

28 September 2026

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Business Reporting Requirements Inquiry
Productivity Commission
Level 8, Two Melbourne Quarter
697 Collins Street
DOCKLANDS VIC 3008

Dear Sir/Madam,

Improving non-financial business reporting requirements inquiry

We appreciate the opportunity to make a submission to the Productivity Commission's inquiry into improving non-financial business reporting requirements.

Nexia Australia Pty Ltd represents the four independent chartered accounting firms that comprise the Nexia Australia network. The network has 75 partners and services clients including small and medium enterprises, large private companies, not-for-profit entities, subsidiaries of international companies and listed public companies. As a top 15 accounting and advisory network in Australia, Nexia is proud to act as auditor and adviser to the middle market.

Our response is limited to **Information request 2 – Sustainability and environmental reporting**.

The *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024* amended the *Corporations Act 2001* to introduce climate-related financial reporting and assurance obligations.

Treasury's *Policy Impact Analysis - Climate-related financial disclosures* (September 2023) estimated the total compliance cost for the legislated framework at **\$1,400,190,000**, with an average transitional cost per entity of \$1,306,847 and ongoing costs of \$681,154 per annum.

The significant cost of this measure clearly represents an unreasonable regulatory burden on the Australian economy.

In our submission to Treasury's *Climate-related Financial Disclosure* Second Consultation Paper dated 19 July 2023, we estimated the cost to large proprietary companies of the first-year limited assurance of climate-related disclosures to be in the range \$20,000 to \$50,000 and ongoing annual reasonable assurance of climate-related disclosures to be in the range of \$25,000 - \$65,000.

Group 1 entities reporting for the financial years ended 31 December 2025 and 30 June 2026 were required to obtain limited assurance only on disclosures relating to their Scope 1 and Scope 2 GHG emissions, Governance (paragraph 6 of AASB S2) and Climate Risks and Opportunities (subparagraphs 9(a), 10(a) and 10(b) of AASB S2).

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Based on our analysis of ASX listed Group 1 entities' 31 December 2025 financial reports, sustainability assurance fees for those limited disclosures subject to assurance ranged between \$60,000 and \$200,000, with an average assurance fee of \$112,000, representing approximately 12% of financial statement assurance fees.

By comparison, Treasury estimated the average Group 1 first-year assurance costs of \$49,820 (Treasury Policy Impact Analysis, 2023, Table 9), understating average assurance costs by a factor of 2.25.

We expect those fees to increase further in the subsequent financial year as more disclosures contained in AASB S2 are subject to assurance.

In hindsight, our estimates of the first-year limited assurance and ongoing reasonable assurance engagements for large proprietary companies are likely understated.

We refer the Commission to our submission on Treasury's August 2026 *Consultation Paper - Improving the efficiency of climate-related financial disclosures*, which explores a number of opportunities to reduce regulatory burdens by reducing the compliance costs imposed on businesses while retaining key reporting requirements. A copy of that submission is attached for your reference.

We have summarised the key recommendations to reduce regulatory costs contained in that submission.

Changes to sustainability assurance settings will reduce compliance and reporting costs

We recommend maintaining limited assurance over the sustainability report and not progress to reasonable assurance.

Treasury acknowledged in their *Consultation Paper - Improving the efficiency of climate-related financial disclosures* (Aug 2026), there are significant difficulties in reliably measuring and assuring Scope 3 GHG data.

There is a significant risk that considerable time, cost and effort will be incurred attempting to provide reasonable assurance on Scope 3 GHG emissions and other qualitative disclosures but that the auditor will not be satisfied that sufficient evidence exists to form a reasonable assurance opinion on that information.

We strongly believe that amending the assurance requirements to provide only limited assurance on the sustainability report would represent an appropriate balance by:

- providing a core safeguard of obtaining an independent review of those disclosures;
- recognise the practical challenges and significantly reduce compliance costs associated with obtaining reasonable assurance on all climate-related information; and
- would have no discernable effect on investor confidence, access to capital, international comparability or market credibility.

Changes to Large Proprietary Company thresholds

The Australian Government announced raising the monetary thresholds prescribed for determining whether a proprietary company is 'large':

- to \$100 million revenue (from \$50 million); and
- to \$50 million in assets (from \$25 million).

Entities that fall below the proposed thresholds will no longer be required to prepare and lodge an annual audited financial report and sustainability report. This reform is intended to eliminate compliance costs for impacted smaller corporate entities.

We are concerned that:

- The doubling of the monetary thresholds but not the number of employees is arbitrary;
- Treasury has not explained the rationale for the adjusted settings;
- Treasury has not sufficiently considered the public interest consequences of increasing these financial reporting thresholds without appropriate consultation or identified the number of companies affected by the proposed change; and
- Increasing the financial reporting thresholds will reduce transparency and will adversely reduce the availability of publicly available financial information of proprietary companies for creditors, lenders and customers.

Requiring mandatory climate reporting by large proprietary companies and other closely held entities imposes significant time, cost, and resource burden of preparing and auditing such information without a clear explanation of the purpose, usefulness, or expected benefits of doing so.

We believe the principles underpinning the proposed reforms of reducing compliance costs while maintaining transparency and publicly available financial information for creditors, lenders and customers can be achieved by separating the large proprietary company thresholds for financial reporting and sustainability reporting purposes.

Consequently, we recommend:

- a) Retaining the existing thresholds for determining whether a proprietary company is 'large' for determining who has to prepare an annual financial report and directors' report for the purpose of subsection 292 of the *Corporations Act 2001*; and
- b) Reducing compliance and reporting costs by increasing the thresholds prescribed for determining who has to prepare an annual sustainability report for the purpose of subsection 292A of the *Corporations Act 2001* to:
 - i) \$100 million for consolidated revenue (from \$50 million);
 - ii) \$50 million in consolidated assets (from \$25 million); and
 - iii) 200 employees (from 100).

Introduction of Tier 2 Simplified Disclosure regime for Australian Sustainability Reporting Standards

A simplified sustainability disclosure regime is a proportionality mechanism that increases efficiency and will significantly reduce compliance costs of preparation, assurance, and regulatory burden on a large cohort of privately held companies.

We recommend that Treasury, through the Financial Reporting Council, instruct the Australian Accounting Standards Board to develop, as a priority, a 'Tier 2' simplified disclosure version of AASB S2 for use by entities that do not have public accountability.

Improved alignment between domestic frameworks and AASB S2 requirements

We agree that there are numerous significant challenges and costs for entities reporting under both National Greenhouse and Energy Reporting (NGER) and AASB S2 frameworks.

This is a particular issue when IFRS and NGER reporting periods differ. For example, when an entity with a 31 December financial year end must also manage emissions reporting under NGER which is required align to a 30 June reporting year. This causes a number of practical issues for reporters.

Ultimately, where there is lack of alignment between NGER and financial reporting periods there is increased reporting risk, effort and cost for both reporters and assurance providers.

The duplication of effort and cost by NGER reporters would be significantly reduced by, for example:

- a) Aligning the NGER reporting framework with AASB S2,
- b) Exempting those entities from reporting under AASB S2,
- c) Aligning the reporting thresholds between entities reporting under AASB S2 and the NGER regime.

Should you wish to discuss any aspect of this submission, please contact [REDACTED].

Yours faithfully

Nexia Australia Pty Ltd



Attachment: *Nexia Australia submission to Treasury Consultation Paper - Improving the efficiency of climate-related financial disclosures (August 2026)*