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Comments on Consultation Paper 380 Sustainability Reporting Regulatory Guide.

We refer to the Australian Securities and Investments Commission's invitation to comment on proposals in the Consultation Paper 380: Sustainability Reporting pertaining to the Draft Regulatory Guide 000 Sustainability Reporting. We appreciate the opportunity to provide feedback as ASIC develops its guidance and approach to the sustainability reporting requirements in the Corporation Act.

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank and is responsible for investing the Norwegian Government Pension Fund Global. NBIM is a globally diversified investment manager with AUD2,493.16 billion at 30 June 2024, of which AUD33.03 billion was invested in the shares of 325 Australian listed companies.

As a long-term investor, we consider our returns over time to be dependent on sustainable economic, environmental and social development, as well as on well-functioning, legitimate and efficient markets. We are active investors in over 65 countries and require reliable, consistent and comparable sustainability-related financial information across global capital markets. We strongly support the IFRS Sustainability Disclosure Standards (ISSB standards) as the global baseline of investor-focused standards for sustainability-related financial disclosures. The ISSB standards share the same conceptual foundations as the International Accounting Standards Board (IASB) financial reporting standards, enabling investors to receive sustainability-related financial information that is concurrent, connected and complementary to financial statements.

We welcomed the incorporation of all IFRS S2 requirements in the Australian Accounting Standards Board's S2 Climate-related Disclosures standard, but noted AASB's decision not to require industry-based disclosures as an interim measure. We commend ASIC's proposal to issue regulatory guidance to support entities to prepare annual sustainability reports. We hope that this guidance and other capacity building actions by ASIC will encourage Australian listed companies to provide industry-specific metrics and sustainability-related financial disclosures beyond climate on a voluntary basis using AASB S1. This is critical for us to formulate a holistic view of a company's performance and prospects over time and facilitates cross-border capital flows.

We thank you for considering our perspective and remain at your disposal should you wish to discuss these matters further.

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Please find in the annex our responses to the proposals and questions for Consultation Paper 380.

Yours sincerely



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Annex NBIM Responses to ASIC Consultation Paper 380 Sustainability Reporting List of proposals and questions

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.

NBIM response

B1Q1 Do you agree with our proposed guidance?

Yes. Preparers need regulatory certainty and clarity on the timing and content of sustainability reporting requirements that apply to them. This enables preparers to implement adequate resources, systems and capabilities to comply with the requirements. The guidance can also inform and refine investors' expectations of forthcoming material information flows that are decision useful.

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

The proposed guidance for corporate entities is sufficient.

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

NA

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

NBIM response

B2Q1 Does our proposed guidance help you understand the sustainability records that must be kept?

From the investor perspective, the proposed guidance is clear on the written sustainability records that reporting entities must keep. The guidance informs entities on developing the necessary information systems to keep such records. Investors can better understand the types of information that explain methods, assumptions and evidence used in sustainability reports. Taken together, the obligation and related guidance can enhance investor confidence in the rigour and discipline applied by entities in the preparation of sustainability reports.

B2Q2 What further guidance should we provide on keeping sustainability records?

Further guidance can be provided on the sustainability records that underpin materiality assessments. The guidance mentions assessments undertaken for S296B on the lack of material risk, and documentation of matters of fact and matters of judgement. This can be clarified and expanded to specify (i) the processes used to determine materiality thresholds; (ii) the actual thresholds selected; and (iii) the materiality assessments undertaken. RG 000.47 can be expanded to include the assessment of connectivity to financial statements.

B2Q3 Does our proposed guidance help you understand our expectations for directors in complying with their sustainability reporting requirements?

We support the guidance provided on directors' expectations, particularly the responsibility to (i) ensure the adequacy of systems to manage and disclose material climate-related risks and opportunities, and (ii) make independent assessments of information provided, using own skills and judgement.

It is helpful to clarify how more stringent directors' declarations of compliance with disclosure requirements will be phased in, and to highlight the importance of robust record keeping and risk management processes to facilitate such declarations.

B2Q4 Are there any aspects of the sustainability reporting requirements where further ASIC guidance would be helpful for directors?

We note that RG000.50 requires directors to consider a narrower scope of material climate-related information (risks that 'pose a foreseeable risk of harm to the interests of the entity') to inform directors' declarations on disclosures. We recommend that RB 000.50 includes the duty of directors to consider what constitutes material information about climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects over the short, medium or long term. This reflects the materiality definition used in AASB S2 and ensures that directors have a duty to ensure material climate-related information is not omitted from the disclosures.

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?

The guidance on the protected statements and related modified liability periods is clear and clarifies how the safe harbour effect is applied for the initial implementation of reporting

requirements. This should encourage entities to disclose more complete and decision useful information to primary users without undue concern about liability.

B2Q6 What further guidance should we provide about the modified liability settings?

No further guidance suggested.

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).

NBIM response

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

RG 000.70(a) refers to the assessment, in accordance with AASB S2, of whether there are any material climate-related financial risks or opportunities 'for a financial year'. This may lead entities to believe that the assessment pertains only to risks or opportunities that may materialise in one financial year, i.e. in the very short term. To avoid confusion, the guidance should specify that the assessment under s296B should cover the short-, medium- and long-term time horizons.

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.

NBIM response

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

Yes, we agree with the proposed guidance.

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.

NBIM response

C3Q1 Do you agree with our proposed guidance?

Yes. The proposed guidance is sufficient and directly references Appendix D of AASB S2, which is based on the same conceptual frameworks as the Australian Accounting Standards for preparing financial statements.

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.

More guidance is unnecessary, as AASB S2 Appendix D and RG 170 are directly referenced and sufficiently detailed. The requirement to maintain adequate sustainability records to explain the methods, assumptions and evidence underpinning all forward-looking information encourages disciplined and thorough report preparation processes. This should help build entities' critical analysis and judgement capabilities to determine the facts and circumstances that would establish reasonable grounds for forward-looking information.

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.

NBIM response

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

We agree with the proposal. Primary users need climate-related financial disclosures to be available at the same time and on the same terms as financial disclosures. We support ASIC's proposal for entities to lodge cross referenced documents with ASIC at the same time as the sustainability report. This facilitates our ability to access complete information on a timely basis, and more easily understand the connectivity between the two sets of disclosures.

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.

NBIM response

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

Yes, labelling can help to differentiate information available to users that is disclosed as part of statutory requirements.

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?

See answer to C5Q1.

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

No specific suggestions.

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.

NBIM response

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

Yes. The climate statements should be prepared in accordance with AASB S2 which does not require disclosure of additional notes. AASB S2 is intended to result in complete and comparable

disclosures, as such all material information required by primary users would have been disclosed accordingly.

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.

NBIM response

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

Yes. There is a significant degree of subjectivity involved in entities' self- assessment of skills, capabilities, resources, circumstances and level of cost and effort. In addition, it would be the first time for most entities to apply the concept of 'reasonable and supportable information available to the entity at the reporting date without undue cost or effort' beyond financial statements to sustainability-related financial disclosures. The guidance ensures that entities make well considered and documented assessments to substantiate application of such proportionality mechanisms.

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.

NBIM response

D1Q1 Do you agree with our proposed guidance? If not, why not?

Yes. Investors can benefit from more complete information furnished through voluntary disclosures by early adopters. This is contingent on the consistency, comparability and reliability of the voluntarily disclosed information, which are best achieved by maximising alignment with the sustainability standards.

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?

Yes. Guidance that entities should consider and be informed by the sustainability standards (AASB S1 and S2) will encourage voluntary disclosures that are more comparable between entities, connected to financial statements and based on the same materiality definitions. This allows entities adequate time to build capacity towards full adherence to the standards, whilst supporting the quality of disclosures needed by investors.

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 that are 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.

NBIM response

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

Yes. Climate risks and opportunities are financially material and can already be observed across major asset classes, including equity, and corporate debt. Physical and transition climate effects are impacting companies' financial performance and position, for example through current or announced climate fiscal policies and realised damage or impairment to assets.

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

Yes. The guidance is aligned with IASB's position that the management commentary (equivalent to the OFR) 'sometimes provides the home for a company's sustainability disclosures.' The IASB is working to improve the existing management commentary practice statement in response to investor demand for better information about factors affecting value creation over different time horizons. One of the project's key aims is to support connectivity between the management commentary and financial statements and sustainability disclosures. This guidance helps to address investor demands for better and more connected information about value creation drivers.

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.

NBIM response

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

Yes. The objective of AASB S2 is ‘to require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity’. Climate-related financial disclosures required under s710 that consider and are informed by AASB S2 would be most decision useful.

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

No comment

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?

Investors would expect the climate-related financial information to (i) be connected to the other disclosures in the prospectus; (ii) included within the body of the prospectus in a coherent manner; and (iii) demonstrate the qualitative characteristics of useful financial information.

D4 – NBIM Response NA

E1 – NBIM Response: NA

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.

NBIM response

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?

Yes. For the sustainability report to be connected to and consistent with the combined or consolidated financial statements of the stapled group, it must be prepared on behalf of all members of the group.

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?

Yes. This is necessary to provide decision useful insights into the interactions between stapled entities in which interests which cannot be separately traded. No issues to raise on the proposal for preparation and presentation.

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.

NA

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.

NA

E3 – NBIM Response: NA

E4 – NBIM Response: NA

E5 – NBIM Response: NA

F1 – NBIM Response: NA

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.

NBIM response

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.

No other areas proposed.

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.

The Application Guidance (Appendix B) within AASB S2, along with the proposed regulatory guidance RG 000 should provide sufficient support for reporting entities. However, ASIC along with AASB, should highlight if future application guidance issued by ISSB will be incorporated into AASB S1 and S2, subject to due consultation processes. ASIC can ensure that reporting entities are promptly informed of additional educational materials (such as ISSB's upcoming transition plan disclosure guidance¹) and the time frame for their development and publication to support entities' internal resource planning needs.

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

ASIC can consider capacity building on the following areas:

- (i) assessment of the anticipated effects of climate-related risks and opportunities on the entity's financial position, financial performance and cash flows over the short, medium and long term.
- (ii) application of proportionality mechanisms such as:
 - a. the determination of the appropriate level of skills and capabilities the entities are expected to obtain or develop considering the resources available to them; and
 - b. the concept of reasonable and supportable information available to the entity at the reporting date without undue cost or effort.

¹ [IFRS - ISSB delivers further harmonisation of the sustainability disclosure landscape as it embarks on new work plan](#)