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Response to ASIC Consultation Paper 380 on "Sustainability Reporting"

I'm an Australian citizen resident in Melbourne. I have led the preparation of sustainability reports, advised on their preparation and have researched sustainability reporting for over 30 years. I am Chair of the Global Sustainability Standards Board (GSSB) of GRI and the Institute of Chartered Accountants of Scotland's Sustainability Committee and Emeritus Professor of Accounting at Durham University in the UK. The views expressed here do not necessarily reflect those of the organisations I am involved in.

Whilst the provision of guidance on the individual 'basic contents' of a sustainability report is welcome, my concern is that your proposed guidance redefines sustainability reporting in a manner which is limiting. This places Australian companies at a competitive disadvantage and will limit information availability for investors, government, customers, employees and other stakeholders. I will explain this by considering the current use of the term sustainability reporting, considering its use with reference to the Corporations Act, and then outlining the benefits of broader sustainability reporting that facilitates organisations in contributing to sustainable development. Finally, I will recommend the provision of guidance on the individual 'basic contents' identified in S296A of the Corporations Act.

Meaning of sustainability reporting in Australia and around the world

The term sustainability reporting is generally taken to mean reporting on the positive and negative impacts that organisations make on society, the environment and the economy i.e. their positive or negative contribution to sustainable development.

Recent examples of the use of the term by Australian companies are the Qantas Sustainability Report 2024, the Coles Sustainability Report 2024, CSR Sustainability Reports, IAG Sustainability Reports going back to 2005, Woolworths Sustainability Report 2004. All of these companies report using the GRI Standards plus other frameworks. KPMG Australia (2024) finds that of the 97 ASX 100 companies that report on sustainability matters, 76% report refer

to the TCFD recommendations and 72% use the GRI Standards. The s296A climate statement is aligned with TCFD, while reporting using GRI Standards focusses on all of an organisation's 'most significant impacts' on sustainable development.

The Corporations Act on sustainability reporting

S296A lists the 'basic contents' of a sustainability report. It does not limit the content to these 'basic contents'. This list of 'basic contents' does not cover matters that are widely understood to be components of a sustainability report, such as information on the organisation's most significant impacts on people, the environment and the economy (as required by GRI 3). It also does not include the mandatory requirement of large Australian companies to report tax on a country by country basis following GRI 207, critical to global sustainable development.

Regarding climate information, the focus of the "climate statement" is on risks and opportunities to the organisation. Many organisations will wish to report the effects of the transition and adaptation plans on people, the environment and the economy as per the GSSB's climate change exposure draft. This disclosure is not a requirement under S296(A), but organisations have demonstrated a preference for reporting all information related to climate, along with other sustainable development issues in a single "sustainability report".

Some benefits of encouraging 'sustainability reporting' as it is commonly understood

- A range of stakeholders, including investors, have an interest in reporting on an organisation's 'most significant impacts' on people, the environment and the economy. (GRI 3 includes guidance on how to identify these 'most significant impacts' and requires reporting on the process of identification.)
- These 'most significant impacts' bring risks to the organisation and their identification leads to more complete disclosure of risks to the entity. (The GSSB is working with the TNFD and the Sustainability Standards Board of Japan to develop guidance on identifying risks to the organisation that arise from these most significant impacts).
- Risks arising from sustainability issues tend to be understated (see Abhayawansa and Adams, 2022). Investors, particularly long term investors, are interested in disclosures of the most significant impacts and the process of determining them so that they can make their own assessment of risks arising from those impacts and the cumulative impacts of many organisations over time.
- Reporting on an organisation's 'most significant impacts' and how they are managed (as required by GRI 3) encourages better management of negative impacts resulting in better outcomes for people, the environment and the economy and reduced risks to reporting organisations.
- The information collected for reporting using GRI Standards informs decision making and facilitates management in reorientating the business model and strategy to maintain a competitive advantage.

- Other areas of government are interested in sustainability reporting on impacts – for example, the Department of Climate Change, Energy, the Environment and Water (DCCEEW) is interested in the impacts of organisations on biodiversity loss.
- Encouraging reporting on a voluntary basis (and assurance thereof) facilitates readiness for future mandatory reporting.

Sustainability reporting in a global context

There is increasing recognition around the world of the importance of a GRI + IFRS S approach to global sustainability reporting to meet the needs of all stakeholders, including, but not limited to, investors. The two sets of standards result in the provision of important, complementary information.

In the global context: the EU, India and China have mandatory reporting requirements aligned with GRI Standards; other regions such as Taiwan and Egypt explicitly require the use of GRI Standards; and others, such as Sweden, Jordan and Morrocco have mandatory requirements where the GRI Standards can be used for compliance. (See Carrots and Sticks for further information on global policy.)

KPMG's (2024) survey of sustainability reporting shows that reporting against all sustainability reporting frameworks and standards has increased with GRI Standards being the most used. Work by IFAC indicates the increasing uptake of assurance against different reporting frameworks and standards with assurance against the GRI Standards being significantly higher than others. ASIC could encourage an increase in such uptake along with expansion of the scope of voluntary assurance engagements. ISSA 5000 recently issued by the IAASB is particularly appropriate for assuring the process of determining an organisation's 'most significant impacts' for reporting using GRI Standards. Assurance of this process is critical to avoid greenwashing, ensures the completeness of reporting on an organisation's most significant impacts and facilitates the identification of risks to the organisation arising from those impacts.

Recommendation - addressing your questions C5Q1, 2 and3

My recommendation to ASIC is to provide guidance on the individual mandatory 'basic contents' of corporate reporting set out in Section 296 of the Corporations Act. This would avoid limiting the contents of a "sustainability report" to focus on matters that are primarily concerned with risks and opportunities to the reporting organisation that arise from climate issues.

Further, I recommend that you continue to encourage broad sustainability reporting and an increase in the uptake and scope of voluntary assurance engagements. This would have many benefits and would not negate your guidance on the mandatory 'basic contents' set out in s296A which could be separately labelled as the 'climate statement' and related directors' declaration, etc. (The climate statement is itself does not include, for example, the impact of transition and adaptation plans on people, communities and the environment and some companies will wish to provide this information in their sustainability report alongside their mandatory 'climate statement'.) It would also avoid ASIC's complicity with green washing by

signalling that accountability for an organisation's most significant impacts on people, the environment and economies is not 'sustainability reporting' while information on risks to the organisation is. Your proposal at C5 is counter-intuitive, contrary to decades of reporting practice and contrary to how companies seek to report to a wide range of stakeholders, including investors.

At paragraph 42 you state that you do not intend to inhibit the provision of voluntary sustainability information or disrupt current practices, but whether intentional or not, that will be the outcome of the proposals as they stand.