

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

[sustainable.finance@asic.gov.au](mailto:sustainable.finance@asic.gov.au)

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### About Climate Integrity

Climate Integrity is an initiative working to close the corporate climate integrity gap in Australia, by championing science, transparency and accountability in the transition to zero emission. Climate Integrity convenes stakeholders and experts from a range of disciplines to drive the collaborations needed to raise ambition, increase integrity in the transition, and accelerate business climate action in line with science.

### Submission Summary

Climate Integrity welcomes the opportunity to provide feedback on ASIC's Consultation Paper CP 380 on sustainability reporting. As an organization committed to promoting **transparency, accountability, and integrity in corporate climate disclosures**, we offer the following key recommendations.

### Summary of Key Recommendations

1. **Ensure Transparency and Accessibility**
  - **Require public lodging of cross-referenced documents** to prevent critical information from being hidden or removed.
  - Mandate **machine-readable sustainability reports** (e.g., XBRL format) to support large-scale analysis and comparison.
2. **Improve Disclosure Requirements**
  - **Strengthen rules for forward-looking climate information** and require companies to disclose assumptions, methods, and scenario models.
  - **Enforce clear labelling rules** to ensure statutory and voluntary sustainability disclosures are clearly distinguishable.
3. **Strengthen Accountability and Liability**
  - **Improve director understanding of accountability** by providing clear guidance on how they can meet their obligations.
  - **Enhance audit requirements** for forward-looking statements, ensuring they are subject to independent verification.
4. **Increase Enforcement Transparency**
  - **Publish the names of companies** that receive relief, cross-referencing directions, or enforcement actions.
  - **Require companies to disclose changes made in response to ASIC's directions** to enhance investor confidence.

We believe these changes will **strengthen Australia's sustainability reporting framework**, align it with international best practice, and build trust in climate-related financial disclosures.

For more information on this submission, please contact:

Claire Snyder  
Project Director  
Climate Integrity  
[REDACTED]

Kate Melville-Rea  
Net Zero Analyst  
Climate Integrity  
[REDACTED]

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## Detailed Recommendations

### 1. Content of the Sustainability Report

#### (Responses to Section C)

**Climate Integrity Position:** Sustainability reports should be clear, forward-looking, and decision-useful. The proposed guidance must ensure greater transparency, particularly for forward-looking information, cross-referenced materials, and climate risk disclosures.

### Key Recommendations

1. **Forward-looking climate information (C3Q1, C3Q2)**
  - Companies must provide detailed explanations of the **underlying assumptions, climate models, and scenarios** used in forward-looking statements.
  - ASIC should require forward-looking statements to be **independently assured** by a credible, science aligned process to prevent companies from issuing vague, aspirational claims without evidentiary support.
  - ASIC should prohibit the use of "soft disclaimers" such as **"reasonable grounds"** as a defense for forward-looking misstatements. Allowing companies to rely on undefined concepts opens the door for greenwashing, misinformation, and corporate misrepresentation of future risks. ASIC should require verifiable evidence prior to the disclosure of any forward-looking statements, like under the EU's Corporate Sustainability Reporting Directive where companies are required to demonstrate the accuracy of their forward-looking environmental claims through **double materiality assessments**.
2. **Cross-referencing (C4Q1)**
  - We support the proposal that **all cross-referenced documents should be lodged with ASIC** and made publicly available. Allowing companies to

reference unpublished or non-permanent documents limits the ability of stakeholders to review critical climate-related information.

- ASIC should maintain a **public register** of all cross-referenced documents, and companies should be required to notify ASIC if any linked documents are updated or withdrawn.

### 3. **Labelling sustainability disclosures (C5Q1, C5Q2)**

- We support the proposal to **clearly distinguish statutory and voluntary sustainability disclosures**, but this should be a **mandatory requirement**.
- Companies should not be permitted to refer to **voluntary reports** as "sustainability reports" if they are not prepared under the Corporations Act framework.
- ASIC should publish a **"labelling guide"** that outlines permitted and prohibited terms for statutory and voluntary disclosures.

### 4. **Climate risk claims (C1Q1, C2Q1)**

- Companies claiming they have **"no material climate-related financial risks"** must be required to **prove this claim with clear evidence**.
- We recommend requiring companies to disclose the **risk assessment process and climate scenario analysis** that supports this assertion.
- In line with the **precautionary principle**, ASIC should require companies to prove that climate risks are immaterial.

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## 2. Accountability and Audit of Sustainability Reports

### (Response to Questions B2Q1, B2Q2, E1Q1)

**Climate Integrity Position:** Directors and auditors should be held to higher standards of accountability, and ASIC must ensure all sustainability reports are independently verified.

## Key Recommendations

### 1. **Director accountability**

- Directors should be **personally accountable** for climate-related misstatements, similar to their obligations for financial reporting under s180 of the Corporations Act.
- ASIC should publish guidance for directors on how to meet their obligations, and require directors to **sign a declaration of compliance** with sustainability reporting standards.

### 2. **Audit of forward-looking climate information**

- ASIC should mandate **independent audits** for forward-looking climate information.
- Reports should include an **assurance statement** from the auditor that covers **key assumptions and methodologies** for future climate scenarios.

### 3. **Sustainability records**

- Companies should be required to **retain all sustainability records for 7 years**, consistent with financial reporting requirements.

- Sustainability records should be **accessible to stakeholders**, particularly when referenced in the report.
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### 3. Use of ASIC's Directions Power

#### (Response to Question E5Q1)

**Climate Integrity Position:** ASIC's powers to issue directions are essential to ensuring integrity in sustainability reporting. However, more transparency is required in how this power is exercised.

#### Key Recommendations

1. **Public disclosure of ASIC directions**
    - ASIC should publish the number of times directions powers are used each year, including a **public register of companies** that have been issued directions to amend their sustainability reports. This provides transparency to investors and stakeholders.
    - Any changes required of companies by ASIC should be flagged in the report itself, with a statement explaining the **reason for the change**.
  2. **Transparency in decision-making**
    - Companies should be given an opportunity to **respond to ASIC's directions** but the process must be transparent.
    - Ahead of the commencement of reporting, ASIC should provide examples of **common issues or misstatements** that would trigger the use of its direction powers.
    - Following the first year of reporting ASIC should provide a summary of the most common issues that triggered direction powers and further guidance to businesses on how to improve in these areas.
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### 4. Relief from Reporting Requirements

#### (Response to Question E1Q1)

**Climate Integrity Position:** Relief from sustainability reporting obligations should be granted **only in exceptional circumstances**. Public confidence in the system relies on transparency and the consistent application of rules.

#### Key Recommendations

1. **Publication of companies granted relief**
  - ASIC should publish the names of companies that have been granted reporting relief, as well as the **justification for relief**.

- **Relief should be time-limited** to prevent companies from using it as a long-term strategy to avoid disclosure.
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### **Conclusion**

ASIC's proposed framework for sustainability reporting is a crucial step toward greater climate transparency. However, to ensure the system is robust, Climate Integrity urges ASIC to **strengthen thresholds, improve disclosure requirements, require assurance for forward-looking information, and increase public transparency**. We look forward to engaging further to support the effective implementation of this critical reform.