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Productivity Commission
Level 8, Two Melbourne Quarter
697 Collins Street
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Submitted via email.

PRODUCTIVITY COMMISSION CALL FOR SUBMISSIONS: BUSINESS REPORTING REQUIREMENTS

CPA Australia is one of the world's largest professional accounting bodies, with more than 176,000 members across over 100 countries and regions. Our membership spans the full breadth of the Australian economy, which includes large multinational organisations and publicly listed entities

The case for increasing productivity.

Australian businesses are increasingly navigating a complex reporting landscape. Non-financial reporting is bound by standardised rules and often subject to duplicative reporting with a range of differing timelines, which leads to complexity, costs and resource waste for reporting entities.

The Commission's work is timely, as Australia continues to struggle lifting lower than ideal productivity levels across the economy. Earlier this year we [responded](#) to an inquiry into productivity in Australia where we stated that any regulatory reform to address productivity should extend beyond quick wins.

We stated that unnecessary, duplicative and poorly designed regulations continue to impose significant costs on businesses, not-for-profits and government agencies. We advocated for a more durable approach must include slowing the growth of new regulation through a cultural shift in policymaking, where regulation is treated as a last resort rather than a default response.

The reporting landscape

Through our engagement with reporting entities, it has become clear that there is a material concern around the reporting and resource burden that results from a lack of efficiency and synergy across different reporting requirements. We also observe a substantial sense of fatigue, where finance and broader reporting teams are spread thin, juggling numerous reporting deadlines with business leaders struggling to understand the true value proposition that would counterbalance these efforts.

We have sought to provide a balanced view highlighting benefits were appropriate but also casting a critical lens where unnecessary duplicative and low value activities may be impeding productivity.

Our detailed responses (where appropriate) to the questions posed in the consultation are contained in Appendix A.

If you have any queries about this submission please contact [REDACTED].

Yours sincerely

Elinor Kasapidis
Chief of Policy, Standards & External Affairs.

Appendix A: Consultation Questions.

Information request 1 – Payment times reporting

Recommendations for change

CPA Australia has previously indicated our concerns around the Payment Times Reporting (PTRS) regime, in a [submission](#) to Treasury on the Statutory Review of the Payment Times Reporting Act 2020, and a subsequent [submission](#) on the Payment Times Reporting Act 2020 primary legislative amendments.

We would point to the findings of the Statutory Review of the Payment Times Reporting Act 2020 in which the Hon Julie Collins MP recommended that: “streamlining of the data required under the PTRS would make it more user-friendly while reducing the administrative burden on large businesses and the Regulator.”

In seeking simplification, the report also asked for a focussed approach on identifying which entities are to report under the regime, notably the review recommended: “consolidating reporting at the corporate-group level to remove an unnecessary regulatory burden and improve the accessibility and useability of the register.”

The key issues identified by the report included:

- Difficulty identifying qualifying small-business suppliers.
- Significant data extraction and system changes.
- Multiple entities within a group having to report separately.

Use of reported information

A key criticism was that the public register was not always easy to navigate and did not clearly identify the best and worst performers. This reduced the reputational incentive that the scheme was intended to create.

While the PTRS regime was introduced to discourage large corporates from imposing extended payment terms on smaller suppliers, essentially through a “name and shame” approach most entities we have engaged with have not seen any change in pricing from small suppliers, nor have they observed any change in stakeholder behaviour or decision-making as a result of PTRS.

Reporting and operational implications

Reporting entities have indicated that the PTRS regime adds a layer of reporting governance and consumes resources for finance teams. While most have a defined process and customised reports that are produced from their reporting systems, staff resources are still required to prepare, review and submit the reporting every six months.

Entities have indicated that they would as a bare minimum seek annual reporting to match existing financial and broader external reporting requirements. Some entities have indicated a lack of understanding of the explicit benefits being derived from the PTRS regime and would prefer its removal as the benefits do not sufficiently balance the cost and resource burden.

Information request 2 – Sustainability and environmental reporting

Costs resulting from sustainability and environmental reporting.

A recent questionnaire being released by the G100¹ included the following preliminary results:

- 92% expected ongoing annual costs to remain above Treasury estimates, split evenly between much higher and somewhat higher.
- 69% said the main costs related to redirected internal effort and opportunity cost rather than new external spending.
- Key pain points included fragmented data systems, inconsistent supply-chain information, limited internal and external capability and rising assurance expectations.

From our engagement with reporting entities, it has become apparent that costs are contained in two broad categories:

1. Compliance and capacity-building costs, including:

- Advisory. Costs include expertise required for scenario analysis, establishing appropriate methodologies for assessing the financial impacts of physical and transition risks, and establishing appropriate architecture for climate reports.
- Technology. Costs include sourcing and maintaining of data sourcing and reporting platforms (including carbon accounting software)
- Establishing governance arrangements and,
- Internal costs including the redirection of resources for compliance notably staff cost.

2. Audit and Assurance costs.

- We have heard from Group 1 entities, that despite limited assurance being required on components within the Climate Report in the first year of reporting, assurance costs have been materially above Treasury Estimates. Some reporting entities have indicated sustainability assurance costs being on par if not more than their financial assurance costs.
- We note that any efficiencies that can be derived from subsequent reporting periods, as skills and experience may be offset by the requirement of the complete sustainability report requiring assurance.

Reporting entities have also indicated that the range of carbon accounting solutions are of mixed value, with those designed with a focus on audit and assurance readiness providing a clear advantage. Compatibility with existing reporting platforms, notably those utilised for financial reporting was also indicated as beneficial.

Alignment of reporting timelines

Our engagement has shown concern around the reporting timelines under NGERS and AASB S2 not running concurrent for all reporting entities.

Reporting entities have indicated support in allowing companies to use reporting periods already embedded in their systems, particularly where a six-month timing difference would not materially change the emissions profile of the organisation. A view was also expressed for submission deadlines to be aligned to avoid operational and reporting duplication.

We are however aware of the use of NGER data for national emissions accounting, international reporting obligations under the UNFCCC and Paris Agreement, reporting requirements under the International Energy Agency (IEA) and in administering the Safeguard Mechanism.

We would however advocate for alignment of NGER reporting periods with those utilised by organisations for their financial and sustainability reporting.

¹ Respondents predominantly represented Group 1 reporting entities.

Stakeholders' use of information

From our participation in roundtable discussions and other forums with the investor community, investors indicated that they value disclosures describing material risks, opportunities, governance, strategy, and decision-making, while also emphasizing that the reporting process improves internal business management.

Investors have indicated that they use disclosures to make better-informed decisions and want the regime assessed through the lens of decision usefulness, particularly whether resources are being spent on information that materially supports investment and risk decisions.

At a granular level investors have indicated that they use the following data points as useful for their determination of appropriate capital allocation and decision-making.

- **Risk and Opportunity Information:** Disclosures provide useful information about physical and transition risks and opportunities across various time horizons. The improved comparability between companies and the disclosure of risks that may not previously have been visible have proved useful to investors.
- **Internal Business Benefits:** Reporting can improve internal records, data ownership, cross-functional coordination, board oversight, and a unified organizational approach to identifying and managing climate risks and opportunities.
- **Governance and Strategy:** Governance, strategy, risk management, capital allocation, and scenario analysis has been identified as important areas for users of information. The credibility of these disclosures are predicated on an understanding of how management and boards reached judgments, assumptions, and future-oriented decisions.

Information request 3 – Workplace gender equality reporting

We believe that WGEA reporting remains an important Australian based tool for driving workplace gender equality, both at an organisational and broader national level.

As a reporting entity we note that the initial administrative setup in establishing internal systems and processes to collect and report data in the required format is challenging at the outset. From our internal experience we believe that the value of the reporting offsets the initial challenge, providing a standardised lens and greater visibility on progress.

The WGEA annual reporting provides organisations with access to meaningful benchmarking data at an organisational, industry and national level, allowing employers to better understand their performance, identify areas for improvement, and measure progress over time.

Overall, the reporting framework has significantly contributed to greater awareness and accountability regarding gender equality outcomes and workforce participation across Australia and helps to shine a light on broader cultural challenges.

We however have concerns around the WGEA Employer of Choice for Gender Equality citation. While the citation recognises leading practice, the application process is resource intensive and as such, favours larger organisations with more access to resources.

This situation impacts on smaller organisations, who despite potentially having established gender equality practices, may find the requirements too cumbersome to participate, so the citation itself could be viewed as fundamentally bias.

More broadly, organisations may achieve greater value by focusing limited resources on initiatives that support inclusion across multiple dimensions of diversity. For example, the Diversity Council Australia's Inclusive Employer Index provides a broader diversity, equity, inclusion and belonging (DEIB) lens, enabling organisations to assess and strengthen inclusion outcomes across a range of underrepresented groups rather than focusing solely on a single demographic characteristic).

Information request 4 – Other non-financial reporting requirements

As it relates to other non-financial reporting requirements, we would point the Commission to previous submissions and commentary that CPA Australia have provided publicly.

These include:

- A [submission](#) to the Board of Tax: Red tape reduction in which we highlighted the opportunity to simplify Australia's tax system, based on a broader structural review rather than through incremental changes.
- A [submission](#) to the Productivity Commission on reducing barriers to business dynamism in Australia where we highlighted the business dynamism problem that Australia faces. We highlighted that any policy response should look beyond increasing the number of new businesses and focus on the characteristics of businesses that grow, create jobs, innovate, adopt technology and successfully transition to new owners.
- A [submission](#) on the rules contemplated under AML / CTF requirements and its potential impact on businesses.