance on the application of the core content requirements under AASB S2;
  - (b) the ISSB has published accompanying guidance and education materials to support the application of [IFRS S2](#). The accompanying guidance is accessible after [signing in as a registered user](#). These may also be useful for reporting entities in complying with AASB S2; and
  - (c) the AASB and Auditing and Assurance Standards Board are considering developing guidance and educational materials in relation to the sustainability reporting and assurance regime.

- 13 Where required, reporting entities should also seek professional advice to ensure compliance with the sustainability reporting requirements under the Corporations Act.

Note: However, a reporting entity's auditor should not provide this advice. The auditor must be independent from the reporting entity it audits: see Div 3, 4 and 5 of Pt 2M.4.

- 14 We are likely to supplement our guidance over time, as sustainability reporting practices mature and as regulatory developments in Australia and overseas progress.



- 15 We are interested to receive feedback on the specific questions posed in this consultation paper, any areas of our proposed guidance that would benefit from additional detail, or any other issues that ASIC should address through guidance.

## **Our proposal to grant relief to facilitate sustainability reporting in relation to stapled entities**

- 16 We are proposing to facilitate sustainability reporting relief for stapled entities by amending [\*ASIC Corporations \(Financial Reporting by Stapled Entities\) Instrument 2023/673\*](#): see proposal E2.
- 17 Under our proposed amendments to ASIC Instrument 2023/673, a stapled entity that elects to rely on the relief under the instrument can prepare a sustainability report containing climate-related financial disclosures on behalf of the stapled group.

## **Feedback sought on how we can further support the sustainability reporting regime**

- 18 We are also consulting on broader questions, issues or uncertainties that may inform our approach to any future guidance, and how we can otherwise support the introduction of the sustainability reporting requirements over time.

## B Preparing a sustainability report

### Key points

We are proposing to issue guidance to help entities identify whether they are required to prepare a sustainability report: see proposal B1.

We are also proposing to issue guidance on:

- maintaining sustainability records;
- directors' duties in relation to sustainability reporting; and
- the modified liability settings applicable to sustainability reporting (see proposal B2).

## Entities that must prepare a sustainability report

### Proposal

**B1** We propose to issue regulatory guidance about:

- (a) the phasing in of sustainability reporting requirements for each cohort of reporting entity;
- (b) how RSEs, registered schemes and retail CCIVs can determine whether they meet the sustainability reporting thresholds;
- (c) the accounting standards that apply for reporting entities in determining whether an entity controls another for the purposes of s292A(3) and s292A(6);
- (d) the intersection between the sustainability reporting requirements and entities that are part of a consolidated entity or group members of stapled groups; and
- (e) entities that do not need to prepare a sustainability report.

Note: See draft RG 000.32–RG 000.43.

### Your feedback

B1Q1 Do you agree with our proposed guidance?

B1Q2 What further guidance could we provide to help entities determine whether they are required to prepare a sustainability report?

B1Q3 What additional guidance should we provide to clarify how the s292A thresholds apply to RSEs, registered schemes and retail CCIVs?

## Rationale

- 19 Our proposed guidance focuses on addressing the intersection between the sustainability reporting thresholds and other specific requirements, such as:
- (a) when the sustainability reporting requirements commence for each cohort of reporting entity;
  - (b) how the sustainability reporting thresholds apply to RSEs, registered schemes and retail CCIVs and who is required to prepare the sustainability report on their behalf; and
  - (c) how the concept of control under s292A(3) or s292A(6) is assessed.

## Sustainability records, directors' duties and modified liability

### Proposal

- B2** We propose to provide guidance on:
- (a) the sustainability records that the reporting entity must keep;
  - (b) how material climate risks broadly intersect with directors' duties, including for directors of entities required to prepare a sustainability report; and
  - (c) the modified liability settings that apply until 31 December 2028, in relation to sustainability reporting.

Note: See draft RG 000.44–RG 000.65.

#### *Your feedback*

- B2Q1 Does our proposed guidance help you understand the sustainability records that must be kept?
- B2Q2 What further guidance should we provide on keeping sustainability records?
- B2Q3 Does our proposed guidance help you understand our expectations for directors in complying with their sustainability reporting requirements?
- B2Q4 Are there any aspects of the sustainability reporting requirements where further ASIC guidance would be helpful for directors?
- B2Q5 Does our proposed guidance on the modified liability settings clarify how these settings apply to statements made in sustainability reports and other documents or communications?
- B2Q6 What further guidance should we provide about the modified liability settings?

## Rationale

### Sustainability records

- 20 Our 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.

### Directors' duties

- 21 We are proposing to issue guidance about how material climate-related risks may 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*.
- 22 For directors of entities that are required to prepare a sustainability report under s292A, our proposed guidance sets out our additional expectations in light of the sustainability reporting requirements, including in relation to the director's declaration on the climate statement in the sustainability report.

### Modified liability settings

- 23 Our proposed guidance on the modified liability settings is intended to provide clarity for preparers, users of sustainability reports and others interested in climate-related financial disclosures about the coverage of the modified liability settings and the period that modified liability settings apply.

## C Content of the sustainability report (specific issues)

### Key points

We are proposing to provide guidance on the content of a sustainability report. Our proposed guidance will cover:

- statements about no climate risks or opportunities (see proposals C1–C2);
- statements with forward-looking climate information (see proposal C3);
- cross-referencing in a sustainability report (see proposal C4);
- labelling (see proposal C5);
- notes to the climate statements (see proposal C6) and
- the proportionality mechanisms and exceptions under AASB S2 (see proposal C7).

## Statements about no climate risks or opportunities

### Proposal

- c1** We propose to provide guidance that reporting entities to whom s296B(1) may apply must assess, in accordance with [AASB S2](#), whether for a financial year there are no material financial risks or opportunities relating to climate.

Note: See draft RG 000.70(a).

#### Your feedback

C1Q1 Are there other issues relevant to reporting entities' assessment of whether there are no material financial risks or opportunities?

- c2** We propose to provide guidance that reporting entities that consider they have no material financial risks or opportunities under s296B(1) must:
- (a) maintain adequate sustainability records; and
  - (b) establish robust processes to ensure that they meet the sustainability reporting requirements under s296A(1) for any subsequent financial year that there are material financial risks or opportunities.

Note: See draft RG 000.70(b)–RG 000.71.

#### Your feedback

C2Q1 Do you agree with our proposed guidance? If not, why not?

## Rationale

- 24 Our proposed guidance clarifies that a reporting entity to whom s296B(1) applies must assess, in accordance with [AASB S2](#), whether for a financial year there are no material financial risks and opportunities related to climate. Section 296B(6) clarifies that this process must be undertaken, even though this is not a climate statement under s296A(2).
- 25 Our proposed guidance will assist reporting entities preparing climate statements under s296B(1) to understand our expectations for the processes they will need to have in place to comply with the Corporations Act and AASB S2.
- 26 Our review of sustainability reports is expected to include ‘Group 3’ entities that lodge sustainability reports containing climate statements under s296B(1). We may provide additional guidance as market practice develops.

## Statements with forward-looking climate information

### Proposal

- c3 We propose to issue guidance about statements with forward-looking climate information in the sustainability report. Notably:
- (a) reporting entities must comply with paragraphs D1–D33 of Appendix D of [AASB S2](#) (the qualitative characteristics of useful climate-related financial information) in preparing statements with forward-looking climate information;
  - (b) in doing so, reporting entities must disclose the basis for those forward-looking statements, including the underlying methods and assumptions used to produce that information; and
  - (c) reporting entities must also maintain adequate sustainability records that explain the methods, assumptions and evidence for all forward-looking information in the climate statement.

Note: See draft RG 000.72–RG 000.78.

### *Your feedback*

C3Q1 Do you agree with our proposed guidance?

C3Q2 Should we issue more guidance about the facts or circumstances that are more likely to constitute reasonable grounds for forward-looking information in climate statements? If you consider that we should issue more guidance, please explain:

- (a) what it should cover beyond the application guidance in Appendix D of AASB S2;

- (b) how you consider that guidance would impact information disclosed under the sustainability standards in Australia, compared to information disclosed under the comparable international standards; and
- (c) if there is any resultant inconsistency, how this can be reconciled with the context and purpose of the reforms, which cite international alignment of sustainability reporting to be a key priority.

## Rationale

27 Material climate-related risks and opportunities may manifest for many entities over the short, medium, and long term. A reporting entity's strategies, targets and plans may also apply over similar timeframes. Accordingly, aspects of climate-related financial disclosure tend to be more forward-looking in nature than other reporting requirements in the Corporations Act.

28 Forward-looking information must be based on reasonable grounds, otherwise it may risk misleading users of that information: see s1041H and 769C.

Note: See also Regulatory Guide 170 *Prospective financial information* ([RG 170](#)).

29 We consider that reporting entities must comply with paragraphs D1–D33 of Appendix D to [AASB S2](#) when preparing statements with forward-looking climate information in the sustainability report. These paragraphs set out:

- (a) the fundamental qualitative characteristics of useful climate-related financial information—relevance and faithful representation; and
- (b) the enhancing qualitative characteristics of useful climate-related financial information—comparability, verifiability, timeliness and understandability.

30 For example, paragraph D24 of Appendix D to AASB S2 provides that:  
[s]ome climate-related financial information will be presented as explanations or forward-looking information. That information can be supportable, for example by faithfully representing fact-based strategies, plans and risk analyses. To help primary users decide whether to use such information, an entity shall describe the underlying assumptions and methods of producing that information, as well as other factors that provide evidence that the information reflects the actual plans or decisions made by the entity.

31 Paragraph D15 provides that:  
[c]limate-related financial information shall be accurate. Information can be accurate without being perfectly precise in all respects. The precision needed and attainable, and the factors that make information accurate, depend on the nature of the information and the nature of the matters to which it relates. For example, accuracy requires that:

- (a) factual information is free from material error;
- (b) descriptions are precise;
- (c) estimates, approximations and forecasts are clearly identified as such;
- (d) no material errors are made in selecting and applying an appropriate process for developing an estimate, approximation or forecast;
- (e) assertions and inputs used in developing estimates are reasonable and based on information of sufficient quality and quantity; and
- (f) information on judgements and the future faithfully reflects both those judgements and the information on which they are based.

32 Paragraph D23 provides that:

[c]limate-related financial information shall be provided in a way that enhances its verifiability. Verifiability can be enhanced by, for example:

- (a) including information that can be corroborated by comparing it with other information available to primary users about an entity's business, about other businesses or about the external environment in which the entity operates;
- (b) providing information about inputs and methods of calculation used to produce estimates or approximations; or
- (c) providing information reviewed and agreed by the entity's board, board committees or equivalent bodies.

33 In relation to information about entity level climate-related targets and plans, paragraphs D12 and D13 of Appendix D of [AASB S2](#) provides that:

[c]limate-related financial information shall be neutral. A neutral depiction is one without bias in the selection or disclosure of information.

Information is neutral if it is not slanted, weighted, emphasised, de-emphasised or otherwise manipulated to make it more likely that primary users will receive the information favourably or unfavourably. Neutral information is not information without purpose or without influence on behaviour. On the contrary, relevant information is, by definition, capable of making a difference in users' decisions.

Some climate-related financial information, for example, targets or plans – is aspirational. A neutral discussion of such matters covers both aspirations and the factors that could prevent an entity from achieving these aspirations.

34 We have considered whether additional guidance on the factors that in our view would establish reasonable grounds for forward-looking disclosures is warranted. Our preliminary view is that this is not warranted, given:

- (a) the requirements already embedded in AASB S2 (as highlighted in paragraphs D1–D33 of Appendix D to [AASB S2](#)); and
- (b) imposing domestic and Australia-specific guidance, in addition to the detailed requirements set out in AASB S2 may create divergences in Australian reporting practice relative to the international IFRS S2 baseline.



## Cross-referencing in a sustainability report

### Proposal

- c4 We propose to issue guidance about information included by cross-reference in a sustainability report (under paragraph 63 of Appendix D of [AASB S2](#)). Our proposed guidance is that entities should lodge the cross-referenced document with ASIC at the same time as the sustainability report (unless that document has already been lodged with ASIC).

Note: See draft RG 000.79–RG 000.81.

#### *Your feedback*

C4Q1 Do you agree with our proposal? If not, why not?

### Rationale

- 35 Material information can be included in a reporting entity's climate statements by cross-referencing to another document published by the entity: see paragraphs 63 and B45–B47 of Appendix D of [AASB S2](#). However:
- (a) the cross-referenced information must be available on the same terms and at the same time as the climate-related financial disclosures; and
  - (b) the complete set of climate-related financial disclosures must not be made less understandable by including information by cross-reference.
- 36 We strongly encourage reporting entities that uses this option in AASB S2 to lodge that other document with ASIC (if it has not already been lodged).
- 37 This ensures that a complete and permanent record of the sustainability report (including any information that it includes by cross-reference under AASB S2) is available for public access via ASIC's register. Such a record may be compromised if information cross-referenced in a sustainability report is not lodged with ASIC. For example, if:
- (a) the relevant entity is taken over by, or merges with, another entity and access to that cross-referenced information is removed from public view as a consequence of a change in the corporate structure or ownership;
  - (b) the relevant entity is placed in external administration or is wound up; or
  - (c) reports that are published but not lodged with ASIC are removed from corporate websites with the passage of time.

## Labelling

### Proposal

- c5** We propose to issue guidance recommending how entities should label reports and statements containing sustainability-related financial information. Our proposed guidance includes that:
- (a) the term ‘sustainability report’ should be used when referring to the statutory sustainability report defined in s9 and s292A(1);
  - (b) the term ‘climate statements’ should be used when referring to the statutory statements defined in s296A(2) and/or s296B (as applicable);
  - (c) the term ‘voluntary sustainability statements’ should be used for sustainability-related information other than climate-related financial disclosures, prepared voluntarily by applying all or parts of [AASB S1](#); and
  - (d) the term ‘voluntary climate statements’ should be used for climate-related financial disclosures prepared voluntarily by applying all or parts of [AASB S2](#).

Note: See draft RG 000.82–RG 000.89.

#### *Your feedback*

C5Q1 Do you agree with our proposal to encourage specific labelling for sustainability-related financial disclosures?

C5Q2 If not, what guidance (if any) should we provide to:

- (a) ensure that users of sustainability-related financial information are not misled by unhelpful or inappropriate labels; and
- (b) support investor comprehension and the consistency of information provided across the market?

C5Q3 If you currently prepare voluntary reports covering sustainability, are there other ways to achieve the outcomes our guidance seeks to achieve?

### Rationale

38 Under the sustainability reporting regime, ‘sustainability report’ has a precise meaning. It is:

- (a) an annual sustainability report required under s292A (see definition of ‘sustainability report’ in s9 of the Corporations Act);
- (b) a report that consists of the contents required under s296A(1). The contents of the sustainability report currently include a climate statement, notes to the climate statement, and a director’s declaration about the climate statement and notes (see draft RG 000.66 and draft RG 000.90–RG 000.91); and
- (c) a report that must be lodged with ASIC (see s319).

- 39 However, historical and longstanding practice has involved providing sustainability information in a voluntary ‘sustainability report’ that may encompass, but is not limited to, climate-related financial disclosures. This voluntary ‘sustainability report’ is often included in an annual report as part of integrated reporting and released to the ASX or on the entity’s website.
- 40 The phasing in of the sustainability reporting requirements across three cohorts may raise challenges in how reports containing sustainability-related information are described and the expectations of users about the content of those reports.
- 41 With the introduction of the sustainability reporting regime, and while reporting requirements are being phased in for different cohorts, entities may decide to prepare other sustainability-related disclosures in a range of contexts. These contexts include:
- (a) sustainability reports (including climate statements) required by the Corporations Act and lodged with ASIC;
  - (b) voluntary climate statements prepared by early adopters, applying all or parts of the requirements in [AASB S2](#); and
  - (c) voluntary sustainability statements prepared (for topics other than climate-related financial disclosures) by applying all or parts of [AASB S1](#).
- 42 We do not intend to inhibit the provision of voluntary sustainability information nor disrupt existing practices in the market unnecessarily.
- 43 However, we consider that where entities do not use clear labels for the sustainability-related financial information they prepare, there is a risk that users of the information may be misled about whether the entity is required to disclose this information under the law or is providing the information on a voluntary basis. It is important for investors and other users (including less sophisticated users) to be aware of whether, for example:
- (a) the information must be audited in accordance with Div 3 of Pt 2M.3; and
  - (b) the information is subject to ASIC’s directions power and the modified liability arrangements—both of which refer to statements in a ‘sustainability report’ as defined in the Corporations Act, aside from the circumstances described under s1707D(1)(b).
- 44 We consider that other voluntary sustainability-related information (such as disclosures under other reporting frameworks) should also be sufficiently differentiated from statutory information. However, we have not proposed to provide guidance on which particular labels should be used to differentiate this information.

## Notes to climate statements

### Proposal

- c6 We propose to issue guidance that we do not consider that notes to the climate statements currently need to be included in a sustainability report.

Note: See draft RG 000.90–RG 000.91.

#### *Your feedback*

C6Q1 Do you agree with our proposed guidance? If not, why not?

### Rationale

- 45 Our proposed guidance clarifies our view that climate statements prepared in accordance with [AASB S2](#) will be generally sufficient to meet the requirements in s296D for the purposes of complying with s296A(3).

## Proportionality mechanisms and exceptions under AASB S2

### Proposal

- c7 We propose 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.

Note: See draft RG.000.92–RG 000.95.

#### *Your feedback*

C7Q1 Do you agree with our proposed guidance? If not, why not?

### Rationale

- 46 Our proposed guidance is intended to highlight the intersection between the obligation to keep sustainability records under s286A and the proportionality mechanisms and exceptions under AASB S2.
- 47 In light of the subjectivity around the application of the proportionality mechanisms and exceptions under AASB S2, it is important that sustainability records reflect how these have been applied.

## D Sustainability-related financial disclosures outside the sustainability report

### Key points

We are proposing to provide guidance on:

- disclosing sustainability-related financial information generally outside a sustainability report (see proposal D1).
- sustainability-related financial information in the operating and financial review (OFR) (see proposal D2);
- sustainability-related financial information in prospectuses and other disclosure documents under Ch 6D (see proposal D3); and
- sustainability-related financial information in Product Disclosure Statements (PDSs) (see proposal D4);

## Sustainability-related financial disclosures outside the sustainability report

### Proposal

- D1 We propose to issue guidance that all entities should consider, and be informed by, the sustainability standards when preparing sustainability-related financial disclosures outside the sustainability report.

Note: See draft RG 000.96–RG 000.106.

### Your feedback

- D1Q1 Do you agree with our proposed guidance? If not, why not?
- D1Q2 Does our proposed guidance strike the right balance between facilitating other sustainability-related disclosures, especially while sustainability reporting requirements are being phased in for reporting entities?

### Rationale

- 48 Non-reporting entities will likely be impacted by the requirement for reporting entities to prepare a sustainability report. For example, over time:
- accounting, sustainability and audit professionals will undertake and maintain training in the interpretation and application of the sustainability standards;
  - the conceptual foundations, defined terms and approach of those standards will become more familiar across the financial and corporate sector; and

- (c) investors and lenders will likely reasonably expect sustainability and climate-related financial information to be provided in a consistent and comparable way in accordance with the sustainability standards.
- 49 We expect that the language of sustainability-related financial information across the Australian economy will fall into line with the sustainability standards.
- 50 Parliament has now expressed a clear view that certain entities must prepare climate-related financial disclosures in accordance with [AASB S2](#). However, in doing so, Parliament has laid out an approach that phases in reporting entities over time, based on size.
- 51 Therefore, our proposed guidance that entities ‘consider, and be informed by’ is an appropriate interim position to adopt in the early years of the sustainability reporting regime. We will revisit the position in due course as market practice develops.

## Sustainability-related financial information in the OFR

### Proposal

- D2** We propose to provide guidance for listed entities that must comply with OFR requirements that:
- (a) all listed entities should disclose sustainability-related financial information (including climate-related financial information) if it would be reasonably required by members to make an informed assessment of the entity’s operations, financial position, business strategies and prospects for future financial years (see s299A); and
  - (b) reporting entities are that listed (listed reporting entities) should include an overarching narrative and analysis in the OFR that supplements *both* the financial report and the sustainability report.

This will help shareholders understand the operations, financial position, business strategies, and risks and opportunities affecting the prospects of the reporting entity overall.

Note: See draft RG 000.107–RG 000.120.

#### *Your feedback*

D2Q1 Do you agree with our interpretation of s299A(1)? If not, why not?

D2Q2 Do you agree with our proposed regulatory guidance? If not, why not?

## Rationale

- 52 Our guidance clarifies our expectation that all listed entities must disclose sustainability-related financial information (including climate-related financial information) if required under s 299A(1).
- 53 In relation to reporting entities, the [Explanatory Memorandum](#) for the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 (FMI Bill) at paragraph 4.22 provides that:
- [t]hese amendments incorporate climate-related financial disclosures as part of a new annual sustainability report, added to the existing obligations to prepare annual financial reports under Chapter 2M of the Corporations Act. This will ensure that climate-related financial disclosures are reported in the same context as the financial statements and directors report for the financial year.
- 54 For listed reporting entities that must also prepare an OFR, we consider that the OFR requirements must be read in the context of the expanded suite of statutory materials that form part of the annual reporting to which the OFR relates. For reporting entities, this now includes the sustainability report.
- 55 Listed reporting entities will be required to disclose material climate-related financial risks and opportunities (and strategies in response) in the climate statements required under s296A. These entities will also be required to disclose organisation-wide strategy and prospects for future financial years (including risks and opportunities) under the OFR requirements in s299A(1).
- 56 An entity’s sustainability report provides decision-useful information about an entity’s material climate-related financial risks and opportunities, governance, strategy and metrics and targets. However, it may not necessarily provide the information needed to readily assess how these matters are contextualised by the entity’s overall business strategy and prospects (including risks and opportunities) for future financial performance.

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

### Proposal

- D3 We propose to issue guidance that if s710 requires the disclosure of sustainability-related financial information:
- (a) the issuer of a disclosure document under s710 should consider, and be informed by, [AASB S2](#) in preparing any climate-related financial information required under s710;

- (b) the issuer should consider disclosing 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;
- (c) the issuer should provide an overarching analysis and narrative in the investment overview section of the prospectus. This narrative should explain the significance of the sustainability-related financial information within the broader context of the issuer's corporate strategy, business model and prospects;
- (d) 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);
- (e) 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
- (f) an issuer that has lodged a sustainability report with ASIC for the most recent financial year should summarise climate-related financial information from that report.

Note: See draft RG 000.121–RG 000.129.

#### *Your feedback*

D3Q1 Do you agree with our proposal? If not, why not?

D3Q2 Are there any practical problems associated with our proposal? If so, please provide details.

D3Q3 What reasonable expectation are investors and other professional advisers likely to have about the disclosure of climate-related financial information if required by s710?

## **Rationale**

- 57 Our proposed guidance is intended to help issuers of disclosure documents under s710 meet the reasonable expectations of investors and their professional advisers seeking to make an informed assessment of the issuer's prospects.
- 58 Our proposed guidance states that an issuer that must disclose climate-related financial information under s710 (regardless of whether they are a reporting entity) should consider, and be informed by, [AASB S2](#) in preparing these disclosures.
- 59 We have provided this guidance because AASB S2 has been developed after extensive consultation with both users and preparers of that information. Investors will also reasonably expect climate-related financial information to be provided in a consistent and comparable way.
- 60 We considered other options in formulating our proposed guidance in this area. We considered requiring an issuer to append a sustainability report for



the financial year immediately preceding the date of the disclosure document. We are not proposing to take this position in guidance because:

- (a) reporting entities that are issuers of offer information statements under s715 are required to include a copy of the most recent sustainability report with their statement (see s715(1)(ia)); and
- (b) the Corporations Act does not require issuers of disclosure documents under s710 to include a copy of the most recent sustainability report with these types of disclosure documents.

61 For issuers of disclosure documents under s713 (transaction specific prospectuses) or s715 (offer information statements) the Corporations Act requires that:

- (a) a prospectus under s713 must either explain how a person can obtain a copy of the most recently lodged sustainability report, or include or be accompanied by a copy of that sustainability report (s713(4)); and
- (b) the offer information statement includes a copy of the most recent sustainability report that has been prepared under the sustainability standards (AASB S2) and audited with that disclosure document (s715(1)(ia) and s715(2A)).

62 We will consider updating Regulatory Guide 228 *Prospectuses: Effective disclosure for retail investors* ([RG 228](#)) and Regulatory Guide 254 *Offering securities under a disclosure document* ([RG 254](#)) (including undertaking further consultation, if required) in due course. We will base our decision on our observations of sustainability-related financial disclosures in disclosure documents under s710 over time.

## Sustainability-related financial information in PDSs

### Proposal

**D4** We propose to issue guidance that:

- (a) if s1013D or 1013E requires the disclosure of sustainability-related financial information:
  - (i) the issuer should consider, and be informed by, [AASB S2](#) in preparing any climate-related financial disclosures required under s1013D or 1013E;
  - (ii) 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
  - (iii) 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; and

- (b) 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.

Note: See draft RG 000.130–RG 000.142.

#### *Your feedback*

- D4Q1 Do you agree with our guidance? If not, why not?
- D4Q2 Are there any practical problems associated with our proposal? If so, please provide details.
- D4Q3 What reasonable expectation are retail investors likely have about the disclosure of climate-related financial information if required by s1013D and s1013E?

## **Rationale**

- 63 Proposal D4 sets out our expectations for the disclosure of sustainability-related financial information (including climate-related financial information) required under s1013D and 1013E in relation to a PDS.
- 64 Our proposed guidance provides a framework for PDSs issued in relation to reporting entities and non-reporting entities. It is also relevant for issuers of shorter PDSs under Sch 10D–10F to the *Corporations Regulations 2001*.
- 65 Our proposed guidance states that entities preparing PDSs (regardless of whether the PDS is in relation to a reporting entity) should consider, and be informed by, [AASB S2](#) in preparing any climate-related financial disclosures required under s1013D and 1013E.
- 66 We have provided this guidance because AASB S2 has been developed after extensive consultation with both users and preparers of that information. Retail investors will also reasonably expect climate-related financial information to be provided in a consistent and comparable way.
- 67 We will consider updating Regulatory Guide 65 *Section 1013DA disclosure guidelines* ([RG 65](#)) and Regulatory Guide 168 *Disclosure: Product Disclosure Statements (and other disclosure obligations)* ([RG 168](#)) (including undertaking further consultation) if necessary.

## E ASIC's administration of the sustainability reporting requirements

### Key points

We are proposing to:

- provide guidance explaining our approach to sustainability reporting and audit relief (see proposal E1); and
- facilitate sustainability reporting relief for stapled entities (see proposal E2).

We are seeking feedback on:

- the intersection between the sustainability reporting requirements and [ASIC Corporations \(Wholly-owned Companies\) Instrument 2016/785](#) (see proposal E3); and
- whether any other ASIC legislative instruments that grant relief in relation to financial reporting or audit requirements should be extended to sustainability reporting (see proposal E4).

We are also proposing to provide guidance on:

- how we may exercise ASIC's directions power (see proposal E5); and
- our approach to reviewing sustainability reports and enforcing the sustainability reporting regime (see paragraphs 86–88).

### Guidance on how we will approach sustainability reporting and audit relief

68 ASIC's existing relief powers in s340 and s341 will apply to the sustainability reporting requirements that are set out in Chs 2M.2, 2M.3 and 2M.4 (other than Div 4). Under these relief powers, we have the discretion to grant an exemption from sustainability reporting and audit requirements if we are satisfied that complying with the Corporations Act would:

- make the financial report, sustainability report or other reports misleading (see s342(1)(a));
- be inappropriate in the circumstances (see s342(1)(b)); or
- impose unreasonable burdens (see s342(1)(c)).

### Proposal

E1 We propose to provide guidance about our approach to granting relief from the sustainability reporting and audit requirements, including that we will consider:

- the underlying policy objectives of the sustainability reporting regime;

- (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, as these are relevant to our exercise of relief powers under s340 and 341;
- (d) whether to provide individual relief on a short-term basis or a no-action letter during the early years of the regime; 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](#).

Note: See draft RG 000.147–RG 000.185.

#### *Your feedback*

- E1Q1 Does our proposed guidance help you understand how we will approach and assess an application for relief from the sustainability reporting and audit requirements?
- E1Q2 Do you have any feedback about any aspect of our proposed guidance on relief?
- E1Q3 Are there additional policy considerations that we should address in our guidance to help entities understand when we are likely to exercise or not exercise ASIC’s power to grant relief?
- E1Q4 Are there any specific areas or kinds of relief that you anticipate will be commonly sought from the sustainability reporting and audit requirements? If so, please inform us what, if any, relief topics or types of applications we should provide further guidance on?
- E1Q5 What additional guidance, if any, would help you:
  - (a) consider whether to apply for relief from the sustainability reporting and audit requirements;
  - (b) prepare applications for relief; and
  - (c) understand how to lodge an application for relief?

### **Rationale**

- 69 Regulatory Guide 43 *Financial reports and audit relief* ([RG 43](#)) already provides guidance on ASIC’s relief powers in s340 and s341. However, we consider that reporting entities will benefit from additional guidance on how we will approach and assess applications for relief from the sustainability reporting and audit requirements.
- 70 The precedents for how and when we have exercised ASIC’s relief powers in s340 and s341 in relation to financial reporting and audit requirements are relevant to our assessment of sustainability reporting relief. However, these applications will generally involve new policy considerations that need to be

assessed in light of the policy underpinning the introduction of sustainability reporting in Australia.

- 71 Our proposed guidance highlights some of the considerations we will take into account when assessing applications for relief, including our proposed approach during the early years of the regime.
- 72 Further, our proposed guidance helps applicants understand how we are likely to consider applications under each statutory pre-condition and provides some proposed guidance, briefly, on specific kinds of relief applications including:
- (a) an extension of time to lodge a sustainability report;
  - (b) consolidated sustainability reporting; and
  - (c) audit relief.
- 73 We will assess these applications on a case-by-case basis, taking into account the principles set out in draft RG 000.

## Relief for stapled entities

- 74 [ASIC Instrument 2023/673](#) provides relief to allow stapled entities that are disclosing entities to prepare combined financial statements or consolidated financial statements of the stapled group.

### Proposal

**E2** We propose to:

- (a) extend the relief in ASIC Instrument 2023/673 to enable stapled entities relying on the relief in that instrument to prepare a sustainability report on behalf of the stapled group;
- (b) adopt the position that if a stapled entity chooses to rely on the relief in ASIC Instrument 2023/673, it must prepare a sustainability report as if all the members in the stapled group (including entities controlled by other stapled issuers) are a single entity. The report must cover all the group members of the stapled group even if one or more members of the stapled group is not required to prepare a sustainability report under s292A; and

Note: See draft updated ASIC Instrument 2023/673 at Attachment 2 to this consultation paper.

- (c) provide guidance that the stapled entity preparing the sustainability report must keep sustainability records in relation to the sustainability report (see s286A).

Note: See draft RG 000.156–RG 000.159.

**Your feedback**

- E2Q1 Do you agree with our proposal that, for a stapled entity to rely on ASIC Instrument 2023/673, a sustainability report must be prepared on behalf of all members of the stapled group, even if one or more of the stapled entities in the stapled group is not required to prepare a sustainability report under s292A?
- E2Q2 We are proposing that relief is available only where the sustainability report is prepared as if all members of the stapled group were a *single entity*. Do you agree with this proposal? Does this proposal for preparation and presentation raise any issues?
- E2Q3 If you consider that an alternative basis for the preparation or presentation of sustainability reports for stapled groups is more appropriate, please explain how. Please also explain why this would be more decision useful for users of the sustainability report.
- E2Q4 If relief for stapled entities should be provided on an alternate basis, please explain:
- (a) how the relief should apply; and
  - (b) the basis for that relief, considering:
    - (i) the statutory preconditions for relief in s342; and
    - (ii) the policy objectives of the sustainability reporting regime.

**Rationale**

- 75 Under our proposed updates to [ASIC Instrument 2023/673](#), a stapled entity that elects to prepare a sustainability report on behalf of the stapled group, must do so on the basis that all members of the stapled group are a single entity. Our proposed approach is intended to align with how sustainability reports are prepared under s292A(2), except that there is no requirement that the stapled entity control the other entities in the stapled group.
- 76 Our proposal differs from the existing financial reporting relief in ASIC Instrument 2023/673 in one significant respect. The existing financial reporting relief in ASIC Instrument 2023/673 enables a stapled entity to prepare consolidated financial statements that include stapled entities (that it does not control) or to prepare combined financial statements.
- 77 Users of sustainability reports will benefit from a sustainability report prepared on behalf of the entire stapled group:
- (a) to reflect the interrelationships between stapled entities; and
  - (b) because, from an investment perspective, interests in stapled entities may only be traded together.

## Wholly-owned companies

- 78 [ASIC Instrument 2016/785](#) provides financial reporting relief to wholly-owned companies that:
- (a) enter into a deed of cross-guarantee with its holding entity and other wholly owned entities of the group; and
  - (b) meet certain other conditions (including that the holding entity prepares a consolidated financial report).

### Proposal

- E3** We are seeking feedback from preparers and users of sustainability reports about the intersection between ASIC Instrument 2016/785 and the sustainability reporting requirements.

#### *Your feedback*

- E3Q1 What issues or challenges should ASIC be cognisant of, in relation to the intersection between the sustainability reporting requirements and ASIC Instrument 2016/785?

### Rationale

- 79 We are seeking feedback from preparers and users of sustainability reports on this topic.

## Extending the relief in other ASIC instruments

### Proposal

- E4** We have proposed to extend some relief available for financial reporting under [ASIC Instrument 2023/673](#) to sustainability reporting: see proposal E2. We are seeking feedback on whether any other ASIC legislative instruments that grant financial reporting or audit relief should also be extended to apply to sustainability reporting and the audit of sustainability reports. For example:
- (a) [ASIC Corporations \(Related Scheme Reports\) Instrument 2015/839](#);
  - (b) [ASIC Corporations \(Investor Directed Portfolio Services Provided Through a Registered Managed Investment Scheme\) Instrument 2023/668](#);
  - (c) [ASIC Corporations \(Audit Relief\) Instrument 2016/784](#);
  - (d) [ASIC Corporations \(Rounding in Financial/Directors' Reports\) Instrument 2016/191](#); and
  - (e) [ASIC Corporations \(Stapled Group Reports\) Instrument 2015/838](#).

*Your feedback*

- E4Q1 Do you consider that we should extend the relief in any of the instruments listed in proposal E4 so that it applies to sustainability reporting or the audit requirements for a sustainability report? Please provide submissions about:
- (a) why the relief is necessary;
  - (b) how one of the statutory preconditions for providing relief in s342 would be satisfied in relation to the relevant sustainability reporting requirements;
  - (c) any relevant aspects of the relief, or relevant conditions—for example, if we extended the relief in ASIC Instrument 2015/839, how should climate statements of the related schemes be presented in the sustainability report?
- E4Q2 Are there any other legislative instruments that should be amended to extend relief so that it applies to sustainability reporting requirements? If so, please provide details, including:
- (a) which of the statutory preconditions for providing relief in s342 would be satisfied in relation to the relevant sustainability reporting requirements, and why; and
  - (b) why there is a current need for the relief to be extended to those requirements.

**Rationale**

- 80 We are continuing to consider whether other financial reporting and audit relief we have provided should be extended to cover sustainability reporting or audit requirements.
- 81 In relation to some legislative instruments, we consider that relief is not likely to be required to facilitate sustainability reporting. For example, [ASIC Instrument 2016/191](#) and [ASIC Instrument 2015/838](#).
- 82 For ASIC Instrument 2016/191, relief is not likely to be required. This is because:
- (a) [AASB S2](#) provides that for certain quantitative information, an entity may disclose a single amount or a range—for example, quantitative information about the current and anticipated effects of climate-related risks and opportunities and the climate resilience of the entity’s strategy and business model: see paragraph 17 and paragraph 22 of AASB S2; and
  - (b) paragraph D15 at Appendix D to AASB S2 also states that:  
Climate-related financial information shall be accurate. Information can be accurate without being perfectly precise in all respects. The precision needed and attainable, and the factors that make information accurate, depend on the nature of the information and the nature of the matters to which it relates ...



- 83 For ASIC Instrument 2015/838, relief is not likely to be required. This is because our proposed relief in ASIC Instrument 2023/673 will require a stapled group relying on that relief to prepare a single sustainability report that includes all the entities in the stapled group. As only one sustainability report is prepared, relief is not needed to allow for the presentation of financial information from other stapled group members, or directors' declarations, in the report.
- 84 In some other legislative instruments, no amendment is necessary to extend the relief, as relief is already applicable to sustainability reporting or audit requirements. For example, in [ASIC Corporations \(Synchronisation of Financial Years\) Instrument 2016/189](#), the relief applies to all of the requirements arising under Ch 2M.3.

## Use of ASIC's directions power

### Proposal

- E5 We propose to issue guidance on how we may exercise ASIC's directions power. The proposed guidance explains the scope of ASIC's directions power and our processes for issuing directions under s296E.

Note: See draft RG 000.193–RG 000.203.

#### Your feedback

- E5Q1 Does our proposed guidance clarify how we may exercise ASIC's directions power under s296E? If not, why not?

### Rationale

- 85 Our proposed guidance is intended to help entities that receive an ASIC direction understand the scope of ASIC's directions power and that we will give them an opportunity to be heard before we issue a direction.

## Review of sustainability reports and our approach to enforcement

- 86 We may review sustainability reports in a range of circumstances to monitor for emerging issues and assess compliance with the Corporations Act and relevant sustainability standards.
- 87 Where non-compliance is identified, we may consider taking enforcement action. However, we acknowledge that there will be a period of transition as reporting entities continue to build their capability, as reflected in the phasing in of sustainability reporting requirements. Accordingly, we will take a proportional and pragmatic approach to supervision and enforcement during this transition period.
- 88 For further guidance on our general approach to enforcement, see Information Sheet 151 *ASIC's approach to enforcement* ([INFO 151](#)).

## F Other issues regarding disclosure of sustainability-related information

### Key points

We are seeking feedback on whether we should provide guidance on:

- the calculation of consolidated revenue for a financial year or the value of consolidated gross assets at the end of the financial year; and
- how to determine the number of employees at the end of the financial year (see proposal F1).

We are also seeking more general feedback to help us determine how we might further support the introduction of the sustainability reporting regime.

We are seeking feedback on:

- any guidance or additional information that we should immediately consider for the proposed regulatory guide;
- any other ways we could support reporting entities to meet the sustainability reporting requirements; and
- broader questions, issues or uncertainties that may inform our approach to future guidance, subject to broader market and industry developments (see proposal F2).

### Determining revenue, employees and assets for the purposes of applying the sustainability reporting thresholds

89 In applying the sustainability thresholds, entities will need to determine:

- (a) their consolidated revenue for the financial year;
- (b) the number of employees at the end of the financial year; and
- (c) the value of consolidated gross assets at the end of the financial year.

Note: See s292A(3) and 1707B.

90 These values are also relevant to determining when an entity will be phased into the sustainability reporting regime: see s1707B.

91 The consolidated revenue, value of consolidated gross assets and number of employees are to be calculated in accordance with the accounting standards in force at the relevant time: see s1707B(5) and s292A(7).

### Proposal

**F1** We are considering whether our guidance should address how to determine revenue, employees or assets for the purposes of applying the sustainability reporting thresholds.

*Your feedback*

F1Q1 Do you require guidance on how to determine revenue, employees and assets, for the purposes of applying the sustainability thresholds?

F1Q2 Do you consider that there are uncertainties or potential inconsistencies in how these tests might be applied in practice? What are they and how could they be addressed through guidance?

**Rationale**

92 We have not proposed guidance about how to determine revenue, employees or assets for the purposes of applying the sustainability reporting thresholds because:

- (a) the longstanding tests applied in s45A(3) to determine whether a proprietary company is ‘large’ or ‘small’ uses these determining factors;

Note: The sustainability reporting threshold under s 292A(3) is the same as the ‘large proprietary company’ threshold under s 45A(3).

- (b) the accounting standards cover the application of some of these matters.

93 However, stakeholders have raised that there may be inconsistencies in how these tests are applied and that there may be potential challenges for non-company entities in applying these tests.

94 Accordingly, we are welcoming feedback on what additional guidance stakeholders seek on these concepts, as they apply to the application of the sustainability reporting thresholds.

95 Given that these tests are also relevant to the application of s45A(3), any guidance may also impact proprietary company classification.

**Other areas where we can support the transition to sustainability reporting****Proposal**

F2 We are seeking feedback on how we could otherwise support entities in complying with their legal obligations within the scope of our regulatory mandate.

*Your feedback*

F2Q1 Are there any other areas of concern or uncertainty about complying with the sustainability reporting requirements that you consider ASIC could address through regulatory guidance? If so, please provide details.

F2Q2 Are there any other issues or additional information that you consider should be explained in draft RG 000 or future guidance? If so, please provide details.

F2Q3 Are there any other areas where we could help reporting entities develop their capabilities to meet the sustainability reporting requirements?

## Rationale

96 The sustainability reporting regime is a significant reform that will have far-reaching implications for many of our stakeholders.

97 We are seeking feedback on challenges, uncertainties and gaps that are anticipated in complying with the sustainability reporting requirements as identified by:

- (a) entities that are required to prepare sustainability reports (and their directors and advisers);
- (b) users of sustainability reports; and
- (c) other interested stakeholders.

98 This will help to inform potential updates to draft RG 000 and may inform our approach to future guidance within the scope of our regulatory mandate.

99 Our proposed guidance has focused on clarifying key issues or uncertainties in relation to complying with the sustainability reporting regime, and how the regime will interact with existing legal and regulatory requirements.

100 Draft RG 000 does not purport to provide exhaustive guidance on the preparation of, and content required in, a sustainability report. Reporting entities required to prepare a sustainability report should, where required, seek professional advice to ensure compliance with the sustainability reporting requirements under the Corporations Act.

101 We will likely supplement our guidance over time as the sustainability reporting practices mature, and regulatory developments both in Australia and overseas progress.

## G Regulatory and financial impact

102 In developing the proposals in this paper, we have carefully considered their regulatory and financial impact. On the information currently available to us, we think they will strike an appropriate balance between:

- (a) high-quality, consistent and comparable climate-related financial disclosures prepared in accordance with the Corporations Act and the AASB S2;
- (b) effective disclosure of climate-related financial information by entities to ensure users have sufficient information to be able to make economic decisions; and
- (c) investor confidence and market efficiency.

103 Before settling on a final policy, we will comply with the Australian Government’s Policy Impact Analysis (PIA) requirements by:

- (a) considering all feasible options, including examining the likely impacts of the range of alternative options that could meet our policy objectives;
- (b) if regulatory options are under consideration, notifying the Office of Impact Analysis (OIA); and
- (c) if our proposed option has more than a minor or machinery impact on business or on the not-for-profit sector, preparing an Impact Analysis (IA) or an IA equivalent (Independent Review).

104 All IAs are submitted to the OIA for approval before we make any final decision, or if an IA equivalent—to the OIA for agreement. Without an approved IA or agreed IA equivalent, ASIC is unable to give relief or make any other form of regulation, including issuing a regulatory guide that contains regulation.

105 To ensure that we are in a position to properly complete any required IA or IA equivalent, please give us as much information as you can about our proposals or any alternative approaches, including:

- (a) the likely compliance costs;
- (b) the likely effect on competition; and
- (c) other impacts, costs and benefits.

See ‘The consultation process’, p. 4.

## Key terms

Term	Meaning in this document
AASB	Australian Accounting Standards Board
AASB S1	<p>Australian Sustainability Reporting Standard AASB S1 <i>General requirements for disclosure of sustainability-related financial information</i>, which is a voluntary sustainability standard issued by the AASB</p> <p>Note: AASB S1 is based on IFRS S1, issued by the ISSB.</p>
AASB S2	<p>Australian Sustainability Reporting Standard AASB S2 <i>Climate-related disclosures</i>.</p> <p>AASB S2 is the sustainability standard made by the AASB under s336A of the Corporations Act</p> <p>Note: AASB S2 is based on IFRS S2, issued by the ISSB.</p>
ASIC	Australian Securities and Investments Commission
ASIC Instrument 2023/673 (for example)	An ASIC instrument (in this example numbered 2023/673)
annual report	<p>A report lodged annually by an entity under Ch2 M. For reporting entities, the annual report generally includes:</p> <ul style="list-style-type: none"> <li>• an annual financial report;</li> <li>• a directors' report;</li> <li>• a sustainability report; and</li> <li>• auditor's reports (on the financial report and on the sustainability report).</li> </ul> <p>For non-reporting entities, the annual report will not include a sustainability report or audit report in relation to the sustainability report</p>
auditor's report	<p>Means:</p> <ul style="list-style-type: none"> <li>• an auditor's report on an annual financial report required under s308; or</li> <li>• an auditor's report on a half-year financial report required under s309; or</li> <li>• an auditor's report on an annual sustainability report required under s301A</li> </ul> <p>Note: This is the definition in s9 of the Corporations Act.</p>
CCIV	<p>A corporate collective investment vehicle—a company that is registered as a corporate collective investment vehicle under the Corporations Act</p> <p>Note: This is the definition in s9.</p>
Ch 2M (for example)	A chapter of the Corporations Act (in this example numbered 2M)

Term	Meaning in this document
climate-related financial disclosures or information	Information about an entity's climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance, or cost of capital over the short, medium or long term, including information about the entity's governance, strategy and risk management in relation to those risks and opportunities, and related metrics and targets
climate-related metrics	Cross-industry metrics in relation to greenhouse gases, climate-related transition risks, climate-related physical risks, climate-related opportunities, capital deployment, internal carbon prices and remuneration  Note: See paragraph 29 of AASB S2.
climate-related opportunities	The potential positive effects arising from climate change for an entity. Efforts to mitigate and adapt to climate change can produce climate-related opportunities for an entity  Note: This is the definition in Appendix A of AASB S2.
climate-related physical risks	Risks resulting from climate change that can be event-driven (acute physical risk) or from longer-term shifts in climatic patterns (chronic physical risk). Acute physical risks arise from weather-related events such as storms, floods, drought or heatwaves, which are increasing in severity and frequency. Chronic physical risks arise from longer-term shifts in climatic patterns including changes in precipitation and temperature which could lead to sea level rise, reduced water availability, biodiversity loss and changes in soil productivity.  These risks could carry financial implications for an entity, such as costs resulting from direct damage to assets or indirect effects of supply-chain disruption. The entity's financial performance could also be affected by changes in water availability, sourcing and quality; and extreme temperature changes affecting the entity's premises, operations, supply chains, transportation needs and employee health and safety.  Note: This is the definition in Appendix A of AASB S2.
climate-related risks	The potential negative effects of climate change on an entity. These risks are categorised as climate-related physical risks and climate-related transition risks  Note: This is the definition in Appendix A of AASB S2.
climate-related targets	The quantitative and qualitative climate-related targets a reporting entity has set to monitor progress towards achieving its strategic goals, and any targets it is required to meet by law or regulation, including any greenhouse gas emissions targets  Note: This reflects the definition in paragraph 33 of AASB S2.

Term	Meaning in this document
climate-related transition risks	<p>Risks that arise from efforts to transition to a lower-carbon economy. Transition risks include policy, legal, technological, market and reputational risks. These risks could carry financial implications for an entity, such as increased operating costs or asset impairment due to new or amended climate-related regulations. The entity's financial performance could also be affected by shifting consumer demands and the development and deployment of new technology</p> <p>Note: This is the definition in Appendix A of AASB S2.</p>
climate statements	Has the meaning given in s9 and s296A(2) or 296B (as applicable) of the Corporations Act
consolidated sustainability report	<p>A sustainability report:</p> <ul style="list-style-type: none"> <li>• that is prepared in relation to a consolidated entity under s292A(2) of the Corporations Act; or</li> <li>• prepared in reliance on ASIC relief that permits the report to be prepared in relation to the reporting entity and other entities in the reporting entity's corporate group</li> </ul>
Corporations Act	<i>Corporations Act 2001</i> , including regulations made for the purposes of that Act
directions power	ASIC's directions power in s296E(1) of the Corporations Act
directors	<p>Refers collectively to directors of:</p> <ul style="list-style-type: none"> <li>• companies;</li> <li>• responsible entities;</li> <li>• corporate directors of retail CCIVs; and</li> <li>• RSE licensees</li> </ul>
financial report	The documents referred to in s292, 293, 294, 294A, 294B or 302 of the Corporations Act—that is, financial statements, notes to the financial statements and the directors' declaration about the statements and notes
FMI Act	<i>Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024</i>
FMI Bill	Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024
greenhouse gas emissions	Refers to scope 1 greenhouse gas emissions, scope 2 greenhouse gas emissions and scope 3 greenhouse gas emissions
IFRS S1	IFRS S1 <i>General requirements for disclosure of sustainability-related financial information</i> , issued by the ISSB
IFRS S2	IFRS S2 <i>Climate-related disclosures</i> , issued by the ISSB



Term	Meaning in this document
INFO 151 (for example)	An ASIC information sheet (in this example numbered 151)
investment product	Financial products that have an investment component, such as superannuation products and managed investment products
ISSB	International Sustainability Standards Board
NGER Act	<i>National Greenhouse and Energy Reporting Act 2007</i>
non-reporting entity	An entity that is not required to prepare a sustainability report under Ch 2M for a financial year
OFR	An operating and financial review—the part of the directors' report that must contain the information required under s299A of the Corporations Act
PDS	A Product Disclosure Statement—a document that must be given to a retail client for the offer or issue of a financial product in accordance with Div 2 of Pt 7.9 of the Corporations Act  Note: See s9 for the exact definition.
Pt 2M.3 (for example)	A part of the Corporations Act (in this example numbered 2M.3) unless otherwise specified
reporting entity	An entity that must prepare a sustainability report for a financial year under Ch 2M  Note: In some cases, another entity may be responsible for preparing a sustainability reports on behalf of a reporting entity.
retail CCIV	A CCIV that satisfies the retail CCIV test in s1222K of the Corporations Act or is notified as a retail CCIV under s1222L of the Corporations Act  Note: This is a definition in s1222J.
RG 43 (for example)	An ASIC regulatory guide (in this example numbered 43)
RSE	A registrable superannuation entity (e.g. a superannuation fund)
RSE licensee	A registrable superannuation entity licensee—has the meaning given in s10 of the <i>Superannuation Industry (Supervision) Act 1993</i>
s292A (for example)	A section of the Corporations Act (in this example numbered 292A), unless otherwise specified
scope 1 greenhouse gas emissions	Direct greenhouse gas emissions that occur from sources that are owned or controlled by an entity  Note: This is the definition in Appendix A of AASB S2.

Term	Meaning in this document
scope 2 greenhouse gas emissions	<p>Indirect greenhouse gas emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by an entity.</p> <p>Purchased and acquired electricity is electricity that is purchased or otherwise brought into an entity's boundary. Scope 2 greenhouse gas emissions physically occur at the facility where electricity is generated</p> <p>Note: This is the definition in Appendix A of AASB S2.</p>
scope 3 greenhouse gas emissions	<p>Indirect greenhouse gas emissions (not included in scope 2 greenhouse gas emissions) that occur in the value chain of an entity, including both upstream and downstream emissions. Scope 3 greenhouse gas emissions include the scope 3 categories in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011)</p> <p>Note: This is the definition in Appendix A of AASB S2.</p>
sustainability-related disclosures or information	<p>Information about sustainability. It is not limited to sustainability-related financial information under AASB S1 or AASB S2. It may include sustainability-related information that is not relevant or useful for assessing the entity's prospects. It may also include sustainability-related information disclosed under other sustainability reporting standards (other than AASB S1 or AASB S2) or frameworks</p>
sustainability-related financial disclosures or information	<p>Information disclosed under either AASB S1 or AASB S2. This is sustainability-related information that is relevant or useful for assessing the entity's prospects including, cash flows, access to finance and cost of capital over the short, medium and long term</p>
sustainability records	<p>Includes documents and working papers needed to explain the methods, assumptions and evidence from which the substantive provisions of sustainability reports are made up</p> <p>Note: This is the meaning in s9 of the Corporations Act.</p>
sustainability report	<p>An annual report required under s292A of the Corporations Act</p> <p>Note: This is the definition in s9.</p>
sustainability reporting thresholds	<p>The thresholds set out in s292A(3), 292A(5) and 292A(6) of the Corporations Act</p>
sustainability standards	<p>AASB S1 (issued as a voluntary sustainability standard) or AASB S2 (made under s336A)</p>

## List of proposals and questions

Proposal	Your feedback
<p>B1 We propose to issue regulatory guidance about:</p> <ul style="list-style-type: none"> <li>(a) the phasing in of sustainability reporting requirements for each cohort of reporting entity;</li> <li>(b) how RSEs, registered schemes and retail CCIVs can determine whether they meet the sustainability reporting thresholds;</li> <li>(c) the accounting standards that apply for reporting entities in determining whether an entity controls another for the purposes of s292A(3) and s292A(6);</li> <li>(d) the intersection between the sustainability reporting requirements and entities that are part of a consolidated entity or group members of stapled groups; and</li> <li>(e) entities that do not need to prepare a sustainability report.</li> </ul> <p>Note: See draft RG 000.32–RG 000.43.</p>	<p>B1Q1 Do you agree with our proposed guidance?</p> <p>B1Q2 What further guidance could we provide to help entities determine whether they are required to prepare a sustainability report?</p> <p>B1Q3 What additional guidance should we provide to clarify how the s292A thresholds apply to RSEs, registered schemes and retail CCIVs?</p>
<p>B2 We propose to provide guidance on:</p> <ul style="list-style-type: none"> <li>(a) the sustainability records that the reporting entity must keep;</li> <li>(b) how material climate risks broadly intersect with directors' duties, including for directors of entities required to prepare a sustainability report; and</li> <li>(c) the modified liability settings that apply until 31 December 2028, in relation to sustainability reporting.</li> </ul> <p>Note: See draft RG 000.44–RG 000.65.</p>	<p>B2Q1 Does our proposed guidance help you understand the sustainability records that must be kept?</p> <p>B2Q2 What further guidance should we provide on keeping sustainability records?</p> <p>B2Q3 Does our proposed guidance help you understand our expectations for directors in complying with their sustainability reporting requirements?</p> <p>B2Q4 Are there any aspects of the sustainability reporting requirements where further ASIC guidance would be helpful for directors?</p> <p>B2Q5 Does our proposed guidance on the modified liability settings clarify how these settings apply to statements made in sustainability reports and other documents or communications?</p> <p>B2Q6 What further guidance should we provide about the modified liability settings?</p>

Proposal	Your feedback
<p>C1 We propose to provide guidance that reporting entities to whom s296B(1) may apply must assess, in accordance with AASB S2, whether for a financial year there are no material financial risks or opportunities relating to climate.</p> <p>Note: See draft RG 000.70(a).</p>	<p>C1Q1 Are there other issues relevant to reporting entities' assessment of whether there are no material financial risks or opportunities?</p>
<p>C2 We propose to provide guidance that reporting entities that consider they have no material financial risks or opportunities under s296B(1) must:</p> <p>(a) maintain adequate sustainability records; and</p> <p>(b) establish robust processes to ensure that they meet the sustainability reporting requirements under s296A(1) for any subsequent financial year that there are material financial risks or opportunities.</p> <p>Note: See draft RG 000.70(b)–RG 000.71.</p>	<p>C2Q1 Do you agree with our proposed guidance? If not, why not?</p>
<p>C3 We propose to issue guidance about statements with forward-looking climate information in the sustainability report. Notably:</p> <p>(a) reporting entities must comply with paragraphs D1–D33 of Appendix D of AASB S2 (the qualitative characteristics of useful climate-related financial information) in preparing statements with forward-looking climate information;</p> <p>(b) in doing so, reporting entities must disclose the basis for those forward-looking statements, including the underlying methods and assumptions used to produce that information; and</p> <p>(c) reporting entities must also maintain adequate sustainability records that explain the methods, assumptions and evidence for all forward-looking information in the climate statement.</p> <p>Note: See draft RG 000.72–RG 000.78.</p>	<p>C3Q1 Do you agree with our proposed guidance?</p> <p>C3Q2 Should we issue more guidance about the facts or circumstances that are more likely to constitute reasonable grounds for forward-looking information in climate statements? If you consider that we should issue more guidance, please explain:</p> <p>(a) what it should cover beyond the application guidance in Appendix D of AASB S2;</p> <p>(b) how you consider that guidance would impact information disclosed under the sustainability standards in Australia, compared to information disclosed under the comparable international standards; and</p> <p>(c) if there is any resultant inconsistency, how this can be reconciled with the context and purpose of the reforms, which cite international alignment of sustainability reporting to be a key priority.</p>

Proposal	Your feedback
<p>C4 We propose to issue guidance about information included by cross-reference in a sustainability report (under paragraph 63 of Appendix D of AASB S2). Our proposed guidance is that entities should lodge the cross-referenced document with ASIC at the same time as the sustainability report (unless that document has already been lodged with ASIC).</p> <p>Note: See draft RG 000.79–RG 000.81.</p>	<p>C4Q1 Do you agree with our proposal? If not, why not?</p>
<p>C5 We propose to issue guidance recommending how entities should label reports and statements containing sustainability-related financial information. Our proposed guidance includes that:</p> <ul style="list-style-type: none"> <li>(a) the term 'sustainability report' should be used when referring to the statutory sustainability report defined in s9 and s292A(1);</li> <li>(b) the term 'climate statements' should be used when referring to the statutory statements defined in s296A(2) and/or s296B (as applicable);</li> <li>(c) the term 'voluntary sustainability statements' should be used for sustainability-related information other than climate-related financial disclosures, prepared voluntarily by applying all or parts of AASB S1; and</li> <li>(d) the term 'voluntary climate statements' should be used for climate-related financial disclosures prepared voluntarily by applying all or parts of AASB S2.</li> </ul> <p>Note: See draft RG 000.82–RG 000.89.</p>	<p>C5Q1 Do you agree with our proposal to encourage specific labelling for sustainability-related financial disclosures?</p> <p>C5Q2 If not, what guidance (if any) should we provide to:</p> <ul style="list-style-type: none"> <li>(a) ensure that users of sustainability-related financial information are not misled by unhelpful or inappropriate labels; and</li> <li>(b) support investor comprehension and the consistency of information provided across the market?</li> </ul> <p>C5Q3 If you currently prepare voluntary reports covering sustainability, are there other ways to achieve the outcomes our guidance seeks to achieve?</p>
<p>C6 We propose to issue guidance that we do not consider that notes to the climate statements currently need to be included in a sustainability report.</p> <p>Note: See draft RG 000.90–RG 000.91.</p>	<p>C6Q1 Do you agree with our proposed guidance? If not, why not?</p>
<p>C7 We propose 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.</p> <p>Note: See draft RG.000.92–RG 000.95.</p>	<p>C7Q1 Do you agree with our proposed guidance? If not, why not?</p>

Proposal	Your feedback
<p>D1 We propose to issue guidance that all entities should consider, and be informed by, the sustainability standards when preparing sustainability-related financial disclosures outside the sustainability report.</p> <p>Note: See draft RG 000.96–RG 000.106.</p>	<p>D1Q1 Do you agree with our proposed guidance? If not, why not?</p> <p>D1Q2 Does our proposed guidance strike the right balance between facilitating other sustainability-related disclosures, especially while sustainability reporting requirements are being phased in for reporting entities?</p>
<p>D2 We propose to provide guidance for listed entities that must comply with OFR requirements that:</p> <p>(a) all listed entities should disclose sustainability-related financial information (including climate-related financial information) if it would be reasonably required by members to make an informed assessment of the entity's operations, financial position, business strategies and prospects for future financial years (see s299A); and</p> <p>(b) reporting entities are that listed (listed reporting entities) should include an overarching narrative and analysis in the OFR that supplements both the financial report and the sustainability report.</p> <p>This will help shareholders understand the operations, financial position, business strategies, and risks and opportunities affecting the prospects of the reporting entity overall.</p> <p>Note: See draft RG 000.107–RG 000.120.</p>	<p>D2Q1 Do you agree with our interpretation of s299A(1)? If not, why not?</p> <p>D2Q2 Do you agree with our proposed regulatory guidance? If not, why not?</p>

Proposal	Your feedback
<p>D3 We propose to issue guidance that if s710 requires the disclosure of sustainability-related financial information:</p> <ul style="list-style-type: none"> <li>(a) the issuer of a disclosure document under s710 should consider, and be informed by, AASB S2 in preparing any climate-related financial information required under s710;</li> <li>(b) the issuer should consider disclosing 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;</li> <li>(c) the issuer should provide an overarching analysis and narrative in the investment overview section of the prospectus. This narrative should explain the significance of the sustainability-related financial information within the broader context of the issuer's corporate strategy, business model and prospects;</li> <li>(d) 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);</li> <li>(e) 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</li> <li>(f) an issuer that has lodged a sustainability report with ASIC for the most recent financial year should summarise climate-related financial information from that report.</li> </ul> <p>Note: See draft RG 000.121–RG 000.129.</p>	<p>D3Q1 Do you agree with our proposal? If not, why not?</p> <p>D3Q2 Are there any practical problems associated with our proposal? If so, please provide details.</p> <p>D3Q3 What reasonable expectation are investors and other professional advisers likely to have about the disclosure of climate-related financial information if required by s710?</p>

Proposal	Your feedback
<p>D4 We propose to issue guidance that:</p> <p>(a) if s1013D or 1013E requires the disclosure of sustainability-related financial information:</p> <p>(i) the issuer should consider, and be informed by, AASB S2 in preparing any climate-related financial disclosures required under s1013D or 1013E;</p> <p>(ii) 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</p> <p>(iii) 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; and</p> <p>(b) 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.</p> <p>Note: See draft RG 000.130–RG 000.142.</p>	<p>D4Q1 Do you agree with our guidance? If not, why not?</p> <p>D4Q2 Are there any practical problems associated with our proposal? If so, please provide details.</p> <p>D4Q3 What reasonable expectation are retail investors likely have about the disclosure of climate-related financial information if required by s1013D and s1013E?</p>



Proposal	Your feedback
<p>E1 We propose to provide guidance about our approach to granting relief from the sustainability reporting and audit requirements, including that we will consider:</p> <ul style="list-style-type: none"> <li>(a) the underlying policy objectives of the sustainability reporting regime;</li> <li>(b) the users of the sustainability report, their information needs, and how those users are likely to be impacted if relief is granted;</li> <li>(c) established policy and precedents from financial reporting relief, as these are relevant to our exercise of relief powers under s340 and 341;</li> <li>(d) whether to provide individual relief on a short-term basis or a no-action letter during the early years of the regime; and</li> <li>(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.</li> </ul> <p>Note: See draft RG 000.147–RG 000.185.</p>	<p>E1Q1 Does our proposed guidance help you understand how we will approach and assess an application for relief from the sustainability reporting and audit requirements?</p> <p>E1Q2 Do you have any feedback about any aspect of our proposed guidance on relief?</p> <p>E1Q3 Are there additional policy considerations that we should address in our guidance to help entities understand when we are likely to exercise or not exercise ASIC’s power to grant relief?</p> <p>E1Q4 Are there any specific areas or kinds of relief that you anticipate will be commonly sought from the sustainability reporting and audit requirements? If so, please inform us what, if any, relief topics or types of applications we should provide further guidance on?</p> <p>E1Q5 What additional guidance, if any, would help you:</p> <ul style="list-style-type: none"> <li>(a) consider whether to apply for relief from the sustainability reporting and audit requirements;</li> <li>(b) prepare applications for relief; and</li> <li>(c) understand how to lodge an application for relief?</li> </ul>

Proposal	Your feedback
<p>E2 We propose to:</p> <p>(a) extend the relief in ASIC Instrument 2023/673 to enable stapled entities relying on the relief in that instrument to prepare a sustainability report on behalf of the stapled group;</p> <p>(b) adopt the position that if a stapled entity chooses to rely on the relief in ASIC Instrument 2023/673, it must prepare a sustainability report as if all the members in the stapled group (including entities controlled by other stapled issuers) are a single entity. The report must cover all the group members of the stapled group even if one or more members of the stapled group is not required to prepare a sustainability report under s292A; and</p> <p>Note: See draft updated ASIC Instrument 2023/673 at Attachment 2 to this consultation paper.</p> <p>(c) provide guidance that the stapled entity preparing the sustainability report must keep sustainability records in relation to the sustainability report (see s286A).</p> <p>Note: See draft RG 000.156–RG 000.159.</p>	<p>E2Q1 Do you agree with our proposal that, for a stapled entity to rely on ASIC Instrument 2023/673, a sustainability report must be prepared on behalf of all members of the stapled group, even if one or more of the stapled entities in the stapled group is not required to prepare a sustainability report under s292A?</p> <p>E2Q2 We are proposing that relief is available only where the sustainability report is prepared as if all members of the stapled group were a single entity. Do you agree with this proposal? Does this proposal for preparation and presentation raise any issues?</p> <p>E2Q3 If you consider that an alternative basis for the preparation or presentation of sustainability reports for stapled groups is more appropriate, please explain how. Please also explain why this would be more decision useful for users of the sustainability report.</p> <p>E2Q4 If relief for stapled entities should be provided on an alternate basis, please explain:</p> <p>(a) how the relief should apply; and</p> <p>(b) the basis for that relief, considering:</p> <p>(i) the statutory preconditions for relief in s342; and</p> <p>(ii) the policy objectives of the sustainability reporting regime.</p>
<p>E3 We are seeking feedback from preparers and users of sustainability reports about the intersection between ASIC Instrument 2016/785 and the sustainability reporting requirements.</p>	<p>E3Q1 What issues or challenges should ASIC be cognisant of, in relation to the intersection between the sustainability reporting requirements and ASIC Instrument 216/785?</p>

Proposal	Your feedback
<p>E4 We have proposed to extend some relief available for financial reporting under ASIC Instrument 2023/673 to sustainability reporting: see proposal E2. We are seeking feedback on whether any other ASIC legislative instruments that grant financial reporting or audit relief should also be extended to apply to sustainability reporting and the audit of sustainability reports. For example:</p> <ul style="list-style-type: none"> <li>(a) ASIC Instrument 2015/839;</li> <li>(b) ASIC Instrument 2023/668;</li> <li>(c) ASIC Instrument 2016/784;</li> <li>(d) ASIC Instrument 2016/191; and</li> <li>(e) ASIC Instrument 2015/838.</li> </ul>	<p>E4Q1 Do you consider that we should extend the relief in any of the instruments listed in proposal E4 so that it applies to sustainability reporting or the audit requirements for a sustainability report? Please provide submissions about:</p> <ul style="list-style-type: none"> <li>(a) why the relief is necessary;</li> <li>(b) how one of the statutory preconditions for providing relief in s342 would be satisfied in relation to the relevant sustainability reporting requirements;</li> <li>(c) any relevant aspects of the relief, or relevant conditions—for example, if we extended the relief in ASIC Instrument 2015/839, how should climate statements of the related schemes be presented in the sustainability report?</li> </ul> <p>E4Q2 Are there any other legislative instruments that should be amended to extend relief so that it applies to sustainability reporting requirements? If so, please provide details, including:</p> <ul style="list-style-type: none"> <li>(a) which of the statutory preconditions for providing relief in s342 would be satisfied in relation to the relevant sustainability reporting requirements, and why; and</li> <li>(b) why there is a current need for the relief to be extended to those requirements.</li> </ul>
<p>E5 We propose to issue guidance on how we may exercise ASIC's directions power. The proposed guidance explains the scope of ASIC's directions power and our processes for issuing directions under s296E.</p> <p>Note: See draft RG 000.193–RG 000.203.</p>	<p>E5Q1 Does our proposed guidance clarify how we may exercise ASIC's directions power under s296E? If not, why not?</p>
<p>F1 We are considering whether our guidance should address how to determine revenue, employees or assets for the purposes of applying the sustainability reporting thresholds.</p>	<p>F1Q1 Do you require guidance on how to determine revenue, employees and assets, for the purposes of applying the sustainability thresholds?</p> <p>F1Q2 Do you consider that there are uncertainties or potential inconsistencies in how these tests might be applied in practice? What are they and how could they be addressed through guidance?</p>

Proposal	Your feedback
<p>F2 We are seeking feedback on how we could otherwise support entities in complying with their legal obligations within the scope of our regulatory mandate.</p>	<p>F2Q1 Are there any other areas of concern or uncertainty about complying with the sustainability reporting requirements that you consider ASIC could address through regulatory guidance? If so, please provide details.</p> <p>F2Q2 Are there any other issues or additional information that you consider should be explained in draft RG 000 or future guidance? If so, please provide details.</p> <p>F2Q3 Are there any other areas where we could help reporting entities develop their capabilities to meet the sustainability reporting requirements?</p>