ASIC Regulatory Guide 280 Sustainability reporting

Reporting update
4 April 2025, 25RU-03

KPMG

New sustainability reporting Regulatory Guide released

ASIC has published Regulatory Guide 280 *Sustainability Reporting* (RG 280) following its Consultation Paper 380 Sustainability Reporting. The regulatory guide provides guidance for entities that are required to prepare a sustainability report under Chapter 2M of the *Corporations Act 2001.*

The content of RG 280 covers the following topics:

- The preparation of the sustainability report
- Specific issues about the contents of the sustainability report
- Sustainability-related financial disclosures outside the sustainability report
- ASIC's administration of the sustainability reporting requirements, including relief powers and surveillance program

Proportionate and pragmatic approach to enforcement

ASIC acknowledges that there will be a period of transition as entities continue to build their reporting capabilities. As such, proportionate and pragmatic approach will be taken to supervision and enforcement of the sustainability reporting requirement.

Additional publications and educational materials to come

To assist reporting entities and other stakeholders, ASIC will continue to expand its suite of publication related to sustainability reporting. Educational materials will also be developed to support capacity building for entities that have not undertaken sustainability reporting previously.

In response to the feedback received during its consultation process, ASIC has:

- Added sections on climate scenario analysis and disclosing Scope 3 greenhouse gas emissions
- Included more specific guidance for directors
- Included additional guidance on applying sustainability reporting thresholds
- Revised its draft position on labelling of sustainability-related information in sustainability reports
- Updated its guidance on disclosing sustainability reporting information outside the sustainability report.

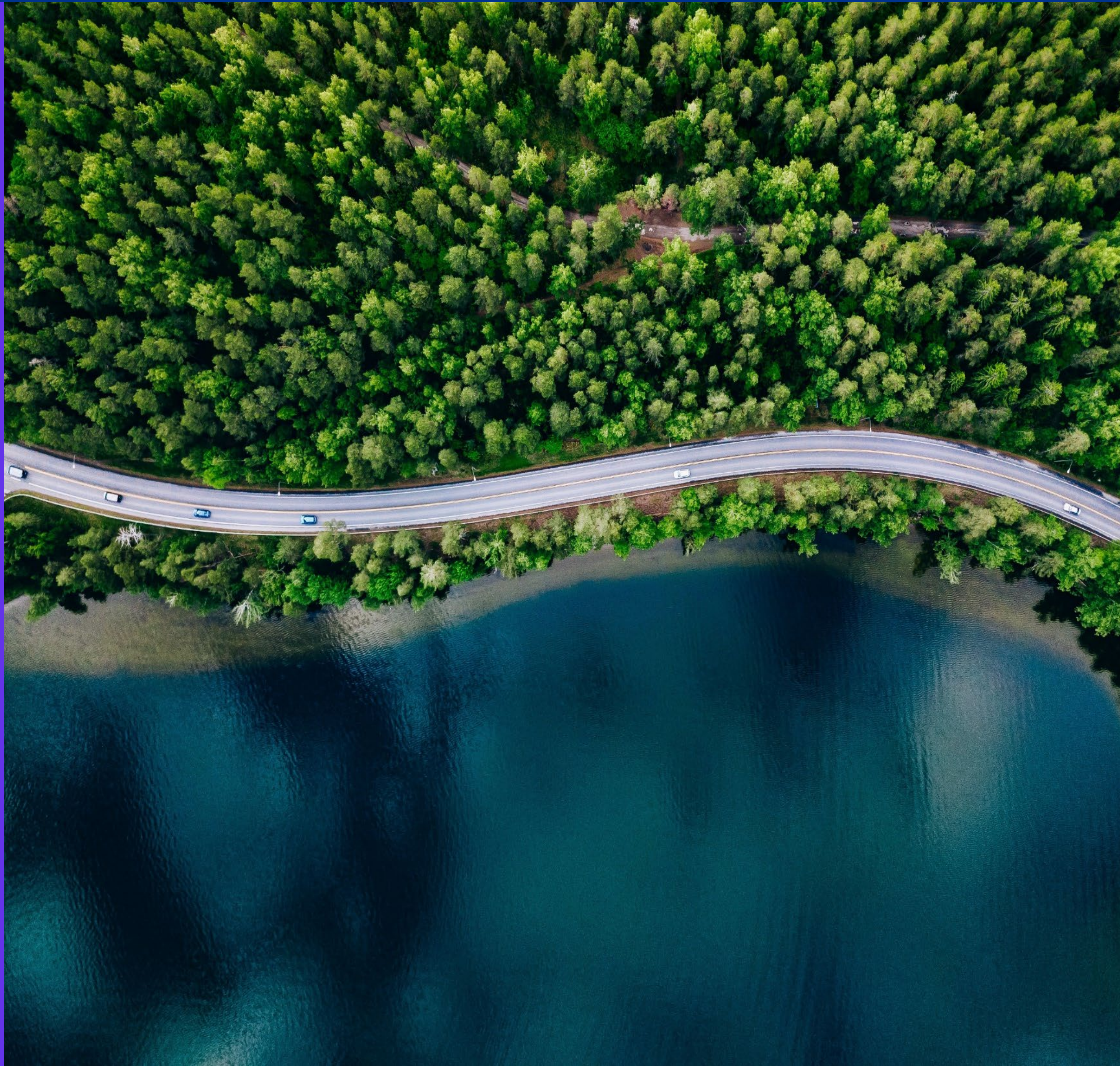
Further details on this new regulatory guide are set out in this Reporting Update.

"The timely release of the regulatory guide on sustainability reporting is welcome given we are in the first year of mandatory climate reporting. The guidance provides much needed clarity on ASIC's interpretation of some of the more judgemental areas of the reporting framework that have been exercising the minds of entities and their advisors."

Adrian King
Partner in Charge, ESG Advisory & Assurance
KPMG Australia

ASIC Regulatory Guide 280 - Sustainability Reporting

April 2025



ASIC Regulatory Guide 280 - Sustainability Reporting

What's been issued?

- **Regulatory Guide 280 (RG 280) Sustainability reporting** was released by ASIC in March following its Consultation Paper 380 *Sustainability Reporting* last year.
- RG 280 covers:
  - Overview of sustainability reporting and regulatory guide [Part A]
  - The preparation of the sustainability report [Part B]
  - Specific issues about the contents of the sustainability report [Part C]
  - Sustainability-related financial disclosures outside the sustainability report [Part D]
  - ASIC's administration of the sustainability reporting requirements, including relief powers and surveillance program [Part E]

Australian sustainability reporting legislation and standards finalised

ASIC Regulatory Guides

The mandatory sustainability reporting regime is new to the Australian reporting context. ASIC is the regulator responsible for this new mandatory sustainability reporting regime and has published this Regulatory Guide to provide certainty and address areas of potential diversity in application.

ASIC Regulatory Guides seek to provide guidance to entities about complying with their sustainability reporting obligations 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.

Next steps

ASIC may update RG 280 or provide other regulatory updates as it observes how sustainability reporting and disclosure practices develop in Australia and internationally.

To assist reporting entities and other stakeholders in preparing sustainability reports, ASIC will continue to expand its broader suite of publications related to sustainability reporting. Additionally, ASIC plans to develop and deliver a suite of educational materials regarding sustainability reporting requirements in the Corporations Act.

Your actions

- **Get familiar** with the new regulatory guide on sustainability reporting
- **Understand** what it means for your sustainability report
- **Reach out** to your KPMG contact
- **Be alert** for additional guidance issued by ASIC

Preparing a sustainability report

Sustainability reporting thresholds

Entities must prepare a sustainability report if they have financial reporting obligations under Chapter 2M of the *Corporations Act 2001* and meet at least one of the sustainability reporting thresholds[1]. Some of the thresholds depend on the definitions of revenue, assets and employees. Revenue and the value of assets are determined in accordance with relevant accounting standards.

RG 280 provides further guidance on how to apply the sustainability reporting thresholds[2]:

- **Revenue** should be determined by reference to AASB 15 *Revenue from contracts with customers* as "income arising in the course of an entity's ordinary activities". **Depending on business model**, companies may also consider other accounting standards that give rise to the recognition of revenue such as AASB 9 *Financial instruments*, AASB 11 *Joint arrangements,* AASB 17 *Insurance contracts,* AASB 140 *Investment property* and AASB 141 *Agriculture.*
- **Assets** should be as reported in the standalone or consolidated statement of financial position. RG 280 clarifies guidance for asset owners to refer to the 'value of assets' instead of 'Assets under management'. This guidance provides clarity whereby 'value of assets' threshold is calculated in accordance with accounting standards and is based on the assets recognised in the owner's standalone or consolidated statement of financial position (as appropriate).

For example, an asset owner controls several funds under AASB 10 *Consolidated Financial Statements* and meets the definition of an investment entity. Therefore, it recognises investments in these funds at fair value of $3bn rather than consolidating and recognising the underlying controlled funds' gross assets of $10bn and gross liabilities of $7bn. In determining 'value of assets' threshold, the total assets reported in the asset owner's standalone financial position will be used given it cannot prepare consolidated financial statements under AASB 10.

- **Employees** – as a starting point entities may find it helpful to refer to the definition in Appendix A of AASB 2 *Share-based payment*.

ASIC acknowledges that the definitions under accounting standards require some degree of interpretation and judgements.

Modified liability

Under the modified liability settings, no legal action other than criminal action, or action by ASIC, can be brought in relation to 'protected statements' made in the sustainability report or the auditor's report on the sustainability report.

RG 280 confirms that the **modified liability settings do not extend to statements voluntarily made outside a sustainability report** (such as in investor presentations), unless required by regulation. Additionally, **information included by cross-reference in the sustainability report is not covered by the modified liability setting** (see Cross-referencing).

RG 280 provides further guidance on when the modified liability settings do not apply.

Timing of lodgement

RG 280 also states that **the sustainability report and the annual financial report should be lodged at the same time** to enable users understand the connections between the two reports. The Corporations Act and AASB S2 *Climate-related disclosures* require the two reports to relate to the same reporting period.

[1] *24RU-12 Australian Sustainability Reporting legislation and standards finalised* for details of sustainability thresholds.

[2] RG 280 clarifies that the concept of 'revenue', 'assets' and 'employees' have the same meaning as the equivalent concepts in s45A(3) of the Corporations Act when determining whether a company is a large proprietary company.

Reporting content and interaction with other requirements

Cross-refencing

RG 280 addresses incorporation of disclosures by cross-reference. **Material information can be included in a reporting entity's climate statements[2] by cross-referencing to another document** published by the reporting entity as permitted in AASB S2[1], provided:

- cross-referenced information is available on the same terms and at the same time as the climate-related financial disclosures[2] and
- climate-related financial disclosures[2] are not made less understandable by including information by cross-reference.

Cross-referencing is consistent with current practice of some reporting entities who have voluntarily disclosed sustainability-related information as part of their integrated reporting.

Consistent with AASB S2, RG 280 reiterates that a reporting entity's sustainability report is not able to be cross-referenced to information in a report prepared by another entity.

The reporting entity is strongly encouraged to lodge the other documents containing the cross-referenced information with its sustainability report (if not already lodged) with ASIC to ensure a complete and permanent sustainability report is available for public access.

[1] AASB S2 *Climate-related Disclosures*

[2] Climate statements and climate-related financial disclosures in this document refers to the disclosure required by AASB S2 *Climate-related Disclosures* to meet the mandatory disclosures requirement for the sustainability report under the Corporations Act

Labelling

RG 280 provides flexibility for the labelling of sustainability-related information.

A reporting entity may prepare a standalone report that only contains the climate-related information required under Corporations Act and AASB S2.

ASIC acknowledges that the sustainability report may contain voluntary sustainability-related information as historical market practice for some entities has involved the preparation of a 'voluntary sustainability report' that included climate-related disclosures. RG 280 allows reporting entities **to include additional voluntary sustainability-related information in the report provided that the climate-related information required under the Corporations Act and AASB S2 is clearly identified and not obscured.** It could be achieved by using an index table that identifies the mandatory disclosures required under the Corporations Act and AASB S2.

KPMG welcomes the clarifications on cross referencing and labelling as it supports current market practice and will reduce unnecessary duplication and segregation of sustainability related information between the annual report and other pre-existing sustainability reports issued by entities historically.

Disclosures outside the sustainability report [Part D]

RG 280 provides guidance on climate-related financial information and other sustainability-related financial information that are required by legislation to be considered and disclosed in documents outside the sustainability report (e.g. Operating and financial review in the directors' report, Product Disclosure Statements) as well as principles related to the reproduction of climate statements in other documents (e.g. investor presentations, and other market disclosures directed to investors).

Operating and financial review (OFR)

If considered a material business risk, a listed entity is required to disclose sustainability-related financial information in the OFR. While the sustainability report is part of an entity's annual reporting suite, it is a report separate from the directors' report where the OFR is located.

ASIC highlights that the OFR has a distinct role in annual reporting, which allows investors to find relevant information about the entity in a single location. As such, consistent with RG 247 *Effective disclosure in an operating and financial review,* cross-referencing to information in the sustainability report to meet the disclosure requirements for the OFR is not permitted. However, RG 280 clarifies that an entity's sustainability report may cross-reference to information in the OFR to meet its sustainability reporting requirements, when permitted by AASB S2.

Further guidance

RG 280 also provides further guidance on the following matters:

Preparing the sustainability report [Part B]

Matter	Guidance
Obligation to keep sustainability records	An entity is required to keep records comprising documents and working papers that explain the methods, assumptions and evidence from which the sustainability report are made up. Sustainability records must also be kept in relation to disclosures made by way of cross-referenced documents in sustainability report. These records must be kept for at least 7 years, be available on request by ASIC, and be provided to auditors promptly to support their audit/assurance.
Directors' duties	As part of directors' duty to exercise their powers with reasonable care and diligence, they should consider the extent that material climate-related physical and transition risks pose a foreseeable risk of harm to the interests of the entity which will then inform their declaration in relation to any climate-related financial disclosures.
Directors' declaration	The directors' declaration must be made in accordance with a resolution of the directors, specify the date on which the declaration is made, be signed by a director, and declare that, in the directors' opinion, the sustainability report is in accordance with the Corporations Act. For financial years commencing between 1 Jan 2025 – 31 Dec 2027 the declaration only requires directors to have taken reasonable steps to ensure that the sustainability report (modified declaration) is in accordance with the Corporations Act and AASB S2. The modified declaration reflects that directors are building their understanding and capabilities over time in relation to sustainability reporting.

Content required in the sustainability report [Part C]

Matter	Guidance
Overview of required content	A sustainability report for a financial year consists of climate statements; notes to the climate statements; and the directors' declaration Notes to climate statements in a sustainability report are not expected to be necessary given that neither AASB S2, nor any legislative instruments currently require any notes.
No financial risks or opportunities relating to climate	Qualifying reporting entities may lodge a climate statement explaining that there are no material financial risks or opportunities relating to climate for a financial year; and how the entity determined that it had no material financial risks or opportunities relating to climate. The assessment must be documented for each appliable financial year and be supported by adequate sustainability records.
Statements with forward-looking climate information	Reporting entities that are disclosing entities must comply with their continuous disclosure obligations, including for forward-looking information in the climate statement in accordance with the Corporations Act and AASB S2, when relevant facts or circumstances change without undue cost or effort.
Climate-related scenario analysis	Reporting entities must use climate-related scenario analysis to assess their climate resilience as required by AASB S2. Additionally, reporting entity must use a minimum of two climate scenarios as specified in the *Climate Change Act*.
Scope 3 greenhouse gas emissions	Reporting entities are required to disclose Scope 3 greenhouse emissions (including financed emissions) under the Corporations Act and AASB S2 without undue cost or effort. RG 280 clarifies that an entity might use estimation, primary and secondary data in measuring its Scope 3 emissions. Transitional relief is also available under AASB S2 for the first annual reporting period.
Proportionality mechanisms and exceptions under AASB S2	Reporting entities can apply AASB S2 proportionality mechanisms and exceptions to comply with sustainability reporting requirements using reasonable and supportable information available without undue cost or effort. When such mechanisms are applied, reporting entities will still be required to keep adequate sustainability records substantiating the application of these aspects. ASIC may direct a reporting entity to make available to ASIC this information for scrutiny.

Further guidance

RG 280 also provides further guidance on the following matters:

ASIC's administration of the sustainability reporting requirements [Part E]

Matter	Guidance
ASIC's approach to supervision and enforcement during the early years of application	ASIC will take proportionate and pragmatic approach to supervision and enforcement during the early years of sustainability reporting. ASIC is likely to commence enforcement investigation when serious and reckless misconduct occurs.
ASIC's power and approach to grant sustainability reporting and audit relief	ASIC has discretion to grant relief from the sustainability reporting and audit requirements when satisfied that complying with the obligations would make the sustainability report or other report misleading, be inappropriate, or impose unreasonable burdens. ASIC will consider the sustainability reporting policy objectives; users of the sustainability report; and established policy and precedents in relation to financial reporting. ASIC will also consider the relevant circumstances of the applicant, including for example, the entity's size. Relief is unlikely to exceed one reporting period. Extension of time to lodge a sustainability report will be granted only in rare circumstances.
Review of sustainability reports	ASIC may review sustainability reports and audit files to monitor compliance with the sustainability reporting and audit requirements. This is consistent with ASIC's approach to monitoring compliance of annual financial reporting requirements under the Corporations Act.

Sustainability reporting relief

Financial reporting relief

RG 280 confirms that any existing financial reporting relief under an ASIC instrument will automatically extend to sustainability reporting. This would be the case, for example, where a company has relief from preparing a financial report under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*. Other forms of financial reporting relief (e.g., deferral of financial reporting obligations) will require a separate application for sustainability reporting relief.

Stapled entities

RG 280 sets out that the financial reporting relief for stapled entities under *ASIC Corporations (Reporting by Stapled Entities) Instrument 2023/673* extends to sustainability reporting requirements. This relief allows a stapled entity to prepare a sustainability report in relation to all stapled group members. If a stapled entity relies on this relief, each stapled issuer in the stapled group is not required to prepare individual sustainability reports.

Listed disclosing entities

ASIC has amended *ASIC Corporations (Electronic Lodgement of Financial and Sustainability Report) Instrument 2016/181* to reflect that the instrument permits listed entities to lodge sustainability reports electronically with the relevant market operator without lodging separate reports with ASIC.

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