

2 October 2026

The Treasury
Langton Crescent
Parkes ACT 2600
Australia

Via the [consultation hub](#)

Dear Treasury

Improving the efficiency of climate-related financial disclosures

Thank you for the opportunity to provide a submission on Treasury's consultation on improving the efficiency of climate-related financial disclosures (**Consultation**).

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 has been a long-standing supporter of the establishment of a mandatory climate reporting framework in Australia aligned to the global baseline set by the International Sustainability Standards Board (**ISSB**). Since the introduction of the regime, we have worked constructively with Government, regulators and standard-setters to support effective implementation and build director capability.

This includes active engagement in the introduction of the climate reporting regime and the associated guidance and making submissions on the [exposure draft legislation](#), the [Senate Inquiry into the Climate Reporting Bill](#), [Treasury's climate transition planning guidance](#) and [ASIC guidance for Sustainability Reporting](#), among many others. The AICD has also published [A director's guide to mandatory climate reporting](#) (now in its second edition) to provide an overview of the reporting framework and the practical steps boards can take to fulfil their obligations under the regime. In May 2026, we published [Board insights from Australia's first mandatory climate disclosures](#), which provides an early view into how boards are navigating climate disclosures in practice, including the integration of climate reporting into existing governance and risk systems.

Since August 2021, AICD has been the host of the Climate Governance Initiative (**CGI**) Australia, part of a global network that aims to uplift and support climate governance capability for directors and boards. Through the [CGI Australia](#), the AICD provides targeted resources, briefings and events to Australian directors, including the fifth annual [Climate Governance Forum](#). The AICD also offers free and paid director training and updates on climate governance, energy transition and related issues.

This submission has been informed by engagement with directors, assurance providers and industry bodies.

1. Executive Summary

Australian boards recognise that a well-designed climate reporting regime can deliver meaningful information to investors. The AICD supports the core objectives of the reporting regime, including improving the quality, consistency and comparability of climate-related disclosures. It is critical, though, that Australia's framework remains proportionate, practical and internationally aligned.

We welcomed this review as a component of the [Whole-of-Government Regulatory Reform Agenda](#) announced in the 2026/27 Federal Budget. It is critical that the policy settings of the regime are considered within the broader prism of Australia's significant productivity and economic growth challenges. As demonstrated by AICD-commissioned research in 2025, federal regulatory accumulation is a significant weight on all organisations.¹ This review is an important opportunity to recalibrate a significant new source of compliance cost for entities in a manner that retains the regime's underlying objectives.

While the mandatory climate reporting regime remains in its early stages of implementation with market practices still evolving, it has involved significant costs and complexity for Group 1 and 2 entities - far greater than estimated. Our response is focused on providing measured and proportionate relief to entities, including through removing Group 3 and NFP entities from the regime.

Our key observations and recommendations are summarised below, and our detailed responses to the Consultation are set out in **Attachment A**.

Assurance

- The AICD strongly supports **extending the period of limited assurance to 2035**. Given the complexity of climate reporting, ongoing capability constraints and challenges for assurance providers, our view is that a mandatory transition to reasonable assurance in 2030 would be premature. A measured delay will provide an opportunity for the assurance market and supporting systems to mature and costs for entities to stabilise.
- Based on current settings and timelines, Australia will be one of the first ISSB-aligned countries to move to mandatory reasonable assurance. There are no specific policy factors that warrant Australia adopting these settings in advance of other developed countries. We also see no advantages in Australia being a first mover, particularly given the considerable costs that come from implementation. We are concerned that the transition to reasonable assurance could reduce the competitiveness of the Australian market, while placing a high compliance burden on organisations and their value chains.
- Entities will have the option to pursue reasonable assurance on a voluntary basis before 2035 where this is possible and considered valuable to their primary report users.
- The AICD emphasises the importance of providing policy certainty in this area, and recommends that the Government progress any assurance changes within the next six months. We also support the use of the 2028-29 statutory review as an opportunity to work through the cost-benefits of reasonable assurance over the longer-term.

Director liability and Directors' Declaration

- If the period of limited assurance is extended, the AICD considers it critical that the **modified liability settings and transitional directors' declaration are extended by the same duration**.

¹ See [\\$160 billion and counting: The cost of Commonwealth regulatory complexity | AICD](#)

Guidance

- The AICD **supports the development of additional implementation guidance**, particularly on making a statement of 'no material climate-related risks or opportunities' and the application of proportionality mechanisms.
- Guidance should be practical and tailored to the circumstances of a range of entities and industries, especially as Group 2 entities begin to report in 2026. Wherever possible, we encourage timely, concise, fact sheet-style guidance supported by examples and case studies that can be readily applied.

Value chain requests

- The AICD supports the Government increasing the **availability of publicly accessible data** to reduce the need for reporting entities across a range of sectors to issue complex or poorly targeted data requests to their value chain, particularly regarding scope 1 and 2 emissions.

Application to Group 3 and NFPs

- We strongly recommend that **current Group 3 cohort and NFPs should be removed from the regime**.
- The costs and compliance burden associated with climate reporting are disproportionately significant for smaller entities and far exceed any potential benefit to primary users.
- This disconnect has been recognised in New Zealand and the European Union, with both comparable jurisdictions increasing the reporting thresholds of their climate reporting regimes.²
- An immediate action we urge the Government to take is to **increase the Group 3 reporting thresholds through making the large proprietary corporate reporting threshold regulations announced in the 2026-27 Budget**.

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, Sean Dondas, Policy Adviser at SDondas@aicd.com.au, and Elise Plunket, Policy Adviser at EPlunket@aicd.com.au.

Yours sincerely,



Louise Petschler GAICD
GM, Education & Policy Leadership

² [Commonsense changes to boost capital markets](#), 22 October 2025 and [Commission adopts revised Sustainability Reporting standards to reduce administrative burdens for EU businesses while maintaining high-quality disclosures](#), 3 July 2026.

Attachment A – Response to Consultation Paper

Proposal 1: Adjusting assurance settings

Question 1: Which of the options outlined would help to achieve the four key principles underpinning this reform process? Please explain any impacts on compliance costs, international alignment, disclosure quality, investor information needs and implementation certainty. Why is this your preferred option?

The AICD **strongly supports Option 1b**, which would retain limited assurance as the mandatory assurance standard until 2035. This option achieves the four principles underpinning the reform process by reducing compliance costs, maintaining broad international alignment and minimising disruption for reporting entities. More systemic questions about the long-term assurance framework can be considered through the legislated 2028-29 review.

While the AICD is a proponent of the long-term objective of promoting high-quality, reliable and decision-useful climate disclosures, a mandatory transition to reasonable assurance from 2030 would be premature for the reasons outlined below.

Compliance costs and efficiency

The cost of implementing the climate regime, including obtaining limited assurance, has been significant for Group 1 and Group 2 entities. Costs have exceeded Treasury's estimates in its impact analysis³ based on recent research on assurance costs for the first cohort of Group 1 mandatory climate reports.⁴ We have received feedback that the step up from limited to reasonable assurance will be a further significant change in the nature and scope of assurance work and based on feedback from audit firms will result in materially higher costs for both entities and firms.

We understand that many reporting entities remain focused on establishing core reporting systems and processes, while assurance providers continue to invest in specialist sustainability capability and methodologies. Extending the limited assurance period would be measured and proportionate relief while maturity is developed. Further, it will reduce the risk that resources are diverted away from improving reporting quality towards meeting more demanding assurance requirements.

International alignment

The AICD has consistently supported alignment with the global baseline established by the ISSB, wherever reasonably practicable, and international comparability remains an important objective of the climate reporting framework. However, this question concerns assurance requirements rather than the underlying disclosure standards. As such, deferring the transition to reasonable assurance would not alter the substantive content of disclosures required under Australian Accounting Standards Board (AASB) S2 or undermine Australia's ongoing alignment with International Financial Reporting Standards (IFRS) S2.

Importantly, overseas jurisdictions have either chosen not to mandate reasonable assurance across their ISSB-aligned climate disclosures or have rolled back an initial intention to transition to a reasonable standard. This includes the European Union, Canada, Hong Kong, Japan, South Korea, Singapore and New Zealand.⁵

³ See page 23: [Climate-related financial disclosures - Policy Impact Analysis](#)

⁴ Purpose Bureau, Monash Business School (accessed 16 September 2026). ASRS Assurance Snapshot 2026. 16% of reporters disclosed a distinct assurance fee. Those that did paid a median \$89,000. Available [here](#).

⁵ In early 2025 the decision was made that the European Sustainability Reporting Standards would not move to reasonable assurance (see [Omnibus package - European Commission](#)). The climate reporting regime in New Zealand only requires limited assurance for emissions disclosures (see [Assurance » XRB](#)). Assurance is not required under the UK Sustainability Reporting Standards (see [UK SRS Reporting Guidance — What to Disclose & When](#)).

The United Kingdom's Financial Conduct Authority has recently announced that climate reporting will no longer be mandatory for in-scope entities, and instead will be operated on a 'comply or explain' basis. There are therefore no mandatory assurance requirements.⁶

As Treasury notes, Option 1b would therefore support interoperability with jurisdictions that have deferred aspects of their assurance frameworks or otherwise not signalled an intention to move to reasonable assurance. In our view, Option 1b strikes an appropriate balance between maintaining global comparability and recognising practical implementation challenges. Maintaining a transition to reasonable assurance on the current timeline would position Australia as one of the first movers which, based on feedback, we do not consider to be commensurate given the considerable costs, the maturity of the assurance market, or any hard to identify benefit associated with a move to reasonable assurance.

Disclosure quality and investor information needs

The AICD does not consider that delaying the transition to reasonable assurance until 2035 would materially compromise disclosure quality or investor information needs. Limited assurance remains an important and meaningful form of independent external scrutiny. It provides users with confidence that disclosures have been reviewed by an independent practitioner, and that appropriate governance, documentation and verification processes are in place. Importantly, it also preserves incentives for entities to continue investing in their reporting systems and controls.

In our view, there is a risk that requiring reasonable assurance prematurely could undermine disclosure quality. There remains considerable uncertainty regarding data quality, methodologies and underlying assumptions. In this environment, moving too quickly to reasonable assurance risks encouraging conservative disclosure practices.

Furthermore, doubt remains among both preparers and assurance providers as to whether it will be possible to provide reasonable assurance over some disclosures. In our previous submissions, we have highlighted the particular challenges associated with assuring highly uncertain and forward-looking disclosures, including transition plans, scenario analysis and scope 3 greenhouse gas emissions.⁷ Our stakeholder engagement has identified concern that requiring these kinds of disclosures to reach a reasonable assurance standard could result in qualifications to the audit opinion. A widespread incidence of modified or qualified opinions could reduce comparability, cause uncertainty for primary users of reports and undermine confidence in the climate reporting regime.

Importantly, entities will remain free to obtain reasonable assurance voluntarily where they consider it valuable and achievable. This is particularly likely for scope 1 and scope 2 emissions disclosures, where data, methodology and reporting practices may support a higher level of assurance. A voluntary pathway allows assurance levels to evolve in response to user demand and market readiness. Group 1 ASX-listed reporting entities have demonstrated that there is a willingness to move to reasonable assurance where possible, with 1 in 10 voluntarily obtaining reasonable assurance over their scope 1 and 2 emissions.⁸

Implementation certainty and 2028-29 statutory review

The AICD strongly supports policy certainty regarding the future assurance pathway. Clarity regarding assurance obligations is critical to informing investments into reporting systems and controls, and avoiding unnecessary duplication or stranded expenditure. Treasury has correctly identified the importance of minimising disruption and maintaining a stable regulatory environment.

⁶ PS26/19: [Aligning listed issuers' sustainability disclosures with international standards](#) | FCA, 30 September 2026.

⁷ An early indicator of the challenges associated with Scope 3 reporting is that 82.5% of entities relied on the one-year transitional relief provided under AASB S2 (see [Report REP 839 ASIC's review of Sustainability Reports lodged for 31 December 2025](#)).

⁸ Purpose Bureau, Monash Business School and Chartered Accountants Australia New Zealand. ASRS State of the Market: ASX-listed Cohort Report, September 2026. Page 32. Available [here](#).

We encourage Treasury to determine and communicate any changes to the assurance timetable as soon as practicable, and preferably within this calendar year.

The legislated 2028-29 review provides the appropriate mechanism for considering whether a transition to reasonable assurance remains justified and achievable over the longer term.

Director's declaration and liability

There is an important relationship between the level of assurance obtained over a Sustainability Report, the declaration that directors are required to make, and the liability they are exposed to. Under existing transitional arrangements, there are modified liability settings which apply to all forward-looking disclosures for the first year of the regime, and to all scope 3, scenario analysis and transition planning disclosures for the first three years of the regime. For reports prepared for financial years commencing on or after 1 January 2028, directors are subject to unmodified liability.

The directors' declaration is also subject to transitional arrangements. Currently, directors are required to declare that, in their opinion, the entity has taken reasonable steps to ensure that the substantive provisions of the Sustainability Report comply with the *Corporations Act 2001* (Cth) (**Corporations Act**) and AASB S2. For the financial years commencing on or after 1 January 2028, directors will be required to declare that, in their opinion, the substantive provisions of the Sustainability Report are in accordance with the Corporations Act and AASB S2. This is an important shift in that the latter declaration is comparable to the declaration required by directors over an entity's financial statements, which is made up of objectively verifiable, backwards-looking financial information as opposed to forward-looking, predictive statements.

The level of assurance that can reasonably be obtained over the Sustainability Report is directly relevant to the nature of the opinion that directors can reasonably be expected to express, and the degree of liability that should be imposed. Directors must, of course, exercise their own independent judgement and cannot rely solely on the work of an assurance provider. However, directors and assurance providers necessarily rely on the same underlying systems, processes, controls and information in assessing the Sustainability Report. As such, it would be a highly inconsistent and punitive policy outcome for directors to be required to give an unqualified opinion of compliance with the Corporations Act and AASB S2, and be subject to unmodified liability for that opinion and work, in circumstances where the report can only be assured on a limited basis.

Moving to unmodified liability and an unqualified declaration would also likely result in adverse outcomes for the quality of Sustainability Reports. The intent of the disclosures is to provide consistent, decision-useful disclosures for investors. However, due to the inherent uncertainty present in forward-looking statements, the liability risk faced by directors will likely discourage fulsome disclosure and encourage a more cautious approach to reporting where information is inherently subject to a degree of unpredictability.

Directors in Australia are already subject to a liability environment that is more burdensome than similar jurisdictions.⁹ We would be very concerned if directors were exposed to greater liability in an environment where the adoption of reasonable assurance has been delayed.

Accordingly, the AICD **considers it critical** that the modified liability settings for the first year and first three years of the regime be retained until 2035, along with the transitional directors' declaration. It is critical that the modified liability settings are extended to align with the extension of limited assurance, which will also help to minimise disruption in the market.

This approach will not diminish directors' responsibility for overseeing the preparation of the Sustainability Report. Rather, it will ensure that the declaration reflects what directors can reasonably substantiate in light of the assurance available, and the maturity of the reporting framework.

⁹ See 2025 research the AICD commissioned from Allens here: [Criminal and Civil Frameworks for Imposing Liability on Directors](#).

Application of modified liability to statements outside a Sustainability Report

Whilst not a topic that is part of active consideration within this consultation, the AICD highlights that clarification is required on the application of modified liability settings to statements made outside of the Sustainability Report where required by law (e.g. financial report, Operating and Financial Review, corporate governance statement, notice of meeting materials). This could be addressed through clarification in the Explanatory Memorandum, or further updates to ASIC RG 280 Sustainability Reporting.

As the Consultation Paper notes, the Government acknowledges that any amendments to assurance requirements would need to consider interactions with other elements of the climate reporting framework. We also note in our previous comments, that in the absence of clarity on whether a summary or partial reproduction of information contained in the Sustainability Report will be treated as a protected statement, we anticipated reporting entities will likely cross-reference these corporate reports to information included in the Sustainability Report.¹⁰ We note that ASIC has recently observed the practice of cross-referencing in its review of December year end 2025 Sustainability Reports.¹¹

Application of modified liability to statements outside a Sustainability Report is a critical element of improving climate reporting efficiency that should be addressed for completeness.

Question 7: If a transition to reasonable assurance were retained over the longer-term, what conditions would need to be satisfied before implementation? For example, market capability, data quality, methodological maturity, assurance capacity, or other factors

Mature reporting systems and internal controls

The AICD's 2026 insights publication highlighted that there is significant complexity and challenges in understanding and successfully implementing climate reporting in the early years.¹² Processes, data systems and expertise all need to be developed both at entities and assurance providers. It takes time for a new reporting regime this complex to develop that level of maturity.

Our strong view is that before reasonable assurance is mandated, there should be evidence that reporting entities and assurance providers have the knowledge, expertise, documentation practices, controls and verification processes across the full range of information required by AASB S2.

Sufficient availability and quality of data

Climate reporting frequently relies on estimates, assumptions and information obtained from third parties, including entities within an organisation's value chain. Assumptions and data used in climate models may be imprecise and subject to quality and access limitations. These challenges are particularly significant for scope 3 emissions and other disclosures that depend on information outside the reporting entity's direct control.

Before reasonable assurance is mandated, Treasury should consider whether material data gaps have been addressed, whether reporting entities can obtain sufficiently reliable information without disproportionate cost or effort, and whether there is consistent practice for dealing with estimates and measurement uncertainty. Without these factors being present it is not reasonable for entities to be required to meet the reasonable assurance standard.

Assurance market capacity

¹⁰ AICD submission (19 December 2024). ASIC Consultation Paper 380: Sustainability reporting. Available [here](#).

AICD submission (31 January 2025). Miscellaneous amendments to Treasury Portfolio Laws Autumn 2025. Available [here](#).

¹¹ ASIC (21 September 2026). REP 839 ASIC's review of sustainability reports lodged for 31 December 2025. Cross-referencing. Page 24. Available [here](#).

¹² AICD (20 May 2026). Board insights from Australia's first mandatory climate disclosures. Available [here](#).

The assurance market must have sufficient capacity and appropriate expertise to deliver reasonable assurance across all reporting cohorts without compromising assurance quality. Feedback from assurance providers has identified concern about being able to assure reports to a reasonable standard. We have also heard from reporting entities that the advice received from different assurance providers can vary widely – indicating that the industry’s understanding of the climate reporting regime is still developing.

Before reasonable assurance is introduced, there should be evidence that sufficient numbers of suitably qualified practitioners and supporting systems/software are available to meet demand across all reporting groups and sectors. This assessment should consider capacity across the market as a whole, including whether smaller and less well-resourced reporting entities can obtain appropriately qualified assurance services on reasonable commercial terms.

Evidence that reasonable assurance can generally be provided without qualification

If reasonable assurance is proposed for all disclosures (rather than a subset) there should be evidence that it can be provided across the full range of mandated disclosures without an undue prevalence of modified or qualified opinions. As we identify above, there is concern from assurance providers that a transition to reasonable assurance could result in auditors providing a modified or qualified opinion.

Treasury should therefore examine the experience of limited assurance engagements and any voluntary reasonable assurance engagements. This should include the prevalence and causes of modified conclusions, identified data and control deficiencies, and whether those matters are capable of being addressed before reasonable assurance becomes mandatory.

Demonstrated benefit proportionate to cost

The AICD recognises that reasonable assurance may marginally strengthen confidence in sustainability disclosures. However, any prospective benefits should be assessed against the additional costs imposed on reporting entities and assurance providers.

Reasonable assurance should not be introduced merely because it represents a higher assurance standard – there should be evidence that the additional scrutiny produces a commensurate improvement in the reliability and usefulness of disclosures. This should encompass a clear view on whether it materially affects investor confidence or decision-making and whether those benefits justify the additional costs incurred by entities.

Based on feedback to date, our strong view is that at this point and in the foreseeable future there is not a strong policy case that any benefits from reasonable assurance will outweigh the very significant and measurable costs.

Over the longer term we recommend that Treasury consider whether comparable jurisdictions have moved to reasonable assurance. If this is not a step that other jurisdictions with climate reporting regimes consider necessary or proportionate, then we would caution the Government from taking action that is out of step with other comparable jurisdictions, bar particular evidence being identified that suggests an alternative approach is justified in the Australian market.

Proposal 2: Improving consistency in the application of existing requirements

Question 8: Would this option help achieve the guiding principles outlined in this paper? Please explain any expected impacts on compliance costs, international alignment, disclosure quality and implementation certainty.

Improving consistency in the application of existing requirements would help achieve the guiding principles in this paper, including reducing compliance costs and minimising disruption for reporting entities.

In our consultation with directors of Group 1 December 2025 year end reporters, we observed that the first year of reporting provided challenges for entities. The effort and internal resourcing required to prepare disclosures was consistently underestimated.¹³ We heard that taking a prospectus or IPO-style approach gave the first reporters greater confidence that disclosures were verifiable and credible, particularly given the forward-looking nature of the statements compared to financial reporting, which primarily presents historical data.

Directors also expressed uncertainty around what compliance looked like in practice, with market expectations and approaches still evolving. Determining what was material and documenting the underlying basis for those judgements in a way that would withstand audit and stakeholder scrutiny proved to be one of the more demanding aspects for first reporters. Providing greater consistency in the application of materiality would assist in reducing compliance costs, enhancing implementation certainty for future reporting, and addressing ASIC's recent observations that some entities did not sufficiently explain how materiality was applied in climate reporting disclosures.¹⁴

Question 10: What guidance would assist you in providing assurance where an entity applies proportionality mechanisms or concludes that it has no material climate-related risks or opportunities?

The AICD supports the development of additional implementation guidance, particularly in making a statement of 'no material climate-related risks or opportunities', and the application of proportionality mechanisms. Wherever possible, we encourage timely, concise, fact sheet-style guidance supported by examples and case studies that can be readily applied. We continue to hear feedback from members that there is uncertainty regarding how these concepts should operate in practice (including definitions of materiality), particularly as they apply across entities of different sizes, sectors and levels of reporting maturity.

We also note ASIC observations that some entities have not sufficiently explained how materiality was applied and the judgements relied upon when determining disclosures to be made in the reports.¹⁵ Further, ASIC highlighted that entities had not disclosed information as it was deemed 'not material' or of 'low financial materiality' without the underpinning thresholds, judgements or assumptions. Recent analysis of a sample of Group 1 June 2026 reports also noted differing approaches to the assessment of materiality across organisations with regards to identifying climate-related risks or opportunities, with a lower number of material risks disclosed compared to the Group 1 December 2025 reports.¹⁶

We iterate our earlier views that ASIC RG 280 Sustainability Reporting should include guidance on steps directors should take to assess whether climate-related risks and opportunities are material, or whether they pose a foreseeable risk of harm to the interests of the entity. Specific guidance should set out suggested or example factors to be considered by directors in determining the materiality of risks in the climate context, noting the complexities and different judgment calls that may arise in this area.¹⁷

Proposal 3: Setting clearer boundaries on value chain information requests

Question 17: Would greater availability of standardised domestic emissions factors or other secondary data sources reduce the need for, or the burden created by, value-chain information requests? What types of emissions factors, sectors or data sources would be most useful for Sustainability Reporting purposes?

¹³ AICD (20 May 2026). Board insights from Australia's first mandatory climate disclosures. Available [here](#).

¹⁴ ASIC (21 August 2026). ASIC's review of Sustainability Reports lodged for 31 December 2025. Material information. Page 23. Available [here](#).

¹⁵ Ibid

¹⁶ KPMG (28 August 2026). AASB S2 First Impressions 30 June 2026. Strategy. Page 5. Available [here](#).

¹⁷ AICD submission (19 December 2024). ASIC Consultation Paper 380: Sustainability reporting. Page 2. Available [here](#).

The AICD supports increasing the availability of publicly accessible emissions and climate-related data to assist reporting entities prepare climate disclosures and reduce the need for complex or poorly targeted requests across value chains. Better public data supports the core objective of climate reporting in improving consistency and comparability of climate disclosures. This is particularly important for scope 3 reporting, where one reporting entity's scope 3 emissions are often another entity's scope 1 and 2 emissions.

Whilst entities typically use science-based data sourced from industry accepted datasets to build scenarios for material physical and transition risks and opportunities, efforts should be targeted at providing reliable and granular information that is difficult to obtain from value chains. This would include where standardised emissions factors or other secondary data sources could provide timely and relevant assistance to reporting entities. Entities may face difficulties in gathering data on climate variables, physical risks, market trends, and regulatory developments. While public datasets and standardised emissions factors can help address information gaps, particularly where primary data is difficult to obtain, these sources should be used to supplement more accurate and entity-specific information where it is available.

Requests for emissions data across value chains should be proportionate to avoid creating unnecessary compliance burdens for suppliers. This is especially the case for smaller organisations not subject to mandatory climate reporting requirements, and those organisations likely to receive requests from multiple reporting entities. In recent market analysis of entities that reported scope 3 emissions, it was noted that the most disclosed categories were not necessarily the most material sources of scope 3 emissions for reporting entities.¹⁸

Ultimately, improving the quality of emissions data across the economy is a shared task but neither reporting entities nor suppliers can be reasonably expected to provide information that does not readily exist. Expanding trusted public datasets can help bridge the gap and continued investment in data collection, estimation methodologies across government, industry and commercial sources will collectively help build confidence in climate disclosures over time.

Interaction of proposals and other ideas to be considered

Question 33: Which proposal or combination of proposals would deliver the greatest improvement in efficiency relative to implementation effort? Please explain your reasoning.

The AICD considers that the greatest gains in efficiency relative to implementation effort would be delivered through a combination of:

- delaying the mandatory transition to reasonable assurance until 2035 under Option 1b, including extending the modified liability settings and transitional directors' declaration by the same duration;
- providing targeted and practical implementation guidance under Proposal 2 (particularly in relation to making a statement of 'no material climate-related risks or opportunities', materiality and proportionality mechanisms); and
- increasing the availability of reliable, publicly accessible emissions data under Option 3b.

In our view, each of these proposals are mutually reinforcing and would provide targeted and proportionate regulatory relief to entities.

Together, they would address three of the principal sources of cost and implementation difficulty within the climate reporting framework: the premature transition to reasonable assurance, uncertainty about how the reporting requirements operate in practice, and limitations in the availability of value-chain data. Importantly, these reforms could improve efficiency without changing the substantive disclosure requirements in AASB S2

¹⁸ KPMG (28 August 2026). AASB S2 First Impressions 30 June 2026. Disclosure of greenhouse gas emissions. Page 8. Available [here](#).

or weakening the quality and international comparability of the information provided to investors and other primary users.

We reiterate that delaying the transition to reasonable assurance should be paired with a delay in transitioning to unmodified director liability and an unqualified director's declaration. This approach would also improve efficiency as it would avoid entities incurring disproportionate legal, governance and verification costs in an attempt to substantiate an unqualified declaration before the underlying reporting and assurance framework is sufficiently mature.

The AICD supports targeted implementation guidance under Proposal 2. This represents a relatively low-cost and effective means of reducing uncertainty and unnecessary compliance activity without amending AASB S2 or the underlying legislation. Clearer guidance may reduce the need for individual entities to obtain extensive legal, accounting and assurance advice to determine how broadly expressed principles apply to their circumstances.¹⁹

Finally, increasing the availability of reliable, publicly accessible emissions data under Option 3b would also deliver material efficiency benefits, particularly by reducing the need for reporting entities to issue complex information requests across their value chains. As identified above, in many cases, value-chain participants, particularly SMEs, may not have dedicated climate reporting expertise or the systems required to calculate and provide entity-specific emissions data. A credible public source of domestic emissions factors and other suitable secondary data could enable reporting entities to calculate aspects of their scope 3 emissions without seeking granular primary data from every value-chain participant. This approach could therefore reduce costs for both reporting entities and their value-chain partners.

Question 35: Are there any additional efficiency-enhancing policy proposals that Government should consider which are consistent with the objectives and scope of this consultation process? Please explain how any proposed reform would improve efficiency while maintaining disclosure quality, international alignment and implementation certainty

Application of the regime to Group 3 entities and NFPs

We reiterate our longstanding position that the mandatory climate reporting regime should be more directly targeted to entities where the benefits of disclosure outweigh the costs. Consistent with our previous submissions, **we recommend that Group 3 entities and NFPs be removed from the regime**, and that the remaining reporting thresholds be aligned with the Government's proposed increases to the large proprietary company thresholds announced in the 2026-27 Budget.²⁰

We have consistently argued that the cost-benefit analysis for including Group 3 entities within the mandatory reporting regime was not sufficiently rigorous, and that the regime should be targeted at those entities that will have the largest impact upon the nation's emissions profile. Requiring medium sized organisations to meet the disclosure regime imposes undue compliance costs with limited disclosure and emissions reduction benefits.

Given the documented (and significant) increase in compliance costs experienced by Group 1 and 2 entities, extending the regime to Group 3 entities would be disproportionate and impose a significant compliance burden at a time of poor productivity performance and weak economic growth. It is not apparent how applying the regime to a private entity with just over \$100 million in revenue, by way of example, will result in improved investor information or incentivise measured emissions reductions.

¹⁹ We note that the need for more guidance on materiality was highlighted in ASIC's recent [Report REP 839 ASIC's review of Sustainability Reports lodged for 31 December 2025](#), which states that "some entities did not clearly explain how materiality was applied and what judgments they relied on when determining the information to disclose in their Sustainability Report".

²⁰ AICD submission (30 January 2026). Treasury 2026-27 Budget process. Available [here](#).

Forthcoming research by leading economic advisory firm Mandala Partners has estimated that the benefit of removing Group 3 from the regime (over the proposed \$100 million revenue/\$50 million asset threshold) will result in savings of \$2 billion over four years. The AICD will share this research with Treasury at the time of publication.

International alignment

International developments also demonstrate the need for Australia to adjust its thresholds. In 2025, New Zealand significantly increased its mandatory reporting threshold for listed issuers from \$60 million to \$1 billion. Managed investment scheme managers were also entirely cut out from the scope of the regime. These changes were made based on feedback to the government that in-scope entities had spent up to \$2 million on compliance, and concern that the cost and risk associated with climate reporting may be deterring listings on the New Zealand Stock Exchange.²¹ In 2026, health and life insurers were also taken out of the regime's scope, on the basis that it was not a regime well suited to the industry, given that they aren't directly exposed to climate risks and that the cost of reporting is ultimately passed to their clients.²²

Before its introduction, the European Union has also revised aspects of its climate reporting framework to reduce the administrative burden on reporting entities following stakeholder input and a public consultation. Changes included increasing the threshold for in-scope companies from 1,000 employees with a turnover of 450 million Euros to 5,000 employees and turnover of 1,500 million Euros.²³ As noted above, the United Kingdom has moved from a mandatory regime to a 'comply or explain' approach to climate reporting.²⁴

These overseas developments reflect a growing recognition that climate reporting obligations need to be calibrated to ensure that compliance costs remain proportionate to the value of information produced, and indicate that Australia's current settings diverge from the international direction of travel.

NFPs

Consistent with the policy rationale for excluding registered charities from the regime, our strong view is that 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 regime should be applied to for-profit entities and to support investors' decision-making, rather than being imposed upon community-based organisations.

Implementing this change

Group 3 entities are required to start reporting for financial years commencing on or after 1 July 2027. Some NFPs may already be reporting as part of Group 1, and will be reporting as part of Group 2. It is therefore of paramount importance that the Government provides early policy certainty if it is to decide that Group 3 and NFP entities are no longer required to lodge Sustainability Reports.

We understand from our stakeholders that Group 3 entities are already undertaking preparatory work in order to be ready for climate reporting, including augmenting internal systems governance processes, policies and risk management frameworks. If these entities are to be able to benefit from the cost savings associated with not having to produce a Sustainability Report, having certainty that they are not required to do so as soon as possible should be a key priority for the Government. This would demonstrate follow through on the Government's commitment to its [Whole-of-Government Regulatory Reform Agenda](#) to unlock productivity and dynamism as outlined in the Federal Budget.

²¹ [Commonsense changes to boost capital markets](#), 22 October 2025.

²² [Commonsense change to insurance reporting](#), 18 June 2026.

²³ [Commission adopts revised Sustainability Reporting standards to reduce administrative burdens for EU businesses while maintaining high-quality disclosures](#), 3 July 2026.

²⁴ [PS26/19: Aligning listed issuers' sustainability disclosures with international standards | FCA](#), 30 September 2026.