

CONSULTATION PAPER 380

Sustainability Reporting

Submission by Skyjed Pty Ltd.

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Dear Australian Securities and Investments Commission,

We appreciate the opportunity to provide feedback on **Consultation Paper 380: Sustainability Reporting**.

As an organisation committed to advancing responsible lifecycle management and enabling robust sustainability practices, Skyjed is pleased to share its insights to support the development of clear, practical, and globally aligned sustainability reporting guidance.

Our feedback focuses on critical areas such as aligning with international standards, addressing greenwashing risk, and ensuring holistic ESG integration. We believe these considerations are essential for fostering transparent and effective sustainability reporting practices in Australia.

Please find our detailed feedback attached. We look forward to contributing further and supporting ASIC in its efforts to strengthen sustainability reporting frameworks.

Thank you for considering our submission.

Sincerely,

The Skyjed Team

Table of Contents

<i>SECTION B - Preparing a sustainability report</i>	3
Entities that must prepare a sustainability report.....	3
PROPOSAL	3
FEEDBACK.....	3
<i>SECTION C - Content of the sustainability report (specific issues)</i>	5
Statements about no climate risks or opportunities	5
PROPOSAL	5
FEEDBACK.....	5
Statements with forward-looking climate information.....	6
PROPOSAL	6
FEEDBACK.....	6
Cross-referencing in a sustainability report.....	6
PROPOSAL	6
FEEDBACK.....	7
Labelling	7
PROPOSAL	7
FEEDBACK.....	7
Notes to climate statements	8
PROPOSAL	8
FEEDBACK.....	8
Proportionality mechanisms and exceptions under AASB S2	9
PROPOSAL	9
FEEDBACK.....	9
<i>SECTION D - Sustainability-related financial disclosures outside the sustainability report</i>	10
Sustainability-related financial disclosures outside the sustainability report	10
PROPOSAL	10
FEEDBACK.....	10
Sustainability-related financial information in the OFR.....	10
PROPOSAL	10
FEEDBACK.....	11
Sustainability-related financial information in disclosure documents under Ch 6D.....	11
PROPOSAL	11
FEEDBACK.....	11
Sustainability-related financial information in PDSs	12
PROPOSAL	12
FEEDBACK.....	12
<i>SECTION E - ASIC's administration of the sustainability reporting requirements</i>	14
Guidance on how we will approach sustainability reporting and audit relief	14
<i>SECTION F - Other issues regarding disclosure of sustainability-related information</i>	15
Determining revenue, employees and assets for the purposes of applying the sustainability reporting thresholds	15
PROPOSAL	15

FEEDBACK.....	15
Other areas where we can support the transition to sustainability reporting.....	15
PROPOSAL	15
FEEDBACK.....	15

SECTION B - Preparing a sustainability report

Entities that must prepare a sustainability report

PROPOSAL

B1. We propose to issue regulatory guidance about:

- (a) the phasing in of sustainability reporting B1 Q2 requirements for each cohort of reporting entity;
- (b) how registrable superannuation entities RSEs, registered schemes and retail B1 Q3 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.

FEEDBACK

B1Q1. Do you agree with our proposed guidance?

Yes, we agree with the proposed guidance.

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

From our experience gained by collaborating with companies that prepare reports aligned with the European Sustainability Reporting Standards (ESRS) and the Task Force on Climate-related Financial Disclosures (TCFD) guidelines, we find it crucial to:

- 1. Present Information in Simple and Practical Formats:**
Companies often benefit most from guidance delivered through user-friendly, practical tools. We recommend ensuring that guidance is straightforward, aligned with international sustainability reporting standards and frameworks, and supported by practical examples and case studies.
- 2. Leverage Digital Technology for Support:**
To further streamline the process, we suggest that ASIC explore digital solutions to assist companies in understanding their obligations. For example, a digital portal could be developed where entities answer a series of structured questions and receive tailored prompts about their sustainability reporting obligations, including climate-related financial disclosures.
- 3. Interaction with Other Regulatory Obligations:**
It is also essential to address the intersection between sustainability reporting and other reporting obligations at both the national and global levels. This includes alignment with financial reporting requirements, the Modern Slavery

Act, and broader ESG reporting standards and disclosure frameworks. Clarifying these overlaps and identifying synergies will help entities reduce confusion and mitigate reporting fatigue.

4. International Alignment:

As entities operate in increasingly globalised environments, alignment with international standards such as those of the ISSB (International Sustainability Standards Board) and the European Sustainability Reporting Standards (ESRS) will promote consistency and comparability across jurisdictions. Guidance should highlight how Australian standards interact with these frameworks and provide pathways for integration.

By incorporating these recommendations, the proposed guidance can provide comprehensive, practical, and technologically enabled solutions that ease the compliance burden while promoting transparency and consistency in sustainability reporting.

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

No further feedback provided.

SECTION C - Content of the sustainability report (specific issues)

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.

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.

FEEDBACK

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

We support the proposal to align with AASB S2 and highlight the following considerations to enhance the guidance:

1. Comprehensive Materiality Assessment Across ESG Topics:

It is essential for reporting entities to conduct a comprehensive materiality assessment encompassing all ESG topics, not just climate-related risks and opportunities. Materiality assessments should also account for the intersection and interactions between topics, as issues such as climate, biodiversity, and social equity often interconnect and may amplify financial risks or opportunities when combined.

2. Focus on Top Material Topics:

To ensure clarity and relevance, the guidance should encourage entities to focus on the most significant material topics identified during the assessment process. Highlighting the top material topics will streamline reporting and provide stakeholders with the most critical and actionable insights.

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

Yes, we agree with the proposed guidance.

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.

FEEDBACK

C3Q1. Do you agree with our proposed guidance?

Yes, we agree with the 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.

No further feedback provided.

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).

FEEDBACK

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

Yes, we agree with the proposed guidance.

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.

FEEDBACK

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

We partially agree with the proposed guidance and we included below some recommendations.

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?

We overall agree with the proposed guidance on labelling reports and statements containing sustainability-related financial information. However, we recommend ensuring that the terminology and labelling are consistent with international standards,

particularly IFRS S1 and IFRS S2. This alignment will facilitate global comparability and simplify reporting processes for entities operating across jurisdictions.

Additionally, we note that the term "sustainability" is not always fully understood by practitioners, as it is often associated solely with environmental topics. In sustainability reporting, however, sustainability encompasses all ESG topics (Environmental, Social, and Governance). Furthermore, climate-related topics are a subset of environmental topics. It would be beneficial to clarify these distinctions in the guidance to ensure alignment with global practices and promote a shared understanding among stakeholders.

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

No further feedback provided.

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.

FEEDBACK

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

We agree with the proposed guidance; however, we recommend providing the option for those preparing sustainability reports to include notes when needed. Below, we discuss why the inclusion of notes can be beneficial.

Notes to climate statements provide critical context and detail that enhance transparency and ensure stakeholders can fully understand the financial risks and opportunities associated with climate-related issues. Including these notes within the sustainability report aligns with the principles of integrated reporting, which emphasise the importance of presenting connected, comprehensive information to stakeholders.

Excluding these notes from the sustainability report risks fragmenting information, making it more difficult for stakeholders to interpret the data in a holistic manner. This could undermine comparability, reduce the usability of disclosures, and create unnecessary complexity for entities that are already navigating multiple reporting requirements.

Furthermore, global best practices, encourage integrated and connected disclosures. Including notes to climate statements in the sustainability report would align with these practices and support entities in meeting the expectations of global investors and regulators.

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.

FEEDBACK

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

We agree with the proposed guidance, provided there is a greater level of clarity around the proportionality mechanisms outlined in AASB S2. Specifically, further guidance is needed on the interpretation of terms such as “reasonable and supportable” information and “without undue cost or effort.” For example, additional explanation of what constitutes “undue cost or effort” and the scope of this provision would be highly beneficial. This should include practical examples of scenarios or cases where entities may reasonably claim that gathering additional information imposes undue cost or effort.

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

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.

FEEDBACK

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

We agree with the proposed guidance.

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.

Sustainability-related financial information in the OFR

PROPOSAL

D2. We propose to provide guidance for listed entities that must comply with OFR requirements that:

1. (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
2. (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.

FEEDBACK

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

Yes, we agree with the interpretation.

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

Yes, we agree with the proposed regulatory guidance.

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.

FEEDBACK

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

Yes, we agree with the proposal.

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

No further feedback provided.

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?

No further feedback provided.

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.

FEEDBACK

D4Q1. Do you agree with our guidance? If not, why not?

Yes, we agree with the guidance.

D4Q2. Are there any practical problems associated with our proposal? If so, please provide details.

We broadly agree with the proposal. However, we believe that additional practical considerations are necessary, particularly concerning the risk of greenwashing.

The proposed guidance should be clearly linked to anti-greenwashing rules, such as those outlined in ASIC's Information Sheet 271 (INFO 271). Further, it should align with international regulatory frameworks like:

- The UK Financial Conduct Authority's (FCA) Anti-Greenwashing Rule as part of a broader package of measures detailed in the Sustainability Disclosure Requirements (SDR) and investment labels policy statement (PS23/16); and
- The EU's Sustainable Finance Disclosure Regulation (SFDR).

This alignment will promote consistency, help mitigate greenwashing risks and enhance investor confidence in sustainability-related claims.

To ensure compliance and avoid greenwashing, we recommend ASIC to provide guidance on practical steps for including sustainability-related disclosures in the PDS. For example, key steps to be implemented by the issuers: are as follow:

1. **Ensure Accuracy in ESG Claims:**
Develop processes to verify that all ESG claims are accurate, consistent, and supported by reliable data. This minimizes the risk of misleading consumers and ensures alignment with regulatory expectations.
2. **Implement Robust Internal Controls:**
Establish strong internal controls and monitoring systems to validate sustainability-related claims regularly. This includes ensuring that methodologies and data used to substantiate claims are transparent and verifiable.
3. **Prepare for Regulatory Scrutiny:**
Stay updated on evolving regulatory requirements and build the capability to substantiate ESG claims effectively. This will help mitigate financial and reputational risks associated with greenwashing, particularly in light of increased regulatory scrutiny.

By integrating these practical steps into the guidance, issuers will be better equipped to meet both regulatory expectations and stakeholder demands for transparency and accountability.

D4Q3. What reasonable expectation are retail investors likely have about the disclosure of climate-related financial information if required by s1013D and s1013E?

Retail investors expect to be protected against common risks of greenwashing, including inconsistencies, exaggerations, omissions, or unsubstantiated claims in Environmental, Social, and Governance (ESG) financial product disclosures.

SECTION E - ASIC's administration of the sustainability reporting requirements

Guidance on how we will approach sustainability reporting and audit relief

No feedback has been provided for this section.

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

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

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.

FEEDBACK

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

Guidance may be relevant and useful to ensure consistency and alignment with accounting standards.

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?

No feedback provided.

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.

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.

A key area of concern is the need for clarity on the interaction between sustainability reporting requirements and other regulatory obligations, such as financial reporting and international ESG frameworks, including the recent European Sustainability Reporting Standards (ESRS). ASIC could provide guidance on aligning these frameworks to minimize duplication and alleviate reporting fatigue.

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.

One area that could benefit from additional guidance is linking climate-related financial information to the broader impacts of climate issues on people and society. This connection is critical for providing a holistic view of material issues and their interrelation with other ESG topics, such as social equity, labour rights, and governance practices.

This approach necessitates adopting a double materiality assessment, considering not only the financial impacts of climate issues on the organisation but also the organisation's impact on people, society, and the environment. Guidance on integrating double materiality into sustainability reporting would help ensure comprehensive and meaningful disclosures that reflect the interconnected nature of ESG issues.

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

One critical area where reporting entities could benefit from support is preparing to avoid greenwashing. ASIC could provide targeted guidance, such as Information Sheet 271 (INFO 271), to help entities develop robust processes and capabilities to ensure their sustainability disclosures are accurate, transparent, and substantiated.