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The Treasury
Langton Crescent
Parkes ACT 2600
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Via the consultation hub

Dear Treasury

Raising the reporting threshold for large proprietary companies

Thank you for the opportunity to provide a submission on Treasury's consultation on raising the reporting threshold for large proprietary companies (**Consultation**) through the *Corporations Amendment (Proprietary Company Thresholds) Regulations 2026* (**Amending Regulations**).

The Australian Institute of Company Directors Limited (**AICD**)'s mission is to be the independent and trusted voice of governance, building the capability of a community of leaders for the benefit of society. The AICD's membership of more than 54,000 includes directors and governance leaders of not-for-profits (**NFPs**), large and small businesses and the public sector.

The AICD supported the introduction of the climate reporting regime for the largest emitters and entities. Since 2021, the AICD has hosted the Climate Governance Initiative (**CGI**) Australia, part of the Chapter Zero Alliance of more than 35 groups worldwide, to help boards navigate the governance implications of climate change. The AICD has produced a range of guidance and resources, including Board insights from Australia's first mandatory climate disclosures, Director's Guide to Mandatory Climate Reporting, the annual Climate Governance Forum and education courses and webinars.[1]

The AICD welcomes the Government's commitment to regulatory reform and productivity enhancing reforms in certain areas, reflected in the Whole-of-Government Regulatory Reform Agenda announced in the 2026/27 Federal Budget. Raising the reporting threshold for large proprietary companies is a moderate but important measures to provide regulatory relief to a small population of medium sized organisations. AICD Mandala Partners (**Mandala**) research conducted in 2025 estimates that raising the reporting thresholds to $100 million in revenue and $50 million in assets could save the impacted organisations $710 million over four years.[2]

The automatic adjustment of reporting thresholds that will flow from the Amending Regulations to the climate reporting regime under Part 2M of the *Corporations Act 2001* (**climate reporting regime**) was estimated in the AICD Mandala research to result in a further $1 billion in savings over four years.[3]

This submission has been informed by engagement with directors and industry bodies. It reflects our submissions, including to the Productivity Commission inquiry into non-financial business reporting requirements and Treasury consultation on improving the efficiency of climate-related financial disclosures.[4]

[1] AICD. Climate Governance Initiative Australia, available here.
[2] AICD, *$160 billion and counting: The cost of Commonwealth regulatory complexity*, pages 31-33, available here.
[3] Ibid.
[4] AICD submission into Productivity Commission inquiry into non-financial business reporting requirements, 9 October 2026, available here; AICD submission into improving the efficiency of climate-related financial disclosures, 2 October 2026, available here.

1. Executive Summary

The AICD strongly supports raising the reporting threshold for large proprietary companies and, by consequence, Group 3 climate reporting thresholds. It is critical that Australia's reporting framework remains proportionate, practical and internationally aligned. The Australian Securities and Investments Commission (**ASIC**) had previously estimated 1,535 companies would no longer need to lodge audited financial reports or Sustainability Reports if thresholds were adjusted for large proprietary companies.[5]

We continue to reiterate that the inclusion of Group 3 and NFPs within the climate reporting regime is disproportionate and unwarranted from a policy perspective given the compliance burden would be excessive for organisations which have limited emissions profiles. Many Group 3 and NFPs will continue to report climate impacts, whether as part of supply chain requirements or from stakeholder expectations. Mandatory inclusion within the climate reporting regime is not required to achieve this.

The AICD makes the following policy points:

Large proprietary company threshold

- **Application scope:** As the proprietary company thresholds are used for both public and proprietary companies, we recommend updating the Explanatory Statement to the Amending Regulations to specify that the updated reporting thresholds also apply to companies limited by guarantee. We note that as 'some smaller public companies' will not be subject to climate reporting requirements this would provide clarity, especially as companies limited by guarantee are the most common type of company structure for NFP organisations registered with ASIC.[6] It is also critical for the Explanatory Statement to clarify which reporting exceptions remain after the implementation of the Amending Regulations.

- **Financial reporting quality:** Informed by member feedback we do not consider that the proposed lifting of reporting thresholds under the Amending Regulations will result in detrimental outcomes in terms of board, investor or broader stakeholder visibility of the financial position of an organisation. Directors have not raised concerns that the change will result in a deterioration of the financial information presented to the board. Further, we note that it remains open to organisations and their boards to continue to have audited accounts, including to meet the expectations of end users of financial reports. The AICD places a strong emphasis in its education and member resources on directors' obligations for the financial performance, oversight and reporting of the entities they govern.

- **Periodic automatic adjustment of reporting thresholds:** Over the longer-term, our view is that reporting thresholds should be subject to periodic automatic adjustment, underpinned by public consultation where necessary. Fixed thresholds become outdated due to inflation, economic growth or changes in business structures, resulting in entities being brought within the scope of reporting requirements in circumstances not originally intended by policy makers. Reporting regimes should therefore incorporate mechanisms that allow thresholds to be automatically adjusted to help ensure that reporting obligations remain targeted to the entities and activities they were designed to capture. This will reduce the need for frequent legislative amendments.

  The current policy approach under most reporting regimes where an adjustment in thresholds is at the discretion of the government or regulator via the making of an instrument is unproductive and time consuming. We note that the large proprietary reporting thresholds were last adjusted in 2019. Periodic automatic adjustment would remove the necessity of ad hoc consultation and regulation making processes and most importantly ensure the thresholds and cohorts captured remain consistent with the initial policy intent.

[5] ASIC letter, Additional Steps ASIC will take to bolster economic growth, 12 August 2025, available here.
[6] Australian Taxation Office, Legal structures for not-for-profits, available here.

Climate reporting regime

- **Application to Group 3:** As above, we are strongly supportive of the adjustment in the reporting thresholds and how this will automatically adjust climate reporting thresholds to the benefit of some current Group 3 entities. We strongly recommend that the Government should take the next step and remove Group 3 entities entirely from the climate reporting regime.

  The costs and compliance burden associated with climate reporting are disproportionately significant for medium sized entities and exceed the potential benefit to primary users. This disconnect has been recognised in New Zealand and the European Union, with both jurisdictions increasing the reporting thresholds of their International Financial Reporting Standards (**IFRS**) aligned climate reporting regimes.[7] The United Kingdom has chosen to make its climate reporting regime voluntary on a "comply or explain" basis.[8] The Government has also previously highlighted the importance that 'Australia's financial and sustainability-related reporting frameworks are internationally aligned to support Australian entities that operate across jurisdictions.'[9]

  The cost-benefit analysis for including Group 3 entities within the mandatory reporting regime was not sufficiently rigorous, and the regime should be targeted at those entities that will have the largest impact on the nation's emissions profile. New AICD Mandala research published in November 2026 estimates that removing climate reporting obligations for the remaining Group 3 firms could save more than $2 billion over four years.[10]

- **Application to NFPs:** Consistent with the policy rationale for excluding registered charities from the regime, we strongly recommend NFPs more broadly should also be excluded. As with charities, these organisations tend to be resource constrained with a heavy reliance on volunteer support and external funding sources, such as donations and government grants. The climate reporting regime should be applied to for-profit entities to support investors' decision-making consistent with the policy objective of the climate reporting regime, rather than being imposed upon community-based organisations.

- **Implementation timing:** We strongly recommend that the Government provides policy certainty promptly if it decides that the remaining Group 3 and NFP entities are no longer required to lodge Sustainability Reports, noting the application provisions in Schedule 2 of the Amending Regulations relate to financial years commencing on or after 1 July 2027. We understand that Group 3 entities are already undertaking preparatory work for their Sustainability Reports, including augmenting internal systems, governance processes, policies and risk management frameworks. For these entities to benefit from the cost savings associated with not having to produce a Sustainability Report, they need certainty as soon as possible.

2. Next Steps

We hope our submission will be of assistance. If you would like to discuss any aspects further, please contact Simon Mitchell, Acting Head of Policy at SMitchell@aicd.com.au and Sean Dondas, Policy Adviser at SDondas@aicd.com.au.

[7] New Zealand Government, Commonsense changes to boost capital markets, 22 October 2025, available here; and European Commission, Commission adopts revised Sustainability Reporting standards to reduce administrative burdens for EU businesses while maintaining high-quality disclosures, 3 July 2026, available here.
[8] Financial Conduct Authority, *PS26/19: Aligning listed issuers' sustainability disclosures with international standards*, 30 September 2026, available here.
[9] Parliament of Australia, *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024*, Explanatory Memorandum, 4.10, available here.
[10] AICD and Mandala Partners, *The Stagnant Nation: Lifting Australia's Dynamism*, 8 October 2026, page 35, available here.

Yours sincerely,



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