Australian Government
Productivity Commission

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Business reporting requirements

Interim report



This is an interim report prepared for further public consultation and input. The PC will finalise its report after these processes have taken place.

November 2026

Acknowledgment of Country



The Productivity Commission acknowledges the Traditional Owners of Country throughout Australia and their continuing connection to land, waters and community. We pay our respects to their Cultures, Country and Elders past and present.

About us

The PC is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long-term interest of the Australian community.

The PC's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

For more information visit our website: www.pc.gov.au.

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Opportunity for comment

The Productivity Commission thanks all participants for their contribution to this inquiry and now seeks additional input for the final report.

You are invited to examine this interim report and comment on it by written submissions to the PC, preferably in electronic format, by **18 December 2026**.

Further information on how to provide a submission is included on the website: www.pc.gov.au/inquiries-and-research/business-reporting/.

The PC will prepare the final report after submissions have been received and it will hold further discussions with participants.

Commissioners

For the purposes of this inquiry and interim report, in accordance with section 40 of the *Productivity Commission Act 1998,* the powers of the PC have been exercised by:

- Angela Jackson, Commissioner
- Barry Sterland, Commissioner

Terms of reference

I, the Hon Jim Chalmers MP, Treasurer, pursuant to parts 2 and 3 of the *Productivity Commission Act 1998*, hereby request that the Productivity Commission (the Commission) undertake an inquiry into opportunities to improve the efficiency and value of non-financial business reporting requirements in Australia.

Background

As part of its productivity agenda, the Government is taking significant steps to reduce unnecessary regulatory costs for businesses in Australia, including through commissioning deep dives into areas where there may be scope to improve the efficiency of existing regulation and reporting requirements. Non-financial business reporting has been identified as an area for review.

Business reporting provides a strong foundation for a competitive economy, providing transparency around performance, risks and opportunities. Non-financial reporting is designed to make information about the operations of businesses available to stakeholders including on matters such as environmental, social and governance performance. Providing visibility of these non-financial matters enables investment to be directed towards businesses that align with the interests of stakeholders and are managing risks holistically.

Non-financial reporting requirements have been established through a range of Commonwealth laws and regulatory instruments, including corporations and taxation legislation, workplace laws, reporting standards, and environmental legislation. These are administered by multiple regulators including the Australian Securities and Investments Commission, the Australian Taxation Office, the Australian Prudential Regulation Authority, the Australian Competition and Consumer Commission, the Department of Climate Change, Energy, the Environment and Water, the Attorney-General's Department, and others.

Australia's reporting requirements have generally been designed to align with international best practice. As requirements have evolved over time and have generally been designed independently, this inquiry will allow an opportunity to assess the cumulative cost of reporting obligations on Australian businesses overall.

This review complements the Council of Financial Regulators (CFR), who are working together with other financial sector regulators (CFR Plus) to deliver better regulation of the financial sector through its Better Regulation Roadmap. This inquiry will therefore not consider financial reporting or continuous disclosure obligations under the *Corporations Act 2001*. It also complements consultation in train regarding reforms to modern slavery requirements, so will not make recommendations that are specific to the *Modern Slavery Act 2018*.

Scope of the inquiry

This inquiry tasks the Commission to analyse non-financial business reporting requirements to identify significant regulatory pain points and instances where the objectives of this reporting could be achieved more efficiently.

The purpose of this deep dive is to provide insights about how each set of reporting requirements unfold in practice, including interaction between different reporting requirements. The Commission

should also consider the timing of reporting requirements including for regular reporting and reporting that is irregular or event- based.

The Commission should consider where there is scope for efficiencies in collection or reporting of data, such as a 'tell us once' approach. The Commission should also consider the effect of any potential increase in cost that might arise from changing established reporting arrangements.

In undertaking this analysis, the Commission should consider the balance between reducing regulatory cost of non-financial reporting obligations on different industries and firm sizes.

The Commission should consider the value of the data collected through reporting, including consideration of:

- the frequency of reporting and interaction with financial reporting requirements
- differences in data definitions and opportunities to create consistency
- thresholds for reporting requirements
- state and territory reporting requirements
- legal obligations
- international best practices

The Commission should consider the value of the data reported to different stakeholders, including workers, directors, investors and broader stakeholder groups and uses such as insolvency practitioners and government schemes.

The findings from this inquiry will inform further work to improve the utility of non-financial reporting and streamline reporting requirements where possible.

Process

The Commission should undertake wide consultation, including inviting public submissions, consulting with relevant community stakeholders and Commonwealth regulators, and engaging with state and territory governments as required.

The Commission should also have regard to other regulatory reform work in this space to avoid the duplication of efforts, including in particular recent or concurrent reviews of regulatory regimes, international standards and developments, and recent and proposed Government reforms and modernisation initiatives. The Commission should also have regard to any upcoming legislative reviews to avoid duplication or pre-empting established review processes and creating unnecessary uncertainty for stakeholders.

The Commission should provide a final report to government within 6 months of the receipt of this terms of reference.

The Hon Jim Chalmers MP
Treasurer

[Received 24 August 2026]

Disclosure of interests

The *Productivity Commission Act 1998* (Cth) specifies that where Commissioners have or acquire interests, pecuniary or otherwise, that could conflict with the proper performance of their functions they must disclose those interests.

Commissioner Angela Jackson is an Ambassador for Australians Investing in Women. Commissioner Barry Sterland has no interests requiring disclosure.

Acknowledgments

In undertaking this inquiry, the PC has benefited from engagement with regulatory agencies, industry peak bodies, researchers, and with officials from Australian government departments. The Commissioners would like to thank everyone who contributed their views and expertise to the inquiry, particularly given the limited timeframe available for engagement.

The Commissioners would like to also express their appreciation to the staff who worked on the interim report – Assistant Commissioner Jessica Read, who leads the inquiry, and other team members including Lawson Ashburner, Vanessa Boltman, Krystal Ha, Matthew Muir, Yiani Petroulias-Romios, James Smith, George Steel, and Athena Wicks for project support.

AI transparency statement

This report was prepared using the assistance of AI tools for purposes of general research, note taking, coding and editing. PC staff reviewed all AI-generated outputs for accuracy and quality.

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Overview

Key points

- **The regulatory burden on Australian businesses has grown significantly over the last decade. When designed badly, regulations prevent businesses from innovating and growing, without mitigating the problems they are intended to address. But even well-designed regulations add to the cumulative burden on businesses, which can create a drag on productivity.**

- **This inquiry is about non-financial business reporting requirements, which compel businesses to disclose specified information about their operations and performance.**
  - Reporting requirements are intended to support informed decision-making by investors and consumers, and to influence businesses to take actions to further policy goals.

- **Reporting requirements create costs. Regulated businesses must dedicate resources to compliance that might otherwise be put to productive use elsewhere. Reporting requirements are best when they create significant material benefits and avoid unnecessary costs.**

- **It does not appear that the Payment Times Reporting Scheme (PTRS) is delivering sufficient benefits to justify its retention. The PTRS should be repealed unless its net benefits can be demonstrated.**
  - Payment outcomes have improved only modestly since the PTRS began, and there is little evidence that the scheme is creating strong reputational incentives to improve payment practices.
  - Where policy intervention is warranted, targeted measures are likely to be better suited to addressing specific drivers of poor payment outcomes than broad reporting requirements.
  - The Productivity Commission is seeking evidence on the PTRS's benefits and costs, and the possible consequences of its repeal. The PC is also seeking evidence on other measures that could more directly address demonstrated payment problems and impose a lower burden on business.

- **There is a sound economic rationale for climate risk disclosure, but it should be focused on providing information most relevant to decision-making and streamlined to reduce costs for businesses.**
  - Sustainability reporting has commenced for the largest entities (Group 1 and 2), but the smallest class of entities (Group 3) should not be brought into reporting as scheduled in 2027.
  - The outcomes from the current reform process should be bedded down before any consideration of whether, and on what basis, Group 3 entities should be brought into the regime.
  - Costs for existing reporters should be reduced through focusing and streamlining the reporting of Scope 3 emissions and aligning sustainability reporting with the National Greenhouse and Energy Reporting Scheme.

- **Workplace gender equality reporting is valuable but can be made more efficient.**
  - The reporting requirements should be relaxed for highly gender-equal organisations through reducing the frequency of data collection and removing the requirement to demonstrate progress against gender equality targets.
  - Costs for all reporting organisations could be reduced through the use of Single Touch Payroll data, but the trade-offs require careful consideration.

The regulatory burden on Australian businesses has grown over the last decade. Businesses report spending more on compliance, and Australia's ranking on international regulation indices has fallen.[1]

When designed badly, regulations prevent businesses from innovating and growing, without mitigating the problems they are intended to address. But even well-designed regulations add to the cumulative burden on businesses, which can create a drag on productivity.

In this inquiry, the Government has asked us to find ways of reducing the burden of a particular type of regulation: non-financial business reporting requirements.[2] Our task is to identify regulatory 'pain points' and develop recommendations to make reporting more valuable and efficient.[3]

The mandatory disclosure of information is intended to create transparency around businesses' practices and the risks they face. The goal is often to increase accountability and thereby drive improvements in firm performance, as well as to create pressure for businesses to take actions that concretely address policy goals. Reporting can also make investors better informed and thus better able to make optimal investment decisions.

However, reporting requirements also create costs. Regulated businesses need to dedicate resources to compliance: they must take time to understand their obligations, establish reporting systems, collect and maintain information, prepare and submit reports, and demonstrate their compliance to regulators. These costs are incurred by all reporting businesses, regardless of how they perform in the area they are reporting on. Some reporting policies require regulated businesses to collect data from their suppliers, subjecting these suppliers to sometimes onerous information requests.

Reporting is often more costly than is anticipated when new requirements are put in place. In many cases, compliance costs appear to have been significantly underestimated by policymakers. More importantly for this inquiry, when multiple requirements accumulate, they can create costs that are greater than the sum of each individual requirement's cost. This is because no one requirement on its own is likely to cause a business to choose not to expand, invest, or diversify. But when many requirements are in place, this may well occur.

Significant changes are required to reduce this cumulative burden. This interim report focuses on 3 reporting regimes with an economy-wide footprint: payment times reporting, sustainability reporting and workplace gender equality reporting. A package of reforms across these areas has the potential to shift the dial on reducing Australia's regulatory burden, both in the aggregate and for businesses of various sizes and in a range of sectors.

We have drawn on implementation experience and submissions from participants to look for opportunities to significantly reduce costs while still achieving important policy outcomes. Our approach is outlined in table 1. In our final report, we will consider the non-financial reporting landscape as a whole. We will also consider the findings of the White Tape Review currently being undertaken by the Australian Small Business and Family Enterprise Ombudsman.

[1] We discussed these issues in chapter 2 of our inquiry on *Creating a more dynamic and resilient economy*.

[2] This inquiry into business reporting requirements was itself a recommendation of the *Creating a more dynamic and resilient economy* inquiry.

[3] Separately, the Australian Government has asked us to investigate regulatory barriers to business dynamism.

Table 1 – Questions we asked in assessing reporting policies

	Is the policy targeting a genuine problem or risk?	What is the theory of change, and is the policy working as intended?	Are the policy's costs excessive or unnecessary?
Payment times reporting	• Are there material inefficiencies or inequalities created by large businesses' payment practices in relation to small businesses? • To what extent are any issues due to a lack of information?	• Is the published information being used by small business suppliers to choose between customers? • Is the published information creating reputational pressures for large businesses? • Are reporting entities improving their practices?	• Are the benefits of the scheme commensurate with its costs? • Would less frequent reporting better balance costs and benefits? • Could the problems be addressed more effectively via alternative measures?
Sustainability reporting	• How material are climate risks for businesses? • To what extent do investors need to be better informed of these risks?	• Will sustainability reporting materially assist investors to efficiently price in the expected impacts of climate change and the energy transition?	• Could the information be collected in a more efficient way? • Could high-cost, low-materiality items be excluded from some reporting?
Workplace gender equality reporting	• Is there material gender inequality in Australian workplaces? • To what extent is this due to a lack of transparency around performance?	• Is the published information creating pressure within organisations to improve gender equality? • Is the published information creating reputational pressure? • Are reporting entities improving gender equality?	• Could the information be collected in a more efficient way? • Could high-cost, low-benefit items be excluded from the requirement? • Could the regime be made more risk-based?

Reporting requirements are a popular form of regulation because, at face value, they create few significant risks. They can be a default response for policymakers when an issue or problem has emerged and more direct forms of regulation appear disproportionate. However, as with all regulatory interventions, the costs and benefits of reporting requirements must be carefully evaluated. Given the emerging evidence of a cumulative burden, more scrutiny of policies' expected benefits and costs is needed, alongside consideration of phasing and design features that avoid common problems. The PC's preliminary observations on these issues are set out in the last section of this Overview and will be considered more fully in the final report.

The PC's interim position is that the Payment Times Reporting Scheme should be repealed unless its benefits can be demonstrated

The Payment Times Reporting Scheme (PTRS) was established in 2021. The scheme is intended to encourage improvements in payment outcomes for small business suppliers through greater transparency about the payment practices of large businesses. Extended payment terms and times can create costs for small businesses via cash flow pressures. Payment practices differ across industries and commercial relationships, and longer payment terms do not necessarily indicate inappropriate conduct. Nonetheless, some payment practices can cause genuine harm to small business suppliers, with potentially broader economic consequences, and may warrant a response.

Under the PTRS, large businesses – those with more than $100 million in consolidated annual revenue – are required to collect information about their payment times, terms and practices and disclose this to the Payment Times Reporting Regulator. The information is then made public to create reputational pressure for businesses to improve payment practices.

The PTRS imposes compliance costs on reporting entities. These entities are required to identify in-scope suppliers and transactions, extract and validate payment data, apply prescribed calculations, obtain internal approval, submit reports twice a year, retain records, and respond to compliance activity.

On the evidence currently available to the PC, there is not a sufficient case for retaining these reporting requirements. Payment outcomes have improved only modestly since the PTRS began, and it is unclear whether even these modest changes are attributable to the scheme. There is no clear evidence that the publication and use of reported data, and the prospect of being identified as a 'fast' or 'slow' payer, are creating reputational incentives for changes in behaviour.

On balance, the PC's preliminary view is that the PTRS should be repealed. This reflects the private and public administrative costs imposed by the mandatory reporting scheme and the limited evidence currently available that it is producing commensurate benefits.

There are, however, important evidence gaps that the PC will consider before making a final recommendation. In particular, the PC is seeking evidence on changes in large businesses' behaviour in response to the PTRS, whether twice-yearly reporting contributes to this, any benefits generated by the publication of payment times data, and any adverse consequences that could arise from removing reporting obligations.

Where harmful payment practices are demonstrated, targeted measures are likely to be more effective and efficient than broad reporting requirements. These include protections against unfair trading practices and initiatives to reduce payment frictions, such as eInvoicing. The PC is interested in participants' views on the specific problems that warrant policy intervention and whether more targeted measures could address them at a lower cost.

Sustainability reporting requirements need to be better targeted

Sustainability reporting requirements are intended to make investors better informed about businesses' climate risks. Both climate impacts and transition risks are becoming increasingly material. Climate change poses compounding and cascading risks to economic activity, while a disorderly energy transition would itself have negative effects.[4]

Ideally, investors would have the information they need to take such risks into account, and the market would efficiently price in the expected impacts of climate change and the energy transition. However, investors typically have less information about firms' risks than managers do, so it can be difficult for them to make informed investment decisions. This can result in mispriced assets and capital being allocated inefficiently, with investment higher or lower than optimal – particularly given that climate risk is an emerging and evolving area of practice, and businesses' levels of maturity in dealing with it are inconsistent. A lack of information about climate risks is not just a problem for 'climate conscious' investors – anyone who owns or is considering an investment in a company exposed to such risks is potentially affected.

To address this information asymmetry, companies are required under Australia's sustainability reporting regime to disclose climate risks and opportunities that might reasonably be expected to affect their future financial performance. Right now, the requirements apply only to the largest companies (so-called Group 1 and Group 2 entities), though an additional category of medium-sized firms (Group 3) is scheduled to be brought in from 2027. The reporting regime is intended to enable investors to compare climate risks and opportunities across the economy and, like many financial reporting requirements, may contribute to a more efficient allocation of capital.

It is too early to tell whether sustainability requirements are having this effect. Nonetheless, the underlying case for the policy is sound: without climate risk disclosure, investment decisions are likely to be less well-informed, leading to a less efficient allocation of capital across the economy.

However, sustainability reporting also creates costs – and these appear to be greater than initially expected. Several participants told the PC that companies are spending much more on complying with reporting requirements than initially anticipated by policymakers.

The Australian Government is taking steps to reduce the costs of sustainability reporting. In the 2026–27 Budget, the Australian Government announced that it would lift the turnover thresholds for Group 3 entities from $50 million to $100 million, so that fewer companies would be captured by mandatory reporting. Treasury has conducted consultation on policy options to clarify key concepts in reporting requirements, adjust assurance settings and set clearer boundaries on information requests on suppliers, as such requests can create a burden for smaller firms across the economy. These are positive developments, particularly if they result in concrete steps to materially reduce the cumulative reporting burden while retaining the benefits of the sustainability reporting regime.

The PC's preliminary view is that the Australian Government should not extend reporting requirements to Group 3 firms as scheduled for 2027. At this stage, there is a risk that the costs will be disproportionate to the benefits of greater enterprise-level information on this group. In particular, the experience to date suggests that Group 3 entities with no material climate risks will face disproportionate costs when seeking exemptions from disclosure requirements. The outcomes from the current reform process should be

[4] According to Treasury modelling presented in the 2026 *Intergenerational Report*, a disorderly approach to the transition would result in GDP being cumulatively $2 trillion smaller by 2050 relative to orderly transition scenarios.

bedded down before any consideration of whether, and on what basis, Group 3 firms should be brought into the regime. We are also seeking information about whether other categories of reporting entities should be included – for example, subsidiaries and not-for-profits.

The Australian Government should also reduce unnecessary costs imposed on businesses by the requirement to report on Scope 3 emissions (that is, emissions caused indirectly across companies' value chains). The government is considering reforms to improve reporting guidance and information standardisation, and to reduce duplicative information requests. These reforms should better target Scope 3 reporting towards information on material commercial risks while reducing unnecessary reporting burden. But there may be scope to go further. Entities need clearer expectations about the measures they must take to comply with requirements. Compliance uncertainty may lead entities to seek unnecessary information from suppliers, or a degree of precision for sources of Scope 3 emissions that may not ultimately pose a material risk. Regulators should make clear that reporting entities are expected to use reasonable estimates and existing data where these are adequate, and that direct requests to suppliers or detailed line-by-line estimation should be limited to where they are necessary and proportionate.

Further efforts should also be made to align sustainability reporting with the National Greenhouse and Energy Reporting (NGER) Scheme. The Australian Government should improve interoperability between the 2 schemes, so that emissions information already prepared under the NGER Scheme can be reused without modification. The NGER Scheme does not include all of the information required by sustainability reporting, but the aim should be to eliminate unproductive duplication of compliance efforts where possible. For example, relevant regulators and agencies should develop an accepted approach for using financial year NGER data for different annual sustainability reporting periods and allow NGER assurance work to suffice for sustainability reporting.

Workplace gender equality reporting can be made more efficient

Workplace gender equality reporting aims to motivate improvements in gender equality in Australian workplaces. Inequality persists despite long-standing laws against discrimination and unequal pay. Women continue to earn less than men and remain underrepresented in senior leadership roles.

Since 2013, organisations have been required to collect information relevant to gender equality, such as gender pay breakdowns, and report this to the Workplace Gender Equality Agency (WGEA). Data on organisations' performance has been made public by WGEA since 2023–24, with the intent of creating reputational and internal staff pressure to improve gender equality. Under new requirements, larger organisations must also maintain or improve their performance against 3 gender equality targets of their choosing.

The gender pay gap has declined steadily since 2014 – a trend which has accelerated in recent years. This coincides with the introduction and enhancement of reporting. However, it is unclear to what extent WGEA reporting is contributing to improvements, as the decline corresponds with other relevant trends such as an increase in women's participation rate relative to men's.

Nonetheless, there is reason to believe that WGEA reporting is driving genuine behavioural change among businesses and thereby contributing to the policy's intended outcomes. A large number of participants – including many reporting employers – have indicated that reporting is raising awareness of workplace inequalities and creating a sense of accountability for achieving better outcomes. Moreover, there is research showing that Australian companies that report a higher gender pay gap

experience falls in share prices after the release of WGEA reports, which suggests that the reports influence investment decisions.

However, there is scope to make gender equality reporting more efficient. While WGEA has undertaken work to reduce reporting complexity, further changes could make WGEA's approach more risk-based and reduce costs for employers while still achieving gender equity objectives.

To make its approach more risk-based, WGEA should relax requirements for highly gender-equal employers. Highly gender-equal employers should not have to demonstrate improvements against gender equality targets. The targets are harder for these employers to meet: they generally have less room to improve on numerical targets, such as their gender pay gap, and fewer 'action' targets (such as workplace policies) to address. Highly gender-equal employers should also not have to report as frequently to WGEA as other employers.

The PC is considering options to reduce costs for all reporting employers through the use of Single Touch Payroll (STP) reporting in place of some reporting to WGEA (namely, the 'Workplace Profile'). This involves trade-offs that should be weighed carefully. Unlike the Workplace Profile, STP does not include information about the number of hours that employees work, so gender pay gaps based on STP data cannot be adjusted for these differences. Reported gender pay gaps would generally increase because female employees typically work fewer hours than male employees, especially where employers promote flexible work. An option would be to change STP so that it collects data about the hours that employees work, though this would carry transition costs for employers and the Australian Government, and would need to be implemented carefully.

The PC is seeking participants' feedback on the options for replacing the Workplace Profile with existing or modified Single Touch Payroll data, and whether the cost savings would outweigh any loss of information or transition costs. We are also seeking feedback on other changes to data collection that could better balance the benefits and costs of reporting.

There are also steps that can be taken to help WGEA reporting deliver more value to more users, not just reduce costs. Currently, WGEA data is isolated from other administrative datasets, which reduces its value for research purposes. WGEA should work with the Australian Bureau of Statistics to link WGEA data on an enduring basis to Australia's major integrated data assets. Enabling these linkages would improve WGEA's and researchers' ability to understand the drivers of gender inequality in Australia's workplaces, as well as which policies can play a role in improving outcomes.

Greater care needs to be taken when considering new reporting requirements

Business reporting requirements have a valid place in the policy toolkit. They can improve investor information on business performance, drive better management practices and address broader policy objectives. However, Australia's reporting policies are failing to maximise net benefits. Some impose significant costs without clear benefits. Others are beneficial but generate excessive costs – creating duplication or targeting low-value information.

We have identified reform directions that can help address issues in the cases of payment times, sustainability and gender equality, and are seeking feedback on our ideas to inform the final report. As a package, the reform options we have proposed will materially relieve some of the cumulative burden that is affecting a wide range of Australian businesses and free up resources for other productive uses.

The broader takeaway from our findings is that policymakers need to be more rigorous in ensuring that new reporting requirements are properly scrutinised and, where they are warranted, implemented in such a way that they do not add unnecessarily to Australia's already high regulatory burden. In response to our call for submissions, several inquiry participants made practical, actionable suggestions that could help restrain and reduce the cumulative burden over time. These range from developing and applying whole-of-government regulatory principles, to common definitions and data standards, to more consistent use of post implementation reviews, and a number of other options.

Our final report will build the evidence base to support a better understanding of cumulative burden and propose specific actions to manage it.

Reform directions and findings

Payment times reporting



Interim finding 2.1
The links between payment times reporting and improved payment outcomes have not been demonstrated

The Payment Times Reporting Scheme has increased transparency through the publication of standardised information about reporting entities' payment practices. However, there is no clear evidence that this information is being used to create incentives or pressure, that it has changed reporting entities' behaviour or that the scheme has improved payment outcomes.



Interim finding 2.2
The additional burden of twice-yearly reporting has not been justified

The rationale for twice-yearly reporting is that more timely publication of payment information will strengthen transparency and incentives to improve payment practices. But the available evidence has not demonstrated that this frequency influences the payment practices of reporting entities or outcomes for small business suppliers. The additional burden imposed by twice-yearly reporting is not supported by a commensurate benefit.



Interim finding 2.3
Where policy intervention is warranted, targeted measures are likely better suited to addressing specific drivers of poor payment outcomes

Payment outcomes are influenced by a range of factors, including bargaining power, commercial practices, contractual arrangements, payment frictions and administrative processes. Where policy intervention is warranted, targeted measures that address the underlying cause of poor payment outcomes are likely to be better suited to addressing payment outcomes than economy-wide reporting obligations.

Information request 2.1

To inform the PC's assessment of whether the Payment Times Reporting Scheme (PTRS) should be retained, the PC is seeking quantitative evidence and specific examples of observed behaviours, decisions, outcomes and costs.

- Whether, and how, the PTRS has changed the payment practices, payment terms or payment performance of reporting entities.
- How published PTRS information is used by stakeholders, including examples where it has influenced decisions or behaviour.
- The benefits that would be lost, and any adverse consequences for small business suppliers that could arise, if payment-times reporting obligations were removed or reporting frequency was decreased from twice-yearly to annual reporting.
- The establishment, transition and ongoing compliance costs of the PTRS, including the costs that would be avoided if the scheme is repealed or changed from twice-yearly to annual reporting.
- The most significant causes of poor payment outcomes for small business suppliers, whether those causes warrant intervention, and the measures best suited to addressing them (including any measures at the state and territory level).

Reform direction 2.1
The Payment Times Reporting Scheme should be repealed unless its benefits can be demonstrated

The effectiveness of the Payment Times Reporting Scheme has not been demonstrated. The PC is seeking further evidence on the scheme's attributable benefits, the use and effects of published payment-times information, the costs imposed on reporting entities and government and the consequences of repeal. In the absence of evidence demonstrating benefits commensurate with these costs, the PC will recommend the repeal of the *Payment Times Reporting Act 2020* (Cth).

Sustainability reporting

Reform direction 3.1
Do not impose sustainability reporting requirements on Group 3 entities

Group 3 entities should not be subject to mandatory climate-related financial disclosures.

If sustainability reporting is extended to Group 3 entities, the Australian Government should first consider whether:

- the size thresholds appropriately identify entities whose disclosures are likely to be useful
- entities without material climate-related risks and opportunities could follow a substantially simpler reporting pathway
- the information and documentation needed to establish that risks are not material can be reduced without compromising the integrity of the regime.

Information request 3.1

The PC is seeking responses to the following questions.

- Who are the main users of sustainability reporting from private subsidiaries and not-for-profits?
- How might information from sustainability reporting from private subsidiaries and not-for-profits be used, and what effects has its availability had on stakeholders' decisions, activities or outcomes?

Interim finding 3.1
Scope 3 emissions reporting can impose costs on businesses, disproportionate to the goals of the policy, that are not themselves subject to mandatory sustainability reporting

Reporting entities may seek emissions information from suppliers to estimate their Scope 3 emissions. Although AASB S2 permits estimation and requires reporting entities to use reasonable and supportable information available without undue cost or effort, smaller suppliers can nevertheless receive differing and potentially burdensome sustainability information requests.

Reform direction 3.2
Streamline reporting of Scope 3 emissions

The Australian Government, working with relevant standard setters and regulators, should reduce unnecessary costs imposed on businesses supplying Scope 3 emissions information by promoting proportionate and standardised approaches to value-chain data collection.

This should include:

- changes to the reporting requirements so that reporting entities are expected to use estimates, secondary data or industry averages where adequate, rather than supplier-specific information
- clearer guidance about circumstances in which reporting entities can reasonably rely on estimates, secondary data or industry averages
- standardisation of common information requested from suppliers
- approaches that allow suppliers to calculate relevant information once and reuse it for multiple customers
- a proportionate focus on commercially material Scope 3 risks.

Information request 3.2

The PC is seeking responses to the following questions.

- What are the costs of estimating Scope 3 emissions or establishing non-materiality of Scope 3 emissions if an entity relies on estimates rather than direct measurement?
- How is Scope 3 emissions information used, and how does its usefulness vary depending on the measurement approach adopted (including the use of direct measurement versus estimation, and the extent of alignment with international reporting standards)?

Interim finding 3.2
There are overlapping reporting requirements between sustainability reporting and NGER that create avoidable compliance costs.

Sustainability reporting and NGER serve different purposes, but overlapping requirements can create avoidable compliance costs where businesses must transform, reconcile or obtain further assurance over emissions information they have already produced.

Reform direction 3.3
Improve interoperability between NGER and sustainability reporting

The Australian Government should improve interoperability between NGER and sustainability reporting so that emissions information already prepared under NGER can be reused for sustainability reporting wherever this is consistent with the objectives of both regimes.

Treasury, the Clean Energy Regulator, ASIC and the AASB should identify opportunities to:

- align definitions, measurement requirements and reporting periods where there is no material policy reason for them to differ
- develop an accepted approach for bridging NGER data to different sustainability-reporting periods, reducing the need for businesses to recalculate and subsequently reconcile emissions information
- identify NGER data, methodologies and supporting records that can be used directly for sustainability reporting, and provide clear guidance mapping NGER requirements to AASB S2
- develop standard approaches for reconciling differences in organisational boundaries and coverage between NGER and sustainability reporting
- minimise unnecessary reconciliation or re-aggregation
- establish clear, efficient and appropriately safeguarded pathways for sharing and reusing NGER information for sustainability reporting, including by identifying where existing disclosure powers can be used more effectively, addressing administrative practices, uncertainty or risk aversion that unnecessarily impede sharing, and removing legislative restrictions where existing powers do not permit appropriate reuse
- facilitate reliance on existing NGER assurance work where its scope and quality provide sufficient evidence for sustainability-reporting assurance.

Workplace gender equality reporting

Information request 4.1

The PC is considering recommending that Single Touch Payroll (STP) and other administrative data be used to streamline the WGEA reporting process in line with a 'tell us once' approach. Both options would involve trade-offs, which are summarised in table 4.2. We seek participants' views on which option is most preferred, if any. Respondents should be aware that option 2 would impose transition costs on the Australian Taxation Office, business software providers and all employers (not just those that report).

- Option 1 – Abolish the Workplace Profile and use STP and other administrative data in its place.
- Option 2 – Abolish the Workplace Profile and use STP and other administrative data in its place, but reform STP to collect data on the hours that employees work to allow the existing gender pay gap calculation to be preserved.

To inform these deliberations, the PC is also seeking information about the burden that the Workplace Profile imposes on reporting employers. For example, how many hours it takes to complete and verify, the extent to which this has been automated already, and the potential for it to be automated in the future.

Information request 4.2

The PC seeks participants' views on which of the specific data items currently required in reporting to WGEA are particularly difficult for employers to provide or have particularly limited value for workplace gender equality reporting.

Reform direction 4.1
Remove the requirement for highly gender-equal employers to further improve their performance

To prevent disadvantage to employers that are already highly gender-equal, WGEA should relax the requirement for these employers to improve their performance against gender equality targets. This could be achieved by:

- exempting employers that hold a WGEA Employer of Choice for Gender Equality certification
- WGEA committing to liberally exempting these employers via the 'reasonable excuse' exemption.

If evidence emerges that the gender equality targets are imposing materially higher costs or generating materially lower benefits, then the regime should become voluntary. The next review of WGEA, expected in 2028, should independently assess the early impacts of the requirements and consider whether broader change is necessary.

Reform direction 4.2
Ease the reporting burden on highly gender-equal employers

The Australian Government should relax WGEA reporting requirements for highly gender-equal employers to reduce the reporting burdens they face. The PC is considering:

- which specific reporting requirements (such as the Workplace Profile) should be reported against less frequently (such as once every 3 years)
- what the trigger to reduce the reporting requirements should be (such as maintaining an Employer of Choice for Gender Equality certification).

Reform direction 4.3
Make WGEA data more accessible for researchers

To boost its value for research and policy redevelopment, WGEA should work with the Australian Bureau of Statistics to link their data on an enduring basis to Australia's major integrated data assets – namely the Person Level Integrated Data Asset, the Business Longitudinal Analysis Data Environment and the Linked Employer-Employee Dataset.

1. About this inquiry

Key points

- **The Australian Government has asked the Productivity Commission to undertake an inquiry into opportunities to improve the efficiency and value of non-financial business reporting requirements.**
  - Reporting requirements provide transparency but impose costs on reporting businesses.
- **Most non-financial reporting requirements compel businesses to disclose information about their social or environmental impacts. The reporting can provide benefits if it better informs markets about risks or engages internal or external stakeholders to exert influence that furthers policy goals.**
- **Reporting requirements impose administrative costs and distort economic activity.**
  - Administrative costs depend on the information that is sought, the systems that are in place to provide it, the degree of verification or assurance required, how clear the requirements are, and whether reporting businesses need to seek information from their customers or suppliers to comply.
  - Distortionary costs (when reporting requirements dissuade businesses from potentially valuable activities such as investing or entering new markets) depend on the overall quantity of regulation that businesses face and whether executive or board-level consideration is needed.
  - Concerns that cumulative regulatory burdens exceed the sum of individual regulatory burdens relate to distortionary costs.
- **Reporting requirements can be policymakers' default response to new issues, especially when more direct forms of intervention appear disproportionate. This should not excuse careful weighing of costs and benefits and consideration of alternatives.**
- **This interim report covers some but not all of the issues this inquiry is considering.**
  - It sets out the PC's initial analysis of 3 key reporting requirements which impact many Australian businesses – payment times reporting, sustainability reporting and workplace gender equality reporting.
  - The final report will also consider interactions among the broader suite of reporting requirements and the cumulative burden of these requirements on businesses.

1.1 Conduct of the study and consultation

On 24 August, the Australian Government asked the Productivity Commission to undertake an inquiry into opportunities to improve the efficiency and value of non-financial business reporting requirements.

The PC released a call for submissions paper on 9 September and received 60 submissions and one brief comment in response.

The PC consulted with participants to prepare this interim report, including regulators, business peaks, reporting experts, accounting experts and government agencies. Meeting participants and participants who made submissions are listed in appendix A.

1.2 About the interim report

This is a short interim report that covers some but not all of the issues this inquiry is considering. It sets out the PC's analysis so far of 3 key reporting requirements – payment times reporting, sustainability reporting and workplace gender equality reporting.[5] These were chosen because they apply to a relatively large number of businesses from a wide range of industries and require regular and ongoing reporting.

We have drawn on policy documents, implementation experience and submissions from participants to understand whether reporting delivers benefits that justify its costs, or whether the same objectives could be achieved at lower cost. In each case, we have given particular attention to substantial changes that would reduce costs for reporting businesses. When faced with uncertainty, we have erred on the side of changes that would reduce costs, both to avoid status quo bias and because reporting requirements create distortionary costs that are difficult to measure and rarely considered at their introduction (section 1.4). We have also erred on the side of recommending that all or stand-alone components of a reporting requirement be abolished where the requirement appears low value, because making incremental changes can generate disproportionate upfront costs for businesses that have already partly automated their reporting systems.

The following sections set out the rationale for non-financial reporting, the factors that shape its benefits and costs, and the scope for alternative approaches. These issues are considered in the context of each policy area in the remainder of this report:

- Chapter 2 examines payment times reporting requirements.
- Chapter 3 examines sustainability and environmental reporting requirements.
- Chapter 4 examines workplace gender equality reporting requirements.

The final report will consider a broader suite of reporting requirements, the interactions between them and the cumulative burden of these requirements on businesses. It will also bring together available quantitative evidence. It will also consider how regulatory transparency and accountability measures (such as impact analysis processes) could be improved to better manage common issues with reporting requirements. Accordingly, participants' responses to information requests 4, 5 and 6 from the call for submissions paper have not been fully incorporated into this report but will be incorporated into the final report.

[5] Some participants, such as Grant Thornton Australia (sub. 34, p. 1) submitted that sustainability reporting is a financial reporting requirement. The PC has deemed it within the scope of the inquiry as it and much of the information that must be disclosed is non-financial (such as carbon emissions).

This report includes a series of draft findings, reform directions and information requests. The PC requests submissions in response to these and other issues by **18 December 2026**.

1.3 Why do we have non-financial reporting requirements?

Reporting requirements compel businesses to disclose information to a regulator for public release or regulatory administration. In recent years, the scope and range of non-financial reporting – which covers areas such as modern slavery, gender equality, sustainability, payment times and cybersecurity – has increased.

There can be sound reasons to establish reporting requirements. Businesses will not voluntarily report if the costs of reporting exceed the private benefits, but there can be wider benefits of reporting. The expansion in mandatory non-financial reporting reflects judgements that the perceived benefits of businesses sharing information with regulators and the public outweigh the costs.

1.4 What factors influence whether a new requirement generates net benefits?

It is difficult to measure the costs and nearly impossible to accurately measure the social benefits of a given reporting requirement, especially prior to its introduction. There are also cumulative costs that may not be captured in any individual assessment of each additional reporting requirement.

To understand the trade-offs, it is useful to survey the common drivers of costs and benefits, as this can provide some guide to which types of requirements are more or less likely to pass a cost-benefit test, and how requirements can be designed to maximise benefits and minimise costs.

Drivers of benefits

The benefits of reporting stem from regulators, investors, suppliers, civil society groups, consumers, employees, and even the business itself becoming better informed about its activities, performance, risks and opportunities. But this information only has value if it leads to real-world change. Hence, the expected benefit of a reporting requirement hinges on there being evidence or at least strong grounds to suppose that the information will create desirable real-world action – a credible 'theory of change'.

Some reporting requirements compel information directly related to businesses' performance, which is of value to investors. Making this information widely available can reduce financing costs and improve capital allocation. Many financial reporting requirements have this basis, as do some non-financial reporting requirements, such as the requirement for businesses to disclose their exposure to climate change risks as part of the sustainability reporting regime.

A common stated objective for non-financial reporting requirements is to compel information about businesses' impacts on society and the environment with the aim of increasing pressure to act on these – for example, modern slavery, the gender balance of their workforce and how long they take to pay

small business suppliers. This is of interest to a broad range of stakeholders. Individual reporting requirements can have a mix of policy rationales.[6]

In some cases, the theory of change does not require public disclosure – the change comes from the act of gathering, considering in internal governance, and reporting the information, possibly with feedback from the regulator. This requires action by influential internal stakeholders, such as board members.

The most concrete theory of change for non-financial reporting is where the reporting requirement supports a wider regulatory regime. For example, the greenhouse and energy reporting regime supports the Safeguard Mechanism, one of Australia's principal emissions reduction policies.

Specific characteristics that support real world action

The upshot is that the benefits of reporting requirements depend on the information being useful to stakeholders who have sufficient influence to drive change or useful for assessing market risks. Information is more likely to be influential when it is relevant, timely, accurate, and can be used to facilitate comparison between businesses (figure 1.1).

Figure 1.1 – Drivers of benefits of reporting requirements

Relevance to influential stakeholders
Benefits are higher when information is relevant to stakeholders who have enough influence to create change. If the stakeholder to whom the information is relevant has little influence, then the information has little benefit. For example, Australian Small Business and Family Enterprise Ombudsman on payment times reporting: *'... a small business may have little practical ability to move from a slow-paying customer to one with better payment practices, even where that information is publicly available.'*

Accuracy	Comparability	Timeliness
Benefits are higher when information is both accurate and widely understood to be accurate (often due to verification or assurance processes).	Benefits are higher when information facilitates comparisons between businesses.	Benefits are generally higher when information is produced more quickly, but this can vary depending on the issue.

Quote is from the Australian Small Business and Family Enterprise Ombudsman (sub. 24, p. 1).

[6] Information about businesses' impacts on society and the environment can still be important to purely profit-seeking investors, because other stakeholders can respond to these impacts in ways that influence profits. For example, gender equality reporting has been found to impact stock prices (Dr Wei Shi, Dr Ruizhe Wang and Associate Professor Shan Zhou, sub. 5), suggesting it is material to profit-driven investment decisions. AustralianSuper (sub. 35) submitted that it uses workplace gender equality reporting when making investment decisions.

Drivers of costs

Reporting requirements impose costs. Reporting businesses must produce information, transform it into the required format, verify that it is correct and submit it to a regulator. Depending on the reporting requirement, this can include formal audit or assurance, and consideration and focus by senior executives or the board. There are also costs to taxpayers of establishing and maintaining a regulatory regime – for example, the Australian Government allocated $84 million over 6 years from 2023–24 to support the introduction of sustainability reporting (Australian Government 2023, p. 296).

Regulatory costs for businesses are usually delineated into 3 buckets (PC 2011).

- Administrative costs – the direct costs of demonstrating to a regulator that the business is compliant with the regulation. These are 'paperwork' costs.
- Substantive compliance costs – the direct costs of complying with the regulation.
- Distortion costs – indirect costs that arise from the regulation distorting businesses' choices in unintended ways, such as if the regulation makes a business choose not to make an investment because it would need to go through a regulatory process to do so, or because management time and focus is diverted from other more productive activities.

Reporting requirements are unique in that they do not generally involve substantive compliance costs, as the paperwork is itself the regulation. That said, additional forms of regulation layered on top can generate substantive compliance costs. For example, the reporting component of the workplace gender equality regulatory regime may not involve substantive compliance costs, but the additional requirements on larger businesses to maintain or improve their performance against a set of metrics may do.

Administrative costs

Administrative costs of reporting requirements arise from retrieving information, converting it into the necessary format, verifying it is suitably correct and obtaining sign-off at the required level. Several factors influence these costs (figure 1.2).

Figure 1.2 – Drivers of administrative costs of reporting requirements

Retrieval and conversion	Supply chain dependencies	Verification and assurance
Costs are higher when required information is spread across multiple systems. When systems are automated, changes can become a major cost driver.	Costs are higher when reporting businesses must (or opt to) obtain information from their suppliers.	Costs are higher when additional verification or formal assurance processes are required.

Ambiguity
Costs are higher when requirements are ambiguous, as businesses must seek advice on how to comply or report more than is required.

Distortion costs and cumulative burdens

Distortion costs of reporting requirements arise from at least 3 channels.

First, if businesses face increased reporting requirements if they undertake an action (such as making an investment, entering a new market or releasing a product), they may be dissuaded from undertaking that action.

Second, reporting requirements are often designed to elicit greater attention at the executive or board level, increasing the focus on governance, reporting and risk mitigation. This may generate benefits but also crowds out time and attention spent on strategy and growth and can reduce dynamism. There is empirical evidence that director distractions can reduce businesses' performance (Stein and Zhao 2019). Reporting requirements that explicitly require consideration or sign-off at board or executive levels are likely to yield higher distortion costs, other things being equal.

Third, event-triggered reporting requirements can divert attention from time-critical tasks. For example, the Australian Institute of Company Directors (sub. 50, p. 10) submitted that an insurer experiencing a major cyber incident may have its attention diverted by requirements to notify the Australian Signals Directorate, the Office of the Australian Information Commissioner, the Australian Prudential Regulation Authority and state insurance regulators. And ExxonMobil (sub. 48, p. 3) submitted that overlapping reporting requirements diverted staff from securing fuel supplies during recent fuel market disruptions.

Distortion costs also explain why the cumulative burden of multiple reporting requirements and other regulations experienced simultaneously can exceed the sum of the burdens of each regulation experienced in isolation. Just as the lesson of the children's story 'Who Sank the Boat?' (Allen 1982) is that no animal was individually responsible but the boat still sank, no individual regulation in isolation might be responsible for a business choosing to not make an investment, launch a new product or enter a new market, yet when all are in place this may well occur.

Duplicative reporting, harmonisation and 'tell-us-once'

Duplicative reporting requests – where businesses are asked to provide the same or similar information to multiple regulators – create unnecessarily high costs and present an opportunity to reduce costs. This report discusses 2 such cases:

- Businesses providing similar information on scope 1 and 2 emissions under greenhouse and energy reporting to what is required under sustainability reporting (but sufficiently different that assurance processes must be repeated, at considerable cost) (chapter 3).
- Businesses reporting information on employee earnings to the Australian Taxation Office that is similar to what they are required to report under workplace gender equality reporting (chapter 4).

In both cases, there are subtle arguments for and against harmonisation or 'tell-us-once', but that does not undermine the general point that duplicative requests present opportunities to reduce costs.

Participants have also provided other examples. For example, TAL Life Limited (sub. 28, p. 2) pointed to overlapping reporting of disputes and Chevron (sub. 41, p. 1) highlighted separate monthly and annual reporting to the Australian Government and Western Australian Government, using different templates, in relation to the same regulatory approval. The PC intends to consider issues like this in greater depth in its final report.

1.5 Are there alternative policies that deliver similar benefits at lower cost?

Reporting requirements are a popular form of regulation because they come with few obvious risks, relative to hard regulatory requirements. The costs just described are generally not immediately obvious, do not appear high in isolation, and there are few other downsides to the apparent increase in transparency. While this is a significant advantage, it means that reporting requirements can be a default response for policymakers when new issues emerge. This should not excuse careful weighing of costs and benefits.

Alternative policies could be either lighter touch or more interventionist than reporting requirements. For example, government could develop or support the development of standards to increase the comparability of voluntary reporting, thus getting some of the benefits of a reporting requirement at lower cost. For example, the Board of Taxation developed the Voluntary Tax Transparency Code at the request of the Australian Government (Board of Taxation 2016). Or governments could develop a more direct policy response to achieve desired policy outcomes. For example, chapter 2 asks if the objectives of payment times reporting could be better achieved via other mechanisms such as tasking the ombudsman to assist with contract enforcement.

1.6 Practical ways to improve reporting requirements

In addition to providing feedback on the 3 key reporting requirements that are the subject of this report, several inquiry participants made general but practical suggestions for how reporting requirements could be improved moving forward (figure 1.3). The PC will consider these issues in its final report.

Figure 1.3 – Selected participants' suggestions for mechanisms to improve reporting requirements

Harmonisation and tell-us-once	Proportionality	Review and evaluation
Whole-of-government inventory of reporting requirements and presumption that agencies reuse information previously supplied to government (G100, sub. 51). 'Reuse-before-request' obligation supported by inter-agency data sharing, common identifiers and authoritative data stewards (ATA, sub. 40). Alignment of data items and reporting periods or establishment of accepted reconciliation methods where this is impractical (Australian Beverages Council, sub. 13). Introduce common data dictionaries, entity identifiers and interoperable digital taxonomies (RIAA, sub.45).	Reporting requirements introduced or expanded only where impact analysis demonstrates expected benefits justify additional regulatory burden (AICD, sub. 50). Impact analysis to capture full implementation lifecycle including systems, governance and assurance costs (ATA, sub. 40). Adopt 'Think Small First' approach - consider higher thresholds, simpler data requirements, less frequent reporting and administrative-data alternatives (IPA, sub. 29). Impact analyses to include costs passed down supply chains to businesses outside statutory reporting thresholds (COSBOA, sub. 3).	Subject reporting obligations to post-implementation reviews that consider their effectiveness, actual regulatory burden and unintended consequences (AICD, sub. 50). Periodically investigate who uses the reported information and for what purpose, and whether its benefits continue to justify the costs of reporting (G100, sub. 51). Strengthen review mechanisms for requirements introduced for particular or temporary purposes (ATA, sub. 40). Sunset some reporting unless an ongoing need can be demonstrated (Vocus, sub. 37). Introduce standing reporting-reform mechanism incorporating sunset and post-implementation review disciplines (IPA, sub. 29).

2. Payment times reporting

Key points

- **The Payment Times Reporting Scheme (PTRS) has increased transparency about the time large businesses take to pay their small suppliers through a public, standardised source of entity-level payment information.**
- **The PTRS imposes compliance costs on reporting businesses, contributes to cumulative reporting burden and incurs ongoing public administration costs.**
- **Available evidence does not demonstrate that published payment information is materially influencing businesses' behaviour or improving payment outcomes.**
  - Some measures of payment performance have improved since 2021, but the contribution of the PTRS cannot be isolated from other factors.
- **The additional burden of twice-yearly reporting has not been shown to be justified relative to annual reporting.**
- **On the evidence currently available, the Productivity Commission's preliminary view is that the Payment Times Reporting Act should be repealed.**
  - Between this interim and the final report, the PC is seeking further evidence on the scheme's benefits, costs and consequences of repeal.

2.1 Why payment practices matter for small businesses

Payment terms set (among other things) when payment for goods or services falls due. A gap between supplying goods or services and receiving payment is an ordinary feature of many business transactions. That gap is longer where payment terms provide more time before payment falls due, or where payment is made after the agreed due date. Both longer payment terms and late payments can affect businesses' cashflow and the timing of payments to their own suppliers.

These pressures can constrain their capacity to deliver goods and services, hire, invest and grow. In more extreme cases, they may contribute to insolvency and exit rates (ASBFEO, sub. 24, pp. 1–2; COSBOA, sub. 3, p. 2; DISER 2020, p. 5; Master Builders Australia, sub. 16, p. 6). Such effects may be greater for businesses facing broader challenges to their business model, with limited access to external finance or relatively high borrowing costs.

But longer payment terms do not necessarily represent problematic conduct. They can reflect established commercial practices, including trade credit arrangements, as well as the characteristics of particular goods, services, transactions or industries. For example, in the second half of 2025 the proportion of small business supplier invoices paid within 30 days ranged from 56.6% in Manufacturing to 88.9% in Financial and Insurance Services (PTRR 2026d, p. 41). Differences between industries may reflect contracting norms, complex supply chain configurations, transaction types, business processes and other industry characteristics. Progress payments and subcontracting arrangements, for instance, are common within the construction industry (Master Builders Australia, sub. 16, p. 6).

Late payments, in contrast, may arise from factors including invoice errors, disputes, approval delays, weak accounts-payable processes or deliberate non-compliance with agreed terms. These drivers have different policy implications – affecting the assessment of whether a policy problem exists, whether government intervention is warranted and, if so, what form that intervention should take.

2.2 The Payment Times Reporting Scheme

In 2021, the Australian Government established the Payment Times Reporting Scheme (PTRS) under the *Payment Times Reporting Act 2020* (Cth).

The PTRS requires reporting entities to provide information about their payment terms, times and practices in relation to their small business suppliers (Payment Times Reporting Act, s. 4). Broadly – the Payment Times Reporting Act defines a 'reporting entity' as a large business or Commonwealth-owned corporate entity that operates in Australia, has more than $100 million in annual consolidated revenue, is not already covered through a controlling entity's reporting obligations and is not a registered charity (Payment Times Reporting Act, s. 7). Other entities may volunteer to participate in the scheme (Payment Times Reporting Act, s. 10B).

Reporting entities generally submit 2 reports each financial year (Payment Times Reporting Act, s. 8). Information reported under the current scheme includes payment-time measures, the proportion of payments made within terms and specified time bands, common payment terms and information about specified payment practices (Payment Times Reporting Rules 2024, part 3). The Payment Times Reporting Regulator publishes reported information on the public Payment Times Reports Register.

The scheme includes mechanisms to address entities' non-compliance with their obligations (Payment Times Reporting Act, part 4). For example, the Regulator has issued nine entities with an infringement notice – each carrying a $99,000 penalty – for failure to submit a payment times report within the required timeframe (PTRR 2026a). The PTRS also includes mechanisms for identifying fast and slow small-business payers to increase incentives for reporting entities to improve their payment practices relative to others (Payment Times Reporting Act, part 2, divs. 4–5).

The PTRS was reformed in 2024 following an independent statutory review completed in 2023 (box 2.1). A further statutory review of the PTRS is due to be completed between September 2027 and September 2029 (Payment Times Reporting Act, s. 57A).

Box 2.1 – How the Payment Times Reporting Scheme has changed since introduction

The original *Payment Times Reporting Act 2020* (Cth) provided for an independent statutory review within 2 years of commencement (s. 57A). The 2023 review, led by the Hon Dr Craig Emerson (Emerson review) concluded that important elements of the original design imposed unnecessary regulatory burden, limited data accuracy and accessibility, and constrained the Regulator's effectiveness.

The review also found that an expectation that small businesses would use the Payment Times Reports Register to choose customers was unrealistic where suppliers had limited bargaining power or customer choice. It recommended a more usable register, simpler reporting, stronger regulatory powers and more explicit reputational incentives.

The review also recommended against the adoption of mandatory maximum payment terms.

The Australian Government accepted the review's recommendations and amended the PTRS in 2024 (Treasury 2023a; *Payment Times Reporting Amendment Act 2024* (Cth)). The reforms revised the statutory objects, consolidated group reporting, reduced and changed reported fields, strengthened the Payment Times Reporting Regulator's functions and enforcement tools and introduced fast- and slow-payer identification mechanisms.

How reporting is intended to improve payment outcomes

The current objects of the Payment Times Reporting Act (s. 3) seek to increase transparency about the payment practices of reporting entities and, through that transparency, foster a culture of prompt payment and incentivise improvements in payment outcomes for small business suppliers.

The PTRS is an indirect intervention. It does not require reporting entities to offer set payment terms, make payments within a specified time or provide mechanisms for resolving disputes. Publication and use of reported information, together with the prospect of being identified as a fast or slow payer, are intended to create reputational, commercial and internal management incentives for reporting entities to improve their payment practices in ways that improve payment outcomes for small business suppliers (table 2.1).

Table 2.1 – Payment Times Reporting Scheme theory of change

Step	Link	What must occur
1	Reporting	Reporting entities identify relevant suppliers and transactions, prepare prescribed measures and submit reports.
2	Publication	The Regulator validates and publishes usable, timely and comparable information.
3	Use	Suppliers, reporting entities (including their boards), governments, researchers or other intermediaries find and use the information.
4	Pressure and incentives	Publication, use of reported information, or the prospect of fast- or slow-payer status creates reputational, commercial or internal management incentives.
5	Behavioural response	Reporting entities change payment terms, systems, processes or performance.
6	Supplier outcomes	The changes improve payment outcomes and deliver net benefits for small business suppliers.

The PTRS can deliver its intended benefits only if the steps in this sequence operate effectively in practice.

2.3 Have the links between reporting and improved payment outcomes been demonstrated?

The PTRS has increased transparency through the publication of standardised entity-level payment information. However, it is unclear whether that information is being widely used and creating pressure or incentives that influence payment behaviour and improve payment outcomes.

Available data does not demonstrate how payment information is used

The PTRS applies broadly across large businesses and supports the publication of a large, standardised public dataset of entity-level information on payment practices. The publication of comparable information across a wide range of entities allows users of reported information – such as suppliers, reporting entities, governments, researchers and other intermediaries – to identify trends, compare performance and benchmark reporting entities against others.

But transparency is not the only or ultimate objective of the PTRS. To improve payment outcomes, reported information must be found and used in ways that create incentives or pressure for reporting entities to change their payment practices. The Australian Small Business and Family Enterprise Ombudsman (sub. 24, p. 1) noted that transparency alone is unlikely to overcome structural factors that contribute to poor payment outcomes for small business suppliers, such as bargaining power imbalance and limited customer choice in concentrated markets.

The 2023 Emerson review (box 2.1) found that the original Payment Times Reports Register was difficult to navigate, that awareness among small businesses was low and that there was limited evidence of reported information being used to exert wider reputational pressure on reporting entities.

On a generous assumption that every Register download and dashboard visit represented a different small business, the Emerson review found usage would have amounted to less than 1% of Australia's small business population, reinforcing concerns about low awareness and limited use of the Register (Emerson 2023, p. 8).

In response to a recommendation of the review, the Register was updated to enhance the presentation of payment times data (Emerson 2023, rec. 5; PTRR 2024). The updated Register dashboard was viewed approximately 35,300 times between September 2024 and October 2026, and the Register dataset was downloaded approximately 5,500 times between July 2025 and October 2026 (Payment Times Reporting Regulator, pers. comm., 9 November 2026).

Register and dashboard access data does not, however, show who accessed the information, how it was used or whether it influenced commercial or policy decisions.

Several participants proposed that the PTRS should be evaluated to determine the use of reported information and whether it influences commercial decisions or payment practices (ACCI, sub. 26, pp. 4–5; G100, sub. 51, p. 3; IPA, sub. 29, p. 5). There is no evidence that published PTRS information is being used widely enough to create incentives or pressure that meaningfully affect payment practices or outcomes. The PC is seeking further evidence on stakeholders' use of the Payment Times Reports Register (information request 2.1).

The impact of reputational incentives and pressure is not clear

The reformed PTRS includes fast- and slow-payer mechanisms intended to make the performance of certain entities more visible and strengthen reputational and commercial incentives to improve payment outcomes. A fast small-business payer (fast payer) is a reporting entity that has paid at least 95% of its payments to small business suppliers in 20 days or less across 2 consecutive reporting cycles (Payment Times Reporting Act, s. 22J). The Fast Small Business Payer List was launched in February 2026 and lists 121 entities as at 29 October 2026 (PTRR 2026b, 2026c).

A slow small-business payer (slow payer) is a reporting entity in the slowest 20% of small business payers (or slowest 20% of small business payers within its ANZSIC classification) for 2 consecutive reporting cycles (Payment Times Reporting Act, s. 22D). Following reporting cycle 9 (January to June 2025 for most entities), the Payment Times Reporting Regulator identified 650 slow payers (approximately 18% of reporting entities) and warned them that they were at risk of receiving a slow payer direction if their performance did not improve (PTRR 2026e, p. 2).[7] These directions can require entities to disclose their slow-payer status in certain places and documents, such as their website, invoices and tenders (Payment Times Reporting Act, s. 22E).

It is not clear these mechanisms are creating material reputational or commercial incentives that lead reporting entities to change their payment practices. For example, few entities appear to have publicly acknowledged their fast payer status or otherwise had that status acknowledged. And no slow payer directions have been issued to date, so it is unclear whether at-risk notifications create sufficient pressure to produce a behavioural response.

Additionally, only one payment times report has been submitted by a volunteering entity (an entity not required to report), suggesting limited reputational or commercial benefit from opting into the scheme.

Some reported payment-performance measures have improved, but a behavioural response to the PTRS cannot be isolated

Some aggregate measures of payment performance have improved since the PTRS commenced. The proportion of invoices paid within 30 days increased from 63.2% in reporting cycle 1 (January to June 2021

[7] PC estimate based on Payment Times Reports Register reporting cycle 9 data as at 30 October 2026.

for most entities), to 69.8% in cycle 10 (July to December 2025 for most entities). Over the same period, the proportion of invoices paid in more than 60 days fell from 8.6% to 5.9% (PTRR 2026d, tbl. 6).

Data reported following the 2024 PTRS reforms shows smaller movements in other measures. From cycle 8 (July to December 2024 for most entities) to 10, the average of reporting entities' 95th percentile payment time fell from 58 to 55 days, while their average payment time increased from 27.1 to 27.2 days. The most common payment term offered by reporting entities to their small business suppliers, averaged out across all industries, decreased from 30 to 29 days (PTRR 2026d, tbls. 4, 7, 2026e, tbl. 1).

The observed improvements do not demonstrate that the PTRS caused reporting entities to change their behaviour. They occurred alongside changing economic conditions due to the COVID-19 pandemic, as well as changes in procurement and contracting practices, business processes and technology. This distinction matters because the PTRS's theory of change relies on publication and use of reported information creating incentives or pressure to produce a behavioural response that improves payment outcomes for small business suppliers. But an improvement following the introduction of the PTRS is not, by itself, evidence that the scheme produced the behavioural response or supplier outcomes described in the theory of change. It is not clear whether or how payment outcomes would have changed without the PTRS.



Interim Finding 2.1
The links between payment times reporting and improved payment outcomes have not been demonstrated

The Payment Times Reporting Scheme has increased transparency through the publication of standardised information about reporting entities' payment practices. However, there is no clear evidence that this information is being used to create incentives or pressure, that it has changed reporting entities' behaviour or that the scheme has improved payment outcomes.

2.4 The Payment Times Reporting Scheme imposes private and public costs and contributes to cumulative burden

To meet their obligations, reporting entities must identify in-scope suppliers and transactions, extract and validate payment data, apply prescribed calculations, obtain internal approval, submit reports twice-yearly, retain records and respond to compliance activity (BHP, sub. 54, p. 2; FSC, sub. 30, pp. 3–4). Costs may be higher where corporate groups need to consolidate data across multiple entities or accounting systems, or where PTRS reporting fields do not align with the way information is collected or stored by businesses (ATA, sub. 40, p. 6; FSC, sub. 30, p. 3).

The 2020 Regulation Impact Statement (RIS) estimated average annual regulatory costs of $22.5 million, or about $1,600 per report (Explanatory Memorandum, Payment Times Reporting Bill 2020 (Cth)). The 2024 reforms were intended to reduce burden through changes including consolidated group reporting and revised reporting fields. But changes to the scheme also imposed transition costs as reporting entities were required to update systems and processes in response (BHP, sub. 54, p. 2; CA ANZ, sub. 52, p. 3). Anticipated transition costs and compliance cost-savings were not quantified as part of the reform process.

The composition of these costs is also likely to differ between entities and over time. Establishing systems and implementing scheme changes may account for a significant share of total costs, while ongoing reporting may become less resource-intensive once systems and processes are established (CA ANZ, sub. 52, p. 1). Nevertheless, each reporting cycle continues to require data preparation, assurance, approval and submission (ATA, sub. 40, p. 6; CPA Australia, sub. 49, p. 3). It is not clear to what extent the 2024 reforms reduced costs. But reporting frequency affects at least some recurring costs, even where entities have established systems and processes for producing PTRS data.

This inquiry is particularly concerned with the effects of cumulative reporting burden (chapter 1). An obligation need not be especially costly in isolation to add to the combined demands that financial and non-financial reporting requirements place on businesses' staff, systems and governance processes. Payment-times reporting competes with other obligations and business activities for the same personnel, governance processes and organisational resources (CPA Australia, sub. 49, p. 1; G100, sub. 51, pp. 2–3). Participants noted that interpretation, data reconciliation, assurance and executive approval can divert resources from other productive activities, particularly when reporting periods overlap (ATA, sub. 40, pp. 4–5, 9; G100, sub. 51, pp. 8–9). The opportunity cost of these activities is relevant, particularly where the attributable benefits of an individual reporting obligation, such as the PTRS, are uncertain.

The PTRS imposes public administration costs alongside private compliance costs. Approximately $16.0 million was allocated between 2021–22 and 2024–25 to establish the PTRS (Treasury 2021, p. 17). The Australian Government committed a further $33.4 million to implement reforms following the 2023 statutory review (Treasury 2024, p. 3). Other costs, such as staffing and corporate overheads, may be absorbed within broader Treasury functions.

Twice-yearly reporting has demonstrated little additional benefit

Compared with the annual reporting frequency common for other types of financial and non-financial reporting regimes, twice-yearly reporting under the PTRS means public disclosure occurs closer to the time of the underlying payment activity. This allows persistent poor performance to be identified sooner and may more promptly incentivise changes in payment practices.

Twice-yearly reporting may also reveal seasonal variation in payment practices. However, PC analysis found little evidence of recurring seasonal variation in the share of payments made within 30 days. Of the 8,247 entities that consistently reported in cycles 2–7, only 210 entities (2.5%) showed a difference of at least 5 percentage points in the same direction across all 3 even-to-odd cycle pairs.

Many participants proposed that the PTRS should move from twice-yearly to annual reporting, particularly in the absence of evidence that the current reporting frequency was providing clear benefit (ACCI, sub. 26, p. 5; ATA, sub. 40, p. 6; BCA, sub. 19, p. 1; BHP, sub. 54, p. 2; CPA, sub. 49, p. 3; FSC, sub. 30, p. 4; IPA, sub. 29, p. 5).

The Financial Services Council (sub. 30, p. 4) suggested that targeted information requests to particular entities could supplement annual reporting, if specific information is required for supervisory purposes.

If reporting moved to an annual cycle, it would take 2 years to establish persistent fast- or slow-payer performance by particular entities, as these mechanisms currently require performance to be assessed across consecutive reporting cycles. A change to annual reporting without consequential changes to the assessment of fast- and slow-payer status would weaken one of the intended improvements to the reformed PTRS and a link in the theory of change (table 2.1). However, the significance of this drawback depends on whether fast- and slow-payer identification is producing a material behavioural response.

As discussed above, there is currently little evidence that these mechanisms are creating sufficient reputational or commercial pressure to change payment practices.

Interim finding 2.2
The additional burden of twice-yearly reporting has not been justified

The rationale for twice-yearly reporting is that more timely publication of payment information will strengthen transparency and incentives to improve payment practices. But the available evidence has not demonstrated that this frequency influences the payment practices of reporting entities or outcomes for small business suppliers. The additional burden imposed by twice-yearly reporting is not supported by a commensurate benefit.

2.5 There are more targeted ways to address problems affecting payment terms and times

The PTRS is one of several government interventions that may affect payment outcomes for small business suppliers. Other government measures, alongside non-government initiatives, more directly target particular entities, practices or causes of poor payment outcomes.

The original policy design process did not evaluate alternative policy interventions

The RIS for the PTRS was prepared after the Australian Government had committed to introducing mandatory payment-times reporting (DISER 2020; Morrison and Cash 2018). It identified several barriers to widespread improvement in payment outcomes, including power imbalances between large and small businesses, weak incentives for large businesses to change their practices and the limited take-up of voluntary initiatives such as the Australian Supplier Payment Code (DISER 2020, pp. 5, 16).

However, the RIS compared the committed reporting scheme against only the status quo, rather than assessing a range of feasible regulatory and non-regulatory responses to determine which option(s) were most likely to improve particular payment outcomes at least cost (DISER 2020, p. 17). The comparison was also limited by the basis for the scheme's estimated benefits. Although the RIS estimated the scheme's regulatory costs, its quantified benefits relied on assumed improvements in payment times that the PTRS did not require reporting entities to achieve. The RIS acknowledged that there was little evidence about the likely rate of improvement from this type of intervention and that the effects of the comparable UK reporting scheme remained unclear (DISER 2020, p. 26). The Office of Best Practice Regulation considered that the policy development process departed from best practice as the RIS was not prepared in time to inform each major policy decision point (OBPR 2020).

Different payment problems may require different policy responses

Where harmful payment practices are demonstrated, targeted measures addressing the specific problem are likely to be more effective and efficient than reporting requirements that impose a reporting burden on all large businesses (table 2.2).

Table 2.2 – Alternative measures to improve payment outcomes

Mechanism	Example	Effect on payment outcomes	Limitations
Reduce payment frictions	eInvoicing (Peppol)	Reduces invoice errors, manual processing and administrative delays that can contribute to slow payment.	Does not address intentionally long payment terms, bargaining power imbalances or disputed invoices. Benefits depend on adoption by both buyers and suppliers.
Expectations attached to government contracts	Commonwealth Supplier Code of Conduct	Encourages prompt payment by government entities, suppliers and their supply chains.	Limited to Australian Government procurement and affected supply chains. Has little influence on transactions outside its scope.
Set enforceable sector standards	Food and Grocery Code of Conduct, Horticulture Code of Conduct	Addresses sector-specific power imbalances and payment-related conduct through enforceable rules and dispute pathways.	Sector-specific and not readily transferable to the broader economy. Effectiveness depends on compliance and enforcement.
Support enforcement of existing rights	ASBFEO dispute resolution, mediation and referrals.	Lowers the cost and complexity of pursuing overdue or disputed payments.	Reactive rather than preventative. Relies on suppliers identifying issues and being willing to pursue a complaint despite commercial risks.
Deter unfair conduct	Australian Consumer Law protections for small businesses in standard-form contracts, ACCC enforcement powers.	May deter businesses from imposing unfair payment-related terms on small business suppliers, particularly where suppliers have limited bargaining power.	Applies only to standard-form contracts and terms that satisfy the legal test for unfairness. Does not prohibit long payment terms generally, impose maximum payment periods or address payments made late under otherwise fair terms.

Source: PC analysis, based on (ACCC 2026; ASBFEO 2026; ATO 2026; Department of Finance 2025a; Competition and Consumer (Industry Codes–Food and Grocery) Regulations 2024; Competition and Consumer (Industry Codes–Horticulture) Regulations 2017).

These mechanisms do not provide a single alternative to the PTRS and each has limitations. Their relevance and usefulness depend on the nature and cause of the payment problem being addressed. However, they illustrate that particular forms of harmful conduct, bargaining-power imbalance or payment friction can be addressed directly rather than through an economy-wide transparency obligation.

The PC is interested in participants' views on the specific problems that warrant policy intervention and whether more targeted measures could address them (information request 2.1).

Interim finding 2.3
Where policy intervention is warranted, targeted measures are likely better suited to addressing specific drivers of poor payment outcomes

Payment outcomes are influenced by a range of factors, including bargaining power, commercial practices, contractual arrangements, payment frictions and administrative processes. Where policy intervention is warranted, targeted measures that address the underlying cause of poor payment outcomes are likely to be better suited to addressing payment outcomes than economy-wide reporting obligations.

2.6 The PC's interim position is that the Payment Times Reporting Scheme should be repealed

The case for retaining a regulation depends not only on its costs, but on whether there remains a problem warranting government intervention and whether the regulation is an effective and efficient response (PC 2011, p. 6). Where the rationale for intervention is uncertain, alternatives were not adequately considered and there is little evidence of benefits, the regulation should be reassessed against other options, including no regulation (PC 2011, p. 18).

The original policy design process identified potential grounds for intervention in payment practices, including power imbalances, weak incentives for large businesses to change payment practices and limited effectiveness of voluntary initiatives. But the decision to establish the PTRS was not informed by a full comparative assessment of the mechanism(s) most likely to improve payment outcomes.

The PTRS has increased transparency through public, standardised, entity-level payment information. But it is unclear whether that information is influencing business behaviour or whether the scheme has contributed to improved payment outcomes.

Reporting entities nevertheless incur recurring compliance costs. Considered in the context of the cumulative burden of reporting requirements, there is a stronger case for reducing reporting obligations whose benefits have not been demonstrated.

Against this background, although aspects of the current scheme are relatively new and important evidence gaps remain, uncertainty about effectiveness is not, by itself, a sufficient basis for retaining a broad and recurring reporting obligation. This is particularly so where the scheme seeks to improve payment outcomes indirectly, while the most significant payment-related problems may be more effectively addressed through targeted measures.

If the PTRS did not already exist, there would not be a sufficient case for introducing a reporting scheme of its current breadth and frequency. The PC's preliminary view is that the Payment Times Reporting Act should be repealed (reform direction 2.1).

Reform direction 2.1
The Payment Times Reporting Scheme should be repealed unless its benefits can be demonstrated

The effectiveness of the Payment Times Reporting Scheme has not been demonstrated. The PC is seeking further evidence on the scheme's attributable benefits, the use and effects of published payment-times information, the costs imposed on reporting entities and government and the consequences of repeal. In the absence of evidence demonstrating benefits commensurate with these costs, the PC will recommend the repeal of the *Payment Times Reporting Act 2020* (Cth).

The PC is seeking further evidence before making a final recommendation. In particular, the PC is seeking evidence on changes in large businesses' behaviour in response to the PTRS, benefits generated by the publication of payment times data, and any adverse consequences that could arise from removing reporting obligations (information request 2.1).

Information request 2.1

To inform the PC's assessment of whether the Payment Times Reporting Scheme (PTRS) should be retained, the PC is seeking quantitative evidence and specific examples of observed behaviours, decisions, outcomes and costs.

- Whether, and how, the PTRS has changed the payment practices, payment terms or payment performance of reporting entities.
- How published PTRS information is used by stakeholders, including examples where it has influenced decisions or behaviour.
- The benefits that would be lost, and any adverse consequences for small business suppliers that could arise, if payment-times reporting obligations were removed or reporting frequency was decreased from twice-yearly to annual reporting.
- The establishment, transition and ongoing compliance costs of the PTRS, including the costs that would be avoided if the scheme is repealed or changed from twice-yearly to annual reporting.
- The most significant causes of poor payment outcomes for small business suppliers, whether those causes warrant intervention, and the measures best suited to addressing them (including any measures at the state and territory level).

3. Sustainability reporting

Key points

- **There is a sound economic rationale for standardised climate-related financial disclosure.**
  - With consistent and credible information, investors may find it easier to assess climate-related risks and opportunities, leading to more efficient investment.
- **Mandatory reporting can improve the availability, consistency and comparability of information. Reporting benefits depend on whether the information produced is decision-useful, comparable and credible.**
- **The mandatory climate-related financial disclosure regime (which commenced in 2025 and is being phased in) will impose compliance costs on reporting firms.**
  - While it is too early to assess the overall costs of the regime, early evidence suggests some elements of compliance may be more costly than initially anticipated.
  - Requirements should be tailored to where disclosure is most likely to provide material benefits.
- **Group 3 entities (the final cohort to commence reporting) should not be subject to sustainability reporting as scheduled for 2027.**
  - These entities may face significant documentation and assurance costs even when they have no material climate-related risks, while evidence about the resulting information benefits is limited.
  - The outcomes from the current reform process should be bedded down before any consideration of whether, and on what basis, Group 3 firms should be brought into the regime.
- **The cost of Scope 3 reporting (reporting of indirect emissions across the value chain) can be reduced by setting expectations that reporters focus only on material commercial risks, and use estimation rather than making requests beyond the businesses directly covered by the regime.**
  - Scope 3 reporting may not always be material, and collecting it can impose disproportionate costs.
  - Regulators should make clear that reporting entities are expected to use reasonable estimates and existing data where these are adequate. Direct supplier requests should be limited to where they are necessary and proportionate.
- **Better alignment between sustainability reporting and the National Greenhouse and Energy Reporting scheme would reduce avoidable duplication.**
  - Businesses should be able to reuse emissions data, methodologies, records and assurance work where this is consistent with the objectives of both regimes, rather than recalculating or reconciling information.

3.1 Mandatory climate disclosure aims to support better decision-making by investors

Since 2025, Australia's largest businesses must prepare an annual sustainability report in addition to their annual (financial) report. While many businesses had been voluntarily reporting on sustainability-related issues for some time, the shift to mandatory reporting has been called the 'biggest change to corporate reporting in a generation' (AICD et al. 2024, p. 2). This change reflects the compounding and cascading risks posed by climate change to businesses and how they vary across industries (ACS 2025, p. iii; Treasury 2026b, p. 68).

The objective of sustainability reporting is to 'improve the quality, consistency and comparability of climate-related financial disclosures to enable users of that information to make informed decisions' (ASIC 2025c, p. 4). Broadly speaking, businesses are required to disclose information about climate-related risks and opportunities that could reasonably be expected to affect their cash flow, access to finance or cost of capital over the short, medium or long term (Australian Sustainability Reporting Standard AASB S2 *Climate-related disclosures*, p. 7).

There are 2 market failures which provide a rationale for mandating and standardising reporting of financially relevant information.

First, management generally knows more than investors about a firm's climate-related exposures and how they are managed. This information asymmetry can make it harder to price firms, potentially increasing financing costs. It can also lead to mispriced assets and capital being allocated inefficiently, with investment higher or lower than optimal.

Second, firms may not capture all the benefits generated by their disclosures. Climate-related information disclosed by one firm can help investors assess other firms and sectors, and can also support policy analysis, research and benchmarking. Firms may therefore provide less information than is socially optimal. This can be particularly relevant where frameworks for enterprise level risk reporting are not fully mature and still evolving.

Voluntary disclosure can help address these problems but may not fully resolve them. It can 'both illuminate and obscure firms' true environmental performance' (Alqudwa et al. 2025, p. 9). Even where substantial amounts of information are produced, there may be problems with coverage (not all firms disclose), completeness (firms may omit relevant information), comparability (firms may use different frameworks or methodologies) or credibility (including differences in assurance and enforcement).

Australia's new climate disclosure scheme is being phased in over 5 years, with the largest entities having commenced in 2025, and other businesses being included over 2026 and 2027 (figure 3.1).

Figure 3.1 – Larger entities are the first to be subject to reporting requirements

Sustainability reporting criteria

Annual reporting period commences on or after	Entities and their controlled entities meeting at least 2 of 3 criteria			
	Consolidated revenue	Consolidated gross assets	No. of employees	Asset owners
1 January 2025 Group 1	$500 million or more	$1 billion or more	500 or more	NA
1 July 2026 Group 2	$200 million or more	$500 million or more	250 or more	$ 5 billion assets under management or more
1 July 2027 Group 3	$50 million or more	$25 million or more	100 or more	NA

Source: AUASB (2026).

Businesses will be required to report on governance, strategy, risk management, and metrics and targets (box 3.1).

Box 3.1 – Sustainability reporting requirements

Under the *Corporations Act 2001* (Cth), entities are progressively required to prepare annual sustainability reports in accordance with Australian Sustainability Reporting Standard AASB S2.

Sustainability reports must disclose information about:

- **climate-related risks and opportunities**, including their potential effects on the entity's strategy, operations and financial performance
- **greenhouse gas emissions**, covering Scope 1 (direct emissions), Scope 2 (emissions from purchased energy) and Scope 3 (other indirect emissions across the value chain)
- **climate scenario analysis**, assessing the resilience of the entity's strategy under different climate futures, including a scenario consistent with limiting global warming to 1.5°C and one in which warming exceeds 2°C
- **governance and risk management**, including how climate-related risks and opportunities are identified, assessed and managed, and relevant climate-related targets.

Scope 3 emissions disclosures are not required in an entity's first reporting year.

Sustainability reports must also include a directors' declaration[a] and are subject to independent assurance requirements, which are being phased in over time.

a. Directors must declare that their entity's sustainability report meets the requirements of the Corporations Act. Under transitional arrangements, before 1 January 2028, directors are only required to declare that they have taken 'reasonable steps' to meet the Act's requirements.

Sources: ASIC (2026b); AUASB (2026).

Group 3 entities that do not have any material climate-related financial risks or opportunities are exempt from preparing a sustainability report. However, they must still prepare a statement declaring such, and include an explanation of how they came to that determination.

In the 2026–27 Budget, the Australian Government announced it would raise the monetary thresholds for large proprietary companies, which would relieve some Group 3 entities from mandatory sustainability reporting (Treasury 2026a, p. 5; section 1.3). The 2026–27 Budget proposed doubling the revenue threshold from $50 million to $100 million and the assets threshold from $25 million to $50 million (while retaining the 100-employee threshold and the requirement to meet 2 of the 3 tests). The Government also announced it would consult on reforms to reduce the regulatory burden of sustainability reporting, while maintaining the core requirements (box 3.2). Consultations on draft regulations to raise Group 3 thresholds and reforms to reduce regulatory burden were conducted over October and November 2026 (Treasury 2026c, 2026a).

Box 3.2 – Treasury is considering reforms to reduce implementation costs

Treasury released a consultation paper in August 2026 which proposed reforms to:

- change assurance rules to reduce compliance costs, including delaying or removing requirements for reasonable assurance (as opposed to limited assurance)
- provide clearer guidance on key terms and concepts
- reduce the burden of information requests across supply chains, including through further guidance or by developing or collecting emissions factors.

Source: Treasury (2026a).

The mandatory disclosure regime is legislated to be reviewed 'as soon as practicable after 1 July 2028' (*Corporations Act 2001* (Cth) (s. 1707g)). Treasury (2026a, p. 7) has said 'the statutory review will be the primary mechanism for a broader assessment of the effectiveness and operation of the sustainability reporting framework once all reporting cohorts have commenced reporting'.

3.2 Mandatory disclosure can improve information but it also imposes costs

There is a sound economic rationale for standardised mandatory climate-related financial disclosure, and mandatory regimes can improve the information available to investors. But the magnitude of these benefits depends on the quality, comparability and credibility of the information produced, and the extent to which this disclosure informs investors and others of material risks. Reporting requirements also impose costs, which can vary substantially across entities and extend beyond the formal reporting population. The relevant policy question is therefore whether the benefits of mandatory disclosure exceed these costs. As the Laureate Program on Global Corporate Climate Accountability (sub. 15, p. 1) said:

> compliance costs should be assessed against the decision-usefulness of the information that reporting produces, since a disclosure that is cheap to prepare but is not comparable or complete does not reduce cost, it only relocates it to the investor and other users.

Mandatory disclosure can improve the availability and quality of information

Empirical evidence is consistent with the theory that mandatory disclosure can, in some circumstances, improve market outcomes by reducing information asymmetry. A large international study (covering 17,680 firms across 65 countries and more than 136,000 firm-year observations) examined changes in stock liquidity associated with the introduction of mandatory environmental, social and governance disclosure requirements (Krueger et al. 2024). It found that stock liquidity improved after mandatory disclosure. The cost of trading fell by about 8% and a measure of share-price movements relative to the volume of trading fell by about 16% (Krueger et al. 2024, p. 1797).

Australian evidence also points to a potential relationship between improved disclosure of financial information and firms' cost of capital. A 2025 Australian study found that the implied cost of equity capital fell by between 103 and 190 basis points following the introduction of new mandatory accounting requirements (Hanlon and Truong 2025, p. 4).

Participants to this inquiry supported mandatory climate disclosure. The Australian Council of Superannuation Investors (sub. 17, p. 2) said:

> Governance and disclosure frameworks are essential tools for those investing on behalf of millions of Australians saving for retirement. They enable investors to assess risk and engage constructively with companies, while supporting decision-making that delivers sustainable value over time.

Evidence from Australia and New Zealand

Australia's mandatory climate disclosure regime has not been in place long enough to fully evaluate its effects. Nonetheless, the Australian Securities and Investments Commission (ASIC) published observations of Australia's first reporting cohort, which indicated some benefits. ASIC's September 2026 review of a sample of sustainability reports reported a marked improvement in the quantity and quality of climate-related financial information compared with earlier voluntary disclosures and observed that standardised requirements appeared to promote consistency and clarity (ASIC 2026a).

Evidence from New Zealand also found that reporting quality increased after the introduction of mandatory standards (box 3.3).

Box 3.3 – Reporting quality increased in New Zealand after the introduction of mandatory standards

New Zealand introduced mandatory climate-related financial disclosures in 2023, with covered entities' first reports published in 2024. The regime initially covered approximately 200 entities, including listed businesses with market capitalisation exceeding NZ$60 million, large banks, insurers and investment managers[a] (NZ Ministry of Business, Innovation and Employment 2025b, p. 7, 2026).

One study found that after New Zealand's mandatory regime was introduced, the quality of reporting of covered entities increased (Gehricke et al. 2025). Covered entities generally improved the breadth and depth of their reporting. These effects may have been partially driven by other factors, such as investor demand for sustainability reporting, but the relatively sharp increase in

Box 3.3 – Reporting quality increased in New Zealand after the introduction of mandatory standards

quality around the time the disclosures were introduced suggest the mandatory regime played a significant role (Gehricke et al. 2025, pp. 54–55).

a. The New Zealand Government later raised thresholds to NZ$1 billion for listed entities and removed managed investment scheme managers from the regime (NZ Ministry of Business, Innovation and Employment 2026).

Sustainability reporting imposes compliance costs

Regulatory costs may have been underestimated

Treasury's 2023 Policy Impact Analysis estimated that its preferred option (option 1b) would impose annual regulatory costs of $1.15 billion. This was calculated as the total costs of $1.4 billion (table 3.1) less $250 million in costs under the status quo, which included voluntary reporting (Treasury 2023b, p. 30).

Table 3.1 – Gross regulatory costs

Scenario	Cohort	Entities	Transition costs (annualised, $m)	Ongoing costs (annual, $m)	Total (annual, $m)
Status quo	Groups 1 and 2	842	17.87	211.64	229.51
	Group 3	278	2.47	18.01	20.48
Status quo total		**1,120**	**20.34**	**229.65**	**249.99**
Option 1b	Group 1	729	95.27	496.56	591.83
	Group 2	755	78.93	514.27	593.20
	NGER cohort	362	33.12	172.60	205.72
	Group 3	278	1.03	8.42	9.45
Option 1b total		**2,124**	**208.35**	**1,191.85**	**1,400.19**

While more Group 3 entities would be captured under the scheme, only 278 would be expected to have material climate risks to report. Transition costs are annualised over 10 years. The NGER cohort is spread across all 3 groups and has been separated out to make analysis easier.

Source: PC estimates based on Treasury (2023b).

Early evidence from the first year of reporting indicates that assurance costs may be higher than originally estimated. The Impact Analysis estimated that a Group 1 entity would incur assurance costs of approximately $50,000 in their first year of reporting (Treasury 2023b, p. 24). However, analysis by the Purpose Bureau and Monash Business School (2026, p. 3) of more than 290 early Group 1 sustainability reports found that, among the 16% of reporters that separately disclosed sustainability assurance fees, the median fee was about $89,000. Nexia (sub. 6, p. 2) also said its analysis of Group 1 first-year assurance costs suggested the Impact Analysis understated average assurance costs by a factor of 2.25. While assurance is just one component of a business' reporting costs, it implies that the reporting regime may be imposing higher costs than the Impact Analysis estimated (box 3.4).

Box 3.4 – Submissions indicate that sustainability reporting costs were higher than expected

Some submissions to the PC inquiry and the Treasury consultation outlined information on costs of sustainability reporting:

- The Insurance Council (2026, p. 2) said that one insurer reported an external audit fee of just under $90,000 in the first year, estimated to increase to $140,000 in the second year, while another insurer reported approximately $200,000 in first-year assurance costs and an additional $500,000 in third-party advisory costs.
- The Property Council (2026, pp. 10–11) said many of its Group 1 members had experienced higher-than-expected implementation and assurance costs. They said the internal resource costs may be equal to or higher than external assurance fees, and implementation has required more input from sustainability and finance teams, senior management, executives and boards than previous voluntary processes.
- The Australian Food and Grocery Council (sub. 11, p. 5) said that some of its members reported limited assurance fees of around $100,000 to $200,000. They also said that reasonable assurance costs could be around 3 times those of limited assurance.
- The Australian Beverages Council (sub. 13, p. 3) said that for one of their members, Scope 3 data requirements, audit and assurance alone required more than 2 full-time equivalent staff.

The announced increase in the large proprietary company thresholds will, however, reduce the number of entities covered by the reporting requirements, and hence will reduce the overall regulatory costs. ASIC (2025a, p. 2) estimated that the higher thresholds would mean that about 1,535 companies would no longer need to report, and the government said the increase in company thresholds (across sustainability as well as other financial reporting requirements) would reduce compliance costs by $210 million per year (Chalmers 2026).

3.3 Group 3 reporting should be delayed

Group 3 costs may be higher than initially anticipated

From 1 July 2027, Group 3 entities' sustainability reporting will begin. Including Group 3 entities brings sustainability reporting in line with other mandatory financial reporting.

Group 3 entities may incur higher compliance costs than originally estimated. Some of the associated costs are likely to be relatively fixed. Entities may need to document significant judgements, maintain supporting records and obtain management and board approval irrespective of the amount ultimately disclosed. Engagement work may be required for assurance, regardless of entity size, even to support a conclusion that no material climate-related risks or opportunities exist (Simnett et al. 2026, p. 23).

Research with Australian sustainability assurance providers found that climate assurance fees could be equivalent to around 20% to 40% of financial statement audit fees, with proportionately higher costs possible for medium-sized entities because some assurance work is required regardless of entity size (Simnett et al. 2026, p. 46).

Entities with no material risks still face significant burden

The reporting framework provides an abbreviated pathway for Group 3 entities that have no material climate-related financial risks or opportunities. Rather than making the full suite of AASB S2 disclosures, these entities can state that they have no material climate-related financial risks or opportunities and explain how they reached that conclusion.

The 2023 Impact Analysis assumed that only 5% of Group 3 entities would have material climate-related risks and incur incremental reporting costs (Treasury 2023b, p. 18). It assigned no additional cost to the materiality assessment undertaken by the remainder.

But an abbreviated disclosure does not remove the need for an underlying assessment. Entities still need to identify potential climate-related risks and opportunities, assess whether they are material and retain sufficient evidence to support their conclusion (ASIC 2025c, pp. 18–19, 27–28).

The staggered implementation of assurance requirements was intended to help manage these costs. But assurance-readiness can involve substantive work even during the limited-assurance phase. Implementation guidance from the Auditing and Assurance Standards Board emphasised that entities need appropriate processes, records, analysis and documentation to support sustainability assurance. It also noted that where systems, controls and documentation are immature, the work required for limited assurance can approach that required for reasonable assurance (AUASB 2026).

In advance of the reporting requirements being introduced, assurance providers identified statements that an entity has no material climate-related risks or opportunities as particularly challenging to assure (Simnett et al. 2026, p. 23), because they require evidence that the entity's process for identifying potential risks and opportunities was sufficiently complete. ASIC's review of the first round of sustainability reporting suggested that a no-material-risk statement may still require a robust assessment, controls and supporting evidence (ASIC 2026a). ASIC identified shortcomings in some entities' explanations of their processes and controls for identifying climate-related risks and opportunities and their materiality judgements.

As a result, even Group 3 entities with no material climate-related financial risks or opportunities may face non-trivial compliance costs, particularly for materiality assessment, documentation, governance and assurance, although the magnitude of these costs remains uncertain.

The information benefits from Group 3 reporting remain uncertain

The economic rationale for mandatory disclosure is strongest where it produces decision-useful information that would otherwise be unavailable, incomplete or difficult to compare. Standardised reporting by Group 3 entities with financially material climate exposures could therefore improve the information available to investors and other users of general-purpose financial reports. A statement that an entity has no material climate-related risks or opportunities may also provide useful information where that conclusion is credible.

However, there is currently limited evidence about the incremental information benefits from applying the full framework to Group 3 entities. In particular, there is little evidence about the extent to which users demand climate-related information from these entities, whether that information would otherwise be unavailable, or how much value users place on the additional standardisation and assurance provided by mandatory reporting.

In response to concerns about disproportionate costs, several mandatory reporting regimes overseas have recently increased thresholds for sustainability reporting. For example, the New Zealand

Government is planning to raise the threshold for mandatory reporting from NZ$60 million market capitalisation for listed businesses to NZ$1 billion, while the European Union has increased the turnover threshold from EUR 50 million to EUR 450 million (European Parliament and Council 2026; NZ Ministry of Business, Innovation and Employment 2025a). These reforms have been enacted in part due to high compliance costs for these entities (European Council 2026; NZ Ministry of Business, Innovation and Employment 2025a). Similarly, the Singaporean Government deferred reporting requirements for some smaller listed businesses (as well as unlisted businesses), in part to allow smaller businesses to learn from larger businesses (Singaporean Government Accounting and Corporate Regulatory Authority 2025).

The case for inclusion of Group 3 entities is yet to be established

The announced increase in the monetary thresholds used to define large proprietary companies should reduce the number of Group 3 entities subject to sustainability reporting. Treasury is also consulting on measures to improve the proportionality and consistency of the framework and reduce implementation costs (Treasury 2026a). The statutory review commencing after 1 July 2028 will provide a further opportunity to assess the framework using experience from reporting entities. However, Group 3 requirements are due to commence for financial years beginning on or after 1 July 2027. Affected entities may need to incur implementation costs before reforms to reduce the cost of existing requirements have been implemented, and before evidence from the statutory review is available.

Ideally, Group 3 entities would remain within the sustainability reporting framework, but subject to right-sized requirements. This would recognise that some Group 3 entities may have financially material climate-related risks or opportunities, while avoiding a one-size-fits-all approach that could impose costs disproportionate to the information generated.

However, as things stand, applying sustainability reporting requirements to Group 3 entities may impose disproportionate costs. The original cost estimates appear particularly uncertain because they assumed that most Group 3 entities would not incur incremental reporting costs (Treasury 2023b, p. 26), whereas the enacted framework requires entities without material climate-related risks or opportunities to assess, document and obtain assurance over that conclusion. At the same time, there is limited evidence about the incremental information benefits that mandatory reporting by Group 3 entities provides to users.

The Australian Government should therefore not commence reporting for Group 3 entities. The outcomes of the current consultation process should be implemented and their implications for the proportionality of the framework understood before considering whether, and on what basis, Group 3 entities should be brought into the regime. This should include consideration of whether the requirements applying to Group 3 entities can be appropriately right-sized.

Reform direction 3.1
Do not impose sustainability reporting requirements on Group 3 entities

Group 3 entities should not be subject to mandatory climate-related financial disclosures.

If sustainability reporting is extended to Group 3 entities, the Australian Government should first consider whether:

- the size thresholds appropriately identify entities whose disclosures are likely to be useful
- entities without material climate-related risks and opportunities could follow a substantially simpler reporting pathway
- the information and documentation needed to establish that risks are not material can be reduced without compromising the integrity of the regime.

The application of all sustainability reporting requirements to some organisations should be reconsidered

The benefits of mandatory disclosure do not necessarily require entities of different sizes and circumstances to face identical reporting and assurance requirements.

Clubs Australia (sub. 14, p. 1) suggested the reporting requirements should not apply to not-for-profits:

> Where reporting is intended for investors, lenders or other market participants, applying the same requirements to member-owned clubs can impose substantial costs without delivering the same benefits.

BHP (sub. 54, p. 3) said private subsidiaries should not have to create separate sustainability reports:

> Separate AASB S2 reports should not be required for privately held entities such as joint venture operators or other similar company structures, where all shareholders are themselves AASB S2 reporting entities and already have mechanisms to obtain the information required for their own disclosures, and there are no other primary users of the entity's general purposes financial reports. In these circumstances, a standalone report by the privately held entity provides no or limited additional disclosure value while creating significant compliance costs and duplication.

Enforcing the full sustainability reporting framework on private subsidiaries and not-for-profits may impose significant costs without commensurate benefits. Private subsidiaries' shareholders and not-for-profits' lenders may already have access to information about entities' climate risks and opportunities. However, retaining these entities within the framework would maintain consistency with existing financial reporting requirements and avoid introducing additional complexity through separate eligibility rules. There may nonetheless be scope for more targeted reporting requirements.

Information request 3.1

The PC is seeking responses to the following questions.

- Who are the main users of sustainability reporting from private subsidiaries and not-for-profits?
- How might information from sustainability reporting from private subsidiaries and not-for-profits be used, and what effects has its availability had on stakeholders' decisions, activities or outcomes?

The issues raised by Group 3 (and other bodies) reporting illustrate broader considerations in the design of business reporting requirements. Compliance costs do not necessarily vary proportionately with the size of a reporting entity, while the benefits of reporting depend on the purpose of the regulation and the value of the information produced. The process of determining what must be reported can itself impose costs, even where little information is ultimately disclosed. Reporting requirements should therefore be proportionate to their expected benefits and aligned with the underlying regulatory objective. Regulatory requirements should be targeted according to the risks being addressed, rather than business size alone (PC 2013, pp. 34, 97–98).

3.4 Scope 3 reporting should be streamlined

The design of Scope 3 reporting imposes cascading costs

From their second year of being subject to sustainability reporting, entities must report on their Scope 3 emissions.

Information about Scope 3 emissions can help users of sustainability reports better assess a business' exposure to climate risks and opportunities. Some businesses may face exposure to climate change that is spread across their value chain, as opposed to within their direct emissions profile. For example, under policies that price carbon emissions, a food manufacturer may have to pay more for meat or dairy inputs (due to agricultural emissions), while a car manufacturer may sell fewer petrol cars due to the introduction of vehicle emissions standards. However, the extent and timing of these risks are uncertain, reflecting differences in climate policies across countries and uncertainty about the pace of global emissions reductions. Reporting should therefore seek to identify material transition risks, rather than overly precise estimates, with the intent of informing markets of commercially significant risks.

The reporting entity, not each business in the value chain, must disclose Scope 3 emissions. But while suppliers who are below the thresholds need not prepare sustainability reports, reporting entities may request information from their suppliers, extending the information demands beyond the regulated population.

AASB S2 requires reporting entities to consider emissions across their value chains and prioritise data from specific value-chain activities where reasonably available. Its measurement framework prioritises direct, activity-specific, timely, representative and verified inputs, so supplier- or product-level data may improve estimates. The AASB's guidance explicitly contemplates, for example, suppliers calculating and

providing emissions information about purchased goods, while recognising that Scope 3 measurement can involve challenges relating to data availability, quality and collection costs.[8]

Assurance and record-keeping requirements may strengthen these incentives. Reporting entities must retain records of methods, assumptions and evidence, and provide them to auditors on request (ASIC 2025c, pp. 18–19).

Uncertainty about acceptable evidence may prompt some entities to issue excessive requests to suppliers when acceptable estimation methods exist. Entities may also send more granular supplier data requests or undertake disproportionately detailed analysis of relatively minor Scope 3 emissions sources than are necessary. And while the standards contain protection against 'undue cost and effort', the Insurance Council of Australia (2026, p. 5) said that:

> uncertainty about how the principle will be interpreted and assured may lead reporting entities to undertake further information gathering, analysis and validation even where the resulting improvement in decision-useful information is limited.

The Council of Small Business Organisations Australia (COSBOA) (2026, p. 2) noted that the protection applies to reporting entities, without expressly requiring consideration of costs imposed on small suppliers.

> Nothing in the standard requires the reporting entity to consider whether responding to that request imposes disproportionate cost or effort on a small supplier. The consequence is that a bounded obligation on the reporting entity can generate a much broader appetite to ask. Because supplier requests may cost the reporting entity little while reducing its measurement and assurance risk, there is an incentive to seek primary data even where responding may impose significant costs on the supplier.

However, AASB S2 does not require primary data from suppliers. Scope 3 emissions may be estimated using primary data, secondary data such as industry averages, or both. Entities need only use reasonable and supportable information available without undue cost or effort. AASB guidance says this does not require an exhaustive search and permits approaches proportionate to an entity's skills, capabilities and resources (Australian Sustainability Reporting Standard AASB S2 *Climate-related disclosures*, p. 10). The Department of Agriculture, Fisheries and Forestry (2026, p. 5) has similarly advised that farm-level data is not mandatory and farmers can ask whether industry averages or secondary data have been considered.

Several organisations raised concerns about the costs and impacts of Scope 3 reporting (box 3.5).

[8] This is in line with requirements under the International Financial Reporting Standards, which AASB S2 is based on.

Box 3.5 – Submissions indicate that Scope 3 reporting is imposing burdens beyond reporting entities

Both reporting entities and suppliers commented on the costs and impacts of Scope 3 reporting. The Insurance Council of Australia commented on the difficulties for reporting entities in obtaining consistent value-chain information. They said:

> Data is frequently provided in different formats, using different methodologies and with varying levels of granularity, making it difficult to consolidate information and maintain consistency across reporting processes … Members reported that establishing and maintaining frameworks to request, collect, validate and consolidate information from multiple value chain participants requires considerable effort (Insurance Council of Australia 2026, p. 7).

Suppliers said they faced costs from reporting too. COSBOA (sub. 3, p. 2) said:

> Small businesses are increasingly asked to provide emissions, energy and sustainability information by their larger customers, particularly large corporations and ASX-listed companies. The small supplier has no reporting obligation of its own, but must answer to win or keep the work.

The National Farmers' Federation (NFF, sub. 9, p. 2) said:

> The NFF is aware of several instances where information requests and auditing practices have gone beyond the legislated requirements of the regime, placing significant pressure on producers to collect and disclose information at their own cost, despite having no statutory obligation to do so. These pressures are compounded by the asymmetry in bargaining power between individual producers and larger reporting entities, with many farmers feeling they have little to no alternative but to comply to avoid friction and/or disruption to critical commercial and financial relationships.

Master Builders Australia (sub. 16, pp. 6–7) said:

> While many construction businesses are not directly subject to sustainability reporting requirements, they are increasingly required to provide environmental, emissions and sustainability information to clients, principal contractors and developers to support those entities' reporting obligations. For small and medium-sized businesses, these requests can create a significant administrative burden despite having no direct legislative reporting obligation.

Government guidance and standardisation could reduce unnecessary costs

In developing guidance on the requirements, ASIC (2025d) recognised that sustainability reporting may result in information requests to businesses in reporting entities' value chains. ASIC (2025d) provided additional guidance for affected small businesses. ASIC (2025b, pp. 4–6) also anticipated that its regulatory response would evolve as experience with the regime developed. It sought feedback on issues and uncertainties that could inform future guidance and indicated that it could update its guidance or provide other regulatory updates after observing sustainability reporting practices in Australia and overseas.

Treasury is considering whether further measures are required to limit unnecessary value-chain information requests (box 3.2). Options under consideration include further guidance and practical examples about what constitutes a reasonable information request and how proportionality should apply, particularly for smaller businesses.

Treasury is also considering a greater government role in developing and collecting reliable Australian emissions factors, which could increase the availability of secondary data and reduce the need for reporting entities to collect primary information directly from suppliers.

The Australian Food and Grocery Council (sub. 11, pp. 6–7) said:

> Smaller suppliers may not yet have established emissions data systems, while larger manufacturers and end customers need comparable data across the value chain. Investment in interoperable tools and shared methodologies would reduce repeated requests, improve data quality and allow more resources to be directed to emissions reduction rather than data translation. Where complete alignment is not appropriate, the difference should be deliberate and material to the policy purpose. A clear mapping or proportionate reconciliation should suffice for minor timing, boundary, or classification differences. Businesses should not be required to rebuild a dataset simply because it is being used for a different reporting output.

Master Builders Australia (sub. 16, p. 7) said:

> Master Builders is particularly concerned about the absence of clear and consistent guidance regarding the information that larger entities can reasonably request from contractors and suppliers. Clearer expectations for both reporting entities and supply-chain participants would assist in reducing duplication, improving consistency and preventing excessive information requests from cascading through contractual chains.

There is a role for government to reduce the risk that regulatory burden is passed on to smaller businesses. Statutory thresholds determine who must report, but not necessarily who bears the costs. Reporting requirements can cascade to smaller businesses outside the regulated population.

The Australian Government should limit the risk that smaller suppliers face burdensome information requests by setting expectations that reporting entities use estimates, secondary data or industry averages where adequate. This guidance should bear in mind the primary objective of the reporting regime of informing the market of commercially significant risks.

Even if they do not use direct measurement, entities may still find it expensive to estimate Scope 3 emissions. Value chains can be complex, making it difficult to track down embodied emissions at each

step of the supply chain and establish non-materiality. There may be trade-offs between simplifying reporting of Scope 3 emissions and full comparability, including with international standards.

Interim finding 3.1
Scope 3 emissions reporting can impose costs on businesses, disproportionate to the goals of the policy, that are not themselves subject to mandatory sustainability reporting

Reporting entities may seek emissions information from suppliers to estimate their Scope 3 emissions. Although AASB S2 permits estimation and requires reporting entities to use reasonable and supportable information available without undue cost or effort, smaller suppliers can nevertheless receive differing and potentially burdensome sustainability information requests.

Reform direction 3.2
Streamline reporting of Scope 3 emissions

The Australian Government, working with relevant standard setters and regulators, should reduce unnecessary costs imposed on businesses supplying Scope 3 emissions information by promoting proportionate and standardised approaches to value-chain data collection.

This should include:

- changes to the reporting requirements so that reporting entities are expected to use estimates, secondary data or industry averages where adequate, rather than supplier-specific information
- clearer guidance about circumstances in which reporting entities can reasonably rely on estimates, secondary data or industry averages
- standardisation of common information requested from suppliers
- approaches that allow suppliers to calculate relevant information once and reuse it for multiple customers
- a proportionate focus on commercially material Scope 3 risks.

Information request 3.2

The PC is seeking responses to the following questions.

- What are the costs of estimating Scope 3 emissions or establishing non-materiality of Scope 3 emissions if an entity relies on estimates rather than direct measurement?
- How is Scope 3 emissions information used, and how does its usefulness vary depending on the measurement approach adopted (including the use of direct measurement versus estimation, and the extent of alignment with international reporting standards)?

3.5 Better alignment with NGER could reduce avoidable duplication

Sustainability reporting and National Greenhouse and Energy Reporting (NGER) serve different purposes, but their interaction can create avoidable compliance costs and is inconsistent with efforts to reduce regulatory burden. The regimes can require businesses to process the same underlying emissions information differently. AASB S2 requires businesses to report emissions for the same period as their financial statements. Businesses cannot simply use their NGER emissions figures if those figures cover a different period. For example, a company with a December year-end cannot directly use its NGER emissions total, which covers July to June. It may need to recalculate or estimate emissions for January to December, creating additional work even though much of the underlying emissions data has already been collected for NGER.

Assurance can create a further layer of cost. NGER information may already have been subject to assurance or audit, and the Clean Energy Regulator expressly recognises circumstances in which sufficiently robust previous assurance can be relied upon rather than repeating audit work (CER 2024). Sustainability assurance nevertheless applies to a different reporting boundary, period and set of criteria, meaning existing NGER evidence cannot necessarily be reused without further procedures.

Firms and industry groups have raised concerns about the costs and inconsistencies between the 2 reporting regimes (box 3.6).

Box 3.6 – Submissions indicate that inconsistencies between NGER and sustainability reporting impose costs

Firms and industry groups have commented on the inconsistencies between NGER and sustainability reporting.

- The Australian Beverages Council said that differences between NGER and sustainability reporting periods can require businesses to prepare 'separate calculations, reconciliations, evidence packs and assurance workpapers', even where the underlying emissions information is largely the same (sub. 13, p. 5).
- Santos said that requiring a different emissions methodology for its Papua New Guinea and Timor-Leste assets would require a 'ground-up assessment of each emissions source', changes to its integrated emissions-accounting systems and additional assurance, potentially resulting in 'multiple sets of emissions books' (Santos 2025).
- The Australian Industry Greenhouse Network said that reconciling different emissions methodologies can add compliance costs and create apparent inconsistencies, and argued that existing NGER assurance should be recognised where it is relevant and equivalent (Australian Industry Greenhouse Network 2026).
- The Australian Food and Grocery Council (sub. 11, p. 9) said 'Reliable data prepared under an established domestic framework should not need to be recollected or recalculated solely because it is used for another reporting purpose'.

The AASB has already recognised that requiring businesses to recalculate emissions solely because the 2 frameworks prescribe different measurement approaches can impose unnecessary duplication. In December 2025, the AASB amended AASB S2 to reduce duplication between sustainability reporting and NGER (Australian Sustainability Reporting Standard AASB S2025-1 *Amendments to Greenhouse Gas Emissions Disclosures*). The amendments allow entities, in specified circumstances, to use emissions measurement methods and global warming potential values required by a jurisdictional authority. For the parts of an entity subject to NGER requirements, the amendments permit the entity to use the relevant NGER methods and values rather than recalculating those emissions using a different methodology solely for sustainability reporting. The relief does not, however, resolve other differences between the regimes, including differences in reporting periods and coverage. Treasury is consulting on ways to improve the alignment between NGER requirements and the sustainability reporting scheme (Treasury 2026a, pp. 17–18).

AASB S2 should be adjusted to explicitly give relief for businesses to use NGER Scheme data, wherever this is consistent with the objectives of both regimes. Relief would reduce compliance costs.

Where possible, the Australian Government could also support the sharing and reuse of information already collected under NGER. As the statutory review of the *Data Availability and Transparency Act 2022* (Cth) highlighted, barriers to data sharing can arise not only from legislation but also from uncertainty about existing disclosure powers, administrative processes and risk aversion (Department of Finance 2025b, pp. 102–107). Improving interoperability therefore requires governments to make effective use of existing disclosure powers and address genuine legislative restrictions where they unnecessarily prevent appropriate reuse.

More broadly, there is scope to reduce unnecessary differences between the regimes and make greater use of information, methodologies and assurance work already produced under NGER.



Interim finding 3.2
There are overlapping reporting requirements between sustainability reporting and NGER that create avoidable compliance costs

Sustainability reporting and NGER serve different purposes, but overlapping requirements can create avoidable compliance costs where businesses must transform, reconcile or obtain further assurance over emissions information they have already produced.

Reform direction 3.3
Improve interoperability between NGER and sustainability reporting

The Australian Government should improve interoperability between NGER and sustainability reporting so that emissions information already prepared under NGER can be reused for sustainability reporting wherever this is consistent with the objectives of both regimes.

Treasury, the Clean Energy Regulator, ASIC and the AASB should identify opportunities to:

- align definitions, measurement requirements and reporting periods where there is no material policy reason for them to differ
- develop an accepted approach for bridging NGER data to different sustainability-reporting periods, reducing the need for businesses to recalculate and subsequently reconcile emissions information
- identify NGER data, methodologies and supporting records that can be used directly for sustainability reporting, and provide clear guidance mapping NGER requirements to AASB S2
- develop standard approaches for reconciling differences in organisational boundaries and coverage between NGER and sustainability reporting
- minimise unnecessary reconciliation or re-aggregation
- establish clear, efficient and appropriately safeguarded pathways for sharing and reusing NGER information for sustainability reporting, including by identifying where existing disclosure powers can be used more effectively, addressing administrative practices, uncertainty or risk aversion that unnecessarily impede sharing, and removing legislative restrictions where existing powers do not permit appropriate reuse
- facilitate reliance on existing NGER assurance work where its scope and quality provide sufficient evidence for sustainability-reporting assurance.

4. Workplace gender equality reporting

Key points

- **Workplace gender equality reporting, administered by the Workplace Gender Equality Agency (WGEA), seeks to address persistent inequalities between women and men in workplaces.**
  - In-scope employers are required to report on workplace inequalities and the policies and strategies they have in place to mitigate them.
  - Larger employers are also required to demonstrate improvement over time (gender equality targets).
- **To reduce reporting burdens, the PC is seeking feedback on options to use data collected via Single Touch Payroll reporting to the Australian Taxation Office in place of some reporting to WGEA.**
  - While reducing the burden on reporting businesses, this change would come at a cost. Gender pay gaps could not be adjusted for differences in the number of hours that employees work. Reported gender pay gaps would typically increase because women tend to work fewer hours than men.
  - Single Touch Payroll could be changed to capture data on hours worked to allow the current gender pay gap calculation to be maintained, but this would come with transition costs.
- **WGEA's gender equality targets and reporting requirements should be made more risk-based by relaxing requirements for highly gender-equal employers.**
  - WGEA should relax the requirement for highly gender-equal employers to meet gender equality targets. These employers have fewer options for introducing additional policies and strategies and can find it harder to close numerical gaps.
  - WGEA should allow highly gender-equal employers to report against some or all requirements less frequently.
- **Further action to reduce regulatory burdens may be warranted.**
  - WGEA's gender equality targets place Australia at the forefront of gender equality policy internationally and require careful monitoring as conditions evolve. If evidence emerges that the costs outweigh the benefits there may be a case for moving from mandatory to voluntary reporting.
  - The PC is seeking feedback on which individual data items (if any) should be removed from WGEA reporting requirements because the costs exceed the benefits.
- **WGEA and the Australian Bureau of Statistics should work together to link gender data to Australia's major integrated data assets. This would significantly boost its value for research.**

4.1 WGEA reporting objectives, requirements and impacts

Australia has made significant progress towards gender equality in recent decades. However, gender gaps in the Australian workforce are still prevalent. Women continue to earn less than men, undertake a disproportionate share of caring responsibilities, and remain underrepresented in senior leadership roles. The national average full-time gender pay gap is 11.3% (PC analysis of ABS 2026a), women disproportionately work part-time (42.6% compared to 20.3% of men) (PC analysis of ABS 2026c), and there were only 27 women CEOs in the ASX 300 in 2025 (CEW 2025, p. 4).

Many of the factors that drive gender inequality operate within firms and may not be readily visible either to employees or to senior decision makers. An employer can, for example, pay women and men the same amount for the same job while still having a substantial organisation-wide gender pay gap because women are disproportionately concentrated in lower-paid positions or have less access to bonuses, overtime or promotion opportunities.

The Workplace Gender Equality Agency (WGEA) was established in 2012 to promote and improve gender equality in employment in the workplace through employers rather than by government directly prescribing employment decisions.

Part of WGEA's role is to manage an annual reporting program that covers employers with over 100 employees. The reporting aims to drive behaviour change by:

- requiring an organisation to collect and examine information on the gender composition and remuneration of its workforce, its leadership, employment conditions and relevant workplace policies. Measurement can require management to consider the organisation's outcomes, identify where disparities arise and compare its performance with peers
- highlighting policies and strategies that employers can implement to improve gender equality outcomes
- increasing transparency by publishing employer-level data on gender equality performance and national and industry aggregate results. By exposing performance to current and potential employees, investors, customers and the wider community, reputational and competitive pressures together can create incentives for employers to investigate poor performance and take corrective action.

Employers report to WGEA by submitting 3 reports, known as the 'Workplace Profile', the 'Workforce Management Statistics', and the 'Employer Questionnaire'. Reports must receive CEO (or equivalent) approval and sign-off before lodgement. Corporate groups are generally assessed as a group rather than entity by entity. If a corporate group collectively has 100 or more employees, then the entire group is required to report and can submit their reports either collectively or individually by entity (or some combination of the collective and individual entities).

Of the 3 reports, the most burdensome appears to be the Workplace Profile, which is used to calculate gender pay gaps and some related indicators. The Workforce Management Statistics focusses on employee movements (such as promotions) and usage of parental leave. The Employer Questionnaire focusses on the policies and strategies that employers have in place to address gender inequality and is pre-filled for repeat reporters.

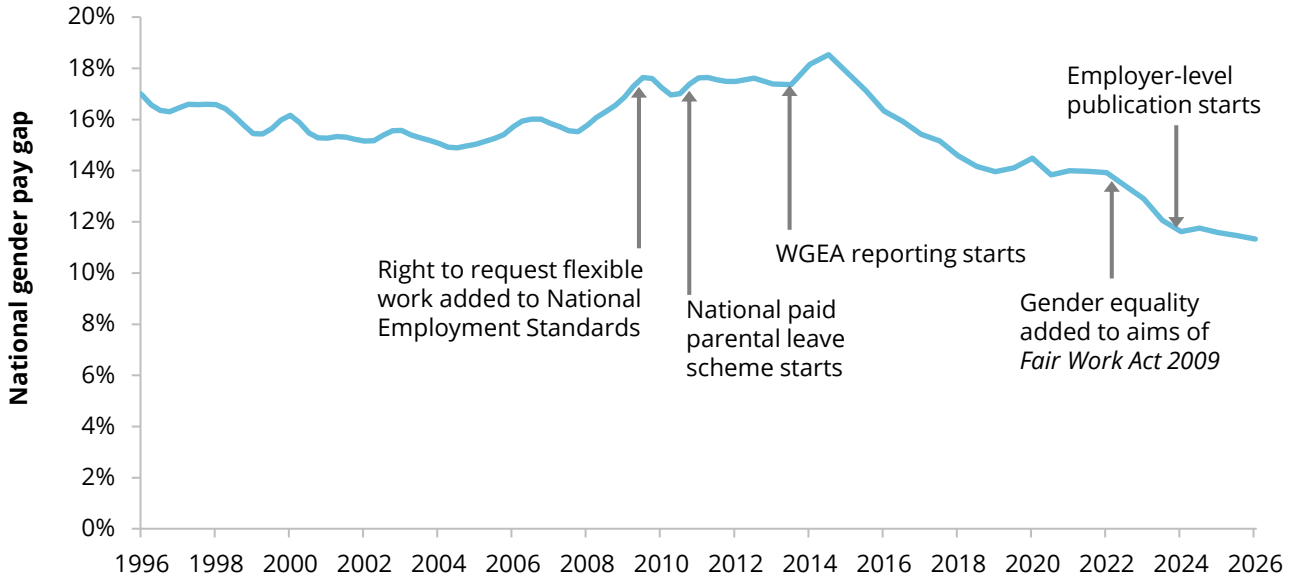
Impact of reporting

Since reporting began in 2013–14, the national gender pay gap has fallen (figure 4.1). While this coincides with a sustained decline in the gender pay gap, no studies have examined causal links. Other changes to enable more female labour market participation were introduced around the same time, including childcare policies and paid parental leave entitlements. The decline in the gender pay gap has

also coincided with an increase in women's participation (while the men's participation rate has stayed flat), an increase in the share of women working full-time and a decrease in the share of men working full-time (Preston 2026).

However, international evidence suggests that there are links between firms reporting their gender pay data and a reduction in the gender pay gap (Bennedsen et al. 2019; Blundell et al. 2025). Australian research suggests that WGEA reporting impacts public investment decisions through the ASX, with companies that report a higher gender pay gap experiencing falls in share prices after the release of WGEA reports (Zhou, sub. 5, p. 1).

Figure 4.1 – National full-time adult employee gender pay gap over time



ABS data covers all employers, rather than employers with 100+ employees.

Sources: ABS (ABS 2012, 2026a).

There is broad support for the WGEA reporting and its goals, including from reporting businesses of different sizes. Many submissions highlighted the importance of workplace gender equality reporting in raising awareness and increasing accountability amongst reporting employers (ACCI, sub. 26, p. 9; ACSI, sub. 17, p. 4; BPW Australia, sub. 25, p. 1; CPA Australia, sub. 49, p. 5; IPA, sub. 29, p. 6). This was perhaps best summarised by the Chartered Accountants Australia and New Zealand:

> WGEA reporting can contribute to broader social change by increasing the focus on gender equality within organisations. Publication of the information can increase attention from boards and senior executives and support benchmarking … some organisations have noted that the WGEA reporting process has contributed to an organisational focus on gender equality with attention at executive and board levels. (CA ANZ, sub. 52, p. 8)

Costs associated with reporting

The Productivity Commission recognises the value that WGEA reporting has in raising awareness of gender inequality in the workplace and driving gender equity outcomes. However, many participants raised concerns around the burden that the reporting process can create for employers (ACCI, sub. 26,

p. 9; Al Group, sub. 53, p. 3; ATA, sub. 40, p. 7; BCA, sub. 19, p. 2; CA ANZ, sub. 52, pp. 7–9; CPA Australia, sub. 49, p. 5; MBA, sub. 16, p. 7).

A survey of reporting businesses found that it took on average 24 hours to complete the 2025–26 round of WGEA reporting, with 72% of businesses taking less than 40 hours (WGEA, sub. 21, p. 2). This is a significant improvement from the 2024–25 reporting period where the average time taken was 41 hours. The PC understands that improvements in WGEA's verification processes have driven some of the improvement.

Inquiry participants noted that employers have invested in systems that assist with WGEA reporting to make the process simpler and less time consuming (CA ANZ, sub. 52, p. 7). WGEA also seeks to continuously improve the reporting process to ease the burden on reporting employers (WGEA, sub. 21, p. 1). However, reporting does impose some ongoing costs, and it is appropriate to assess options for continuing to reduce reporting burdens, particularly in the context of a high and growing cumulative regulatory burden.

Of particular concern to participants is the duplication of data needed for WGEA reporting and payroll reporting. This was a consideration raised in the 2021 review of WGEA (box 4.1), which included a recommendation to explore options for enabling WGEA to re-use data employers have supplied to other government agencies. Such reform would align with the Australian Government's 'tell us once' agenda to reduce regulatory burden. However, no action has been taken to provide a solution that reduces the duplication between WGEA and payroll reporting requirements. Section 4.2 examines the current state of data collection requirements and seeks participants' views on options for a path forward.

Box 4.1 – 2021 Review of the Workplace Gender Equality Agency

A 2021 review of WGEA assessed the effectiveness of its practices in the promotion and improvement of gender equality in employment and in workplaces.

The review found that there was a gap between employers reporting on gender equality progress and taking action to accelerate progress. The review made 10 recommendations, all of which were accepted by the Australian Government, focussed on reducing the reporting burden to free them up to take action on identified gaps.

The headline recommendations were to:

- make it easier for employers to report to WGEA and improve WGEA's data collection by enabling WGEA to use data that employers have already provided to government, and investing in a way to assist employers to extract other data from their own employer systems using a digital solution
- publish organisation gender pay gaps at an employer level
- bridge the 'action gap' with new gender equality standards that set targets by requiring large employers (500 or more employees) to commit to, achieve, and report to WGEA on measurable genuine targets to improve gender equality in their workplaces.

The latter 2 recommendations have been actioned with employer-level publication starting in 2023–24 and mandatory target tracking starting in 2025–26.

Source: PM&C (2021).

4.2 Reducing the burden of WGEA reporting

Options to use Single Touch Payroll data in place of the Workplace Profile

The 2021 Review considered the use of Single Touch Payroll (STP) as a replacement for the Workplace Profile. The Review recommended further investigation rather than change in the short term, due to the number of missing elements. The issue continues to be a concern for many inquiry participants – 63% of submissions that discussed WGEA reporting mentioned STP or reducing duplication with payroll data. As such, the PC has re-investigated the issue.

What is required for the Workplace Profile?

For the Workplace Profile, employers provide a snapshot of all their employees including their occupation, managerial status, gender, employment status, employment type, age and full-time equivalent earnings. WGEA provides a template spreadsheet for employers to complete and return.[9]

WGEA uses Workplace Profile data to calculate and report:

- gender pay gaps, at the organisation, industry and national levels
- gender breakdowns by pay quartiles, occupation, manager category, employment status and graduate/apprenticeship status.

Employers that know they are going to be required to report every year likely have already invested in HR systems that have simplified the process of collecting and extracting the required data (CA ANZ sub. 52, p. 7). However, even in these cases, ongoing investments may be required to maintain these systems over time.

The crossover with Single Touch Payroll

STP is used by nearly all employing businesses to interface with the Australian Taxation Office. It has also been 'linked' to other administrative data sources, such as the Australian Taxation Office's Client Register and Individual Tax Returns.

Together, these data sources provide an alternative source of some of the data currently collected via the Workplace Profile (table 4.1).[10] Other data items are not collected or only partly collected – occupational category, managerial status, graduate/apprentice status, employment status and employment type. Most importantly, STP data on employee earnings cannot be adjusted for full-time equivalency, as no information on the hours that each employee actually works or is contracted to work is available.

Replacing the Workplace Profile with alternative data would, therefore, require trade-offs – employers would face lower reporting burdens at a cost of less comprehensive reporting. These trade-offs could

[9] WGEA also supplies a version that converts data derived from an employer's Single Touch Payroll data into the required format. The Single Touch Payroll version still requires manual data entry to fill out the spreadsheet as it does not directly link to an organisation's payroll system.

[10] These linkages have generally been made for research purposes as part of the Linked Employer-Employee Dataset, managed by the Australian Bureau of Statistics, rather than reporting or program administration. This demonstrates the technical feasibility of the linkage, but changes to the existing legislative and governance arrangements may be necessary to use this linkage for reporting purposes.

be managed by requiring *some* employers to complete the Workplace Profile or by adding an 'hours worked' field to STP. The PC has examined 2 options and seeks participants' feedback on which (if any) would be preferable to the current arrangements.[11]

Table 4.1 – Comparison of data items collected in Workplace Profile and STP and linked data

Workplace Profile data item	In STP or can be linked to STP?	Differences in definitions or coverage in STP with linkages
Occupational category	Yes – linked to STP through Individual Tax Returns	Becomes employee defined rather than employer defined. Only available for a person's main job
Managerial category	No – could be derived through occupational category for some managers	Based on occupation in main job, not employer defined
Gender	Yes – linked to STP through Australian Taxation Office Client Register, Income Statements, and Individual Tax Returns	Coded as Sex rather than Gender
Graduate/Apprentice	No	
Employment status	Partially – through STP	Only available for full-time/part-time status
Employment type	No	
Year of birth	Yes – In STP	
Postcode of work	Yes – In STP	
Base salary	Yes – In STP	Unable to be full-time-equivalent adjusted for part-time workers
Total remuneration	Yes – In STP	Unable to be full-time-equivalent adjusted for part-time workers

What would replacing the Workplace Profile with STP look like?

Under the baseline option (later called option 1), WGEA would no longer administer the Workplace Profile. It would use existing (largely STP) data to calculate and report gender pay gaps at the organisation, industry and national levels, and would cease all reporting that depends on managerial status, graduate/apprentice status and employment type data. In addition, gender, employment status, occupation and salary/remuneration would be defined in different ways.

Gender pay gaps would appear much larger because they would not be adjusted for differences in hours worked

As noted earlier, the Workplace Profile data on salary/remuneration is on a full-time equivalent basis, while the corresponding STP data cannot be full-time equivalised as there is no data on hours worked.

[11] WGEA (sub. 21, attachment) provided the PC with an analysis that demonstrated that using STP data in place of some WGEA reporting while attempting to collect all or nearly all of the currently collected data would be cumbersome. None of the options presented in this report align with this scenario.

This would generally increase the gender pay gaps reported by WGEA, because male employees tend to work more hours than female employees. The change would be large. Looking across Australia, Lass et al. (2025, p. 94) found a gender pay gap of 11.6% in hourly wages, but 26.1% in weekly wages, with the higher prevalence of part-time work among women being the main driver of these differences. Similar analysis of ABS data indicates a jump from 9.0% to 26.5% (PC estimates based on ABS 2026b).

This creates a risk that employers with flexible work practices that support part-time work will appear to perform worse than employers without flexible work practices, thereby undermining the ability of the statistics to drive desirable behaviour change and gender equity objectives.

As discussed later, a potential remedy would be to change STP to collect data on hours worked, but this would entail transition costs for the Australian Taxation Office and reporting businesses.

WGEA would stop reporting some items

WGEA would also no longer be able to report gender breakdowns across 3 categories – managerial status, graduate/apprenticeship status and employment type.

The most significant loss of the 3 is managerial status, as this is a key indicator of gender inequity. That said, the Workforce Management Statistics component of WGEA reporting would continue to track flows (such as promotions to managerial roles) allowing for progress in reducing barriers for women into leadership positions to still be tracked.

Data from smaller employers can be collected

While the quality of the gender pay gap data would arguably decline, the quantity available for use by employers would grow. Almost all employers are required to report against STP, whereas only employers with 100 or more employees are required to complete the Workplace Profile. In principle, gender pay gaps could be reported for almost any employer who employs both men and women. This could allow for smaller employers to be included in aggregate analysis of national and industry trends.[12]

That said, the PC does not consider that this data should be publicly reported at the individual employer level. Interested employers could be given access to their results to help them identify areas for improvement, but it would be desirable to maintain a minimum headcount threshold for publication, both because gender pay gaps would become increasingly unreliable for small employers and because individual employees would become identifiable in some circumstances.

Adding hours worked to Single Touch Payroll

A change to replace the Workplace Profile with STP does not have to be a one-for-one replacement. There is a second option in which STP could be amended to include hours worked (or hours contracted) which would enable the current gender pay gap calculation to be maintained. Such a change would require legislative amendments to allow the Australian Taxation Office to collect data for non-tax purposes and would involve transition costs for government, business software providers and all employers, not just

[12] The 2021 Review considered lowering the threshold for reporting employers to those with 50+ employees but ultimately decided against the recommendation due to impacts associated with COVID-19 (DPMC 2021, p. 31). One participant in this inquiry also recommended lowering the threshold to employers with 50+ employees (BPW Australia sub. 25, p. 2)

those that are WGEA reporters. Any consideration of this option would need to account for these costs and the options themselves may not be plausible until the next major update of STP.

The PC seeks participants' feedback on which option is most preferred – the status quo, making the Workplace Profile no longer mandatory and relying on currently collected data, or making the Workplace Profile no longer mandatory and changing STP (table 4.2).

If the Workplace Profile were made no longer mandatory, the PC proposes that employers still be permitted to voluntarily submit the Workplace Profile to WGEA and receive reports back from WGEA.

Table 4.2 – Options for using Single Touch Payroll instead of the Workplace Profile

	Summary of changes	Effect on gender pay gap reporting	Effect on other reporting	Effect on costs to employers
Option 1	Make the Workplace Profile optional and use STP and other administrative data in its place.	Employer-level gender pay gaps would generally be larger. Gender pay gaps for smaller employers could be privately reported.	Gender breakdowns by managerial status, employment type, and graduate/apprenticeship status would generally no longer be available at the individual employer level.	Cost reduction – no employers would be required to submit the Workplace Profile though some may still choose to.
Option 2	Make the Workplace Profile optional and use STP and other administrative data in its place. Change STP to collect hours worked data.	Gender pay gaps for smaller employers could be privately reported.	Gender breakdowns by managerial status, employment type, and graduate/apprenticeship status would generally no longer be available at the individual employer level.	Unclear for reporting employers. No employers would be required to submit the Workplace Profile, but changes to STP would entail transition costs. Costs could increase for non-reporting employers.

? Information request 4.1

The PC is considering recommending that Single Touch Payroll (STP) and other administrative data be used to streamline the WGEA reporting process in line with a 'tell us once' approach. Both options would involve trade-offs, which are summarised in table 4.2. We seek participants' views on which option is most preferred, if any. Respondents should be aware that option 2 would impose transition costs on the Australian Taxation Office, business software providers and all employers (not just those that report).

- Option 1 – Abolish the Workplace Profile and use STP and other administrative data in its place.
- Option 2 – Abolish the Workplace Profile and use STP and other administrative data in its place, but reform STP to collect data on the hours that employees work to allow the existing gender pay gap calculation to be preserved.

To inform these deliberations, the PC is also seeking information about the burden that the Workplace Profile imposes on reporting employers. For example, how many hours it takes to complete and verify, the extent to which this has been automated already, and the potential for it to be automated in the future.

Rationalising reporting to WGEA

This inquiry has sought to identify high impact reforms that could ease the burden of WGEA reporting without substantially reducing its benefits. This approach is inherently broad-brush and may have missed other opportunities for reform that the final report could propose for additional scrutiny, including in the next WGEA review (expected in 2028). To this end, the PC is interested in whether there is scope to rationalise the data that is reported to WGEA by removing specific data items from the reporting requirements and seeks participants' views on candidate items. To help inform any final recommendations, further information on the costs required to collect and report on WGEA-specific items (including any investment required to build and maintain systems) would be valuable.

Information request 4.2

The PC seeks participants' views on which of the specific data items currently required in reporting to WGEA are particularly difficult for employers to provide or have particularly limited value for workplace gender equality reporting.

4.3 Making WGEA regulation more risk-based

Relaxing gender equality targets for highly gender-equal employers

Organisations with 500 or more employees are required to do more than just report to WGEA. Starting in 2026, they must also have a policy or strategy that addresses 6 broad gender equality indicators, and maintain or improve their standing against 3 narrower targets of their choosing drawn from a list of 19.[13] These are known as gender equality targets. Organisations that fail to do so without providing a reasonable excuse are listed on a public register and restrictions may be placed on their ability to secure Australian Government contracts or funding.

The list of 19 targets includes both action targets (such as improving flexible work policies or introducing facilities to support employees with caring responsibilities) and numeric targets (such as increasing the representation of women in managerial roles or reducing the gender pay gap). When choosing their 3 targets, employers are required to select at least one numeric target, and each indicator must fall within a different one of the 6 broad gender equality indicators.

The 3-target requirement was developed in consultation between WGEA and employers, and in a way that did not require additional reporting, because businesses were already required to report against the metrics used for the 19 targets.

WGEA provided employers with extensive guidance, webinars, direct advisory sessions, and ongoing implementation support. In designing the scheme, WGEA sought to minimise

[13] There is no definition or guidance as to what constitutes a reasonable excuse, WGEA material states they will assess a reasonable excuse on a case-by-case basis. Changes to company structures can provide employers an opportunity to provide a reasonable excuse that it may impact their ability to meet their targets (WGEA nd).

> additional regulatory burden by leveraging information already reported through existing processes, rather than introducing new data collection requirements. This approach helped reduce the time, effort, and costs associated with implementation, while enabling employers to focus on selecting and achieving meaningful gender equality targets. (WGEA sub. 21, p. 2).

While based on a significant body of research, the mandatory targets are unique globally and implementation risks including higher than anticipated costs and lower realised benefits require careful monitoring. These risks are particularly important in the context of the cumulative burden on reporting organisations. WGEA is scheduled to publish analysis on the first round of target selection in November, and this will provide the inquiry with valuable information to inform final recommendations.

The targets can penalise high performers

A Senate Committee review of the bill that created the 3 targets requirement noted that it had broad support from business organisations, unions, and gender equality advocates (FPALC 2025, pp. 12–14).[14]

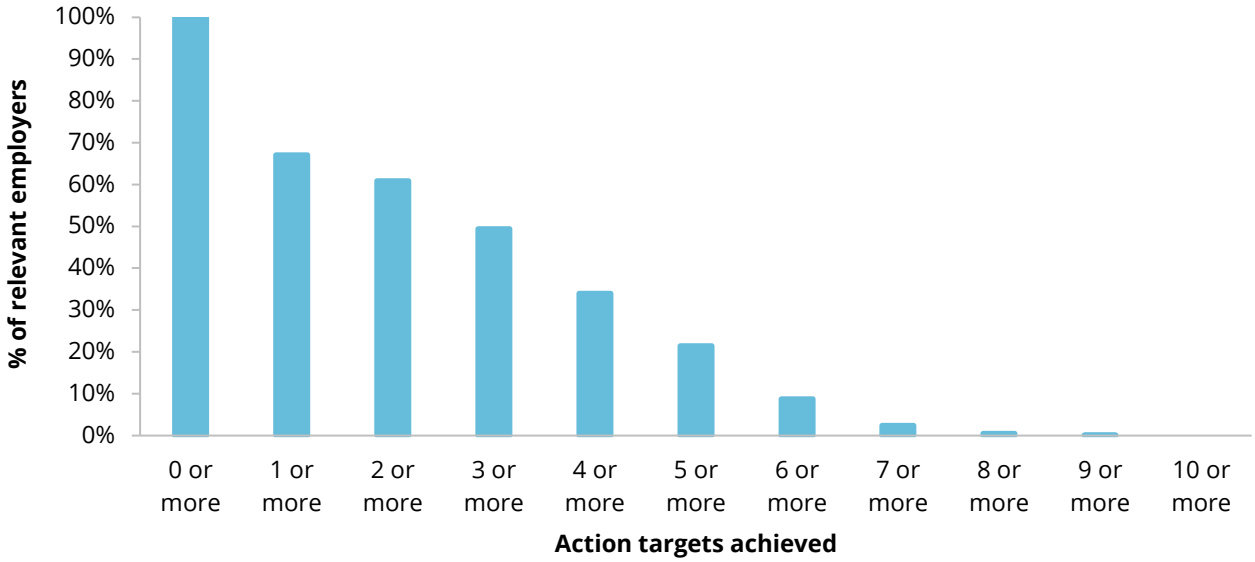
That said, some participants in the Senate Committee review expressed concern over how the requirement could affect employers that have already made significant progress in gender equality (FPALC 2025, p. 28). The PC shares these concerns. Employers who already score relatively highly against many of the indicators have less room for improvement than less gender-equal employers. This is contrary to the principle that regulation be risk-based, as it effectively demands more from highly gender-equal employers than it does of less gender-equal employers. The targets may also reduce the propensity of highly gender-equal employers to seek improvements in areas they know to be valuable if being forced to focus elsewhere crowds out intrinsic motivation.

These concerns are most acute for employers that have achieved a large proportion of the action targets (which are squarely within their control) and so need to either choose from a small list of outstanding action indicators or show improvement against multiple numeric targets. About 26% of in-scope employers have already achieved 5 or more of the 10 action targets, and about 10% have achieved 6 or more (PC estimate based on WGEA data) (figure 4.2). Numeric targets, like the gender pay gap, are inherently subject to forces beyond the control of an organisation, which may inhibit employers from improving on them despite their best intentions. The targets are also imperfect proxies for gender equality, making them more suited to identifying clear issues than for use in fine tuning, particularly when there is extremely limited room for improvement.

[14] Employer groups that supported the bill include BCA, Minerals Council Australia, and the Australian Retailers Association.

Figure 4.2 – Number of action targets already achieved by in-scope employers

2024–25



Employers are designated as having met the action target if they already have enough policies in place to prevent them from adding the required number of policies to meet the action target. For example, the 'support employees experiencing domestic violence' target requires employers to add 4 entitlements from a list of 10. If the employer has 7 of the listed entitlements in place they are considered to have met the target.

Source: PC analysis of WGEA database.

Better targeting could increase impact

The 3-target requirement should be adjusted to prevent disadvantage to high-performing employers. The PC is proposing 2 options to achieve this and seeks participants' feedback on whether either or both is preferred.

The first option would be to exempt employers that hold a WGEA Employer of Choice for Gender Equality certification from the 3-target requirement. This certification is open to employers that have gender balance in their senior roles, keep their gender pay gap within a target range, and support gender-equal outcomes through policy and practices (such as men taking parental leave and reducing gender segregation in jobs and occupations) (WGEA nd). There are currently 130 employers that have achieved the employer of choice certification (41% of those have 500+ employees). This has the advantage of using an existing WGEA metric, although a downside is that the application process is resource-intensive for employers (CPA Australia, sub. 49, p. 5).

The second option would be for WGEA to commit to liberally exempting employers via the 'reasonable excuse' exemption. This option is more suited to addressing employers who are not eligible for WGEA Employer of Choice for Gender Equality certification but nevertheless score relatively highly against the 19 targets. But it may provide less certainty to employers.

Another option would be to move to a voluntary regime, which would provide employers with a clear and accountable framework to improve their gender equity performance. Such a change would reduce compliance costs and avoid the risk of a mandated scheme reducing the intrinsic motivation of employers, while still providing support for actions to improve gender equity in the workplace. We are

interested in hearing views on this option but note that it may be best considered as part of the next review of WGEA, expected in 2028.

Reform direction 4.1
Remove the requirement for highly gender-equal employers to further improve their performance

To prevent disadvantage to employers that are already highly gender-equal, WGEA should relax the requirement for these employers to improve their performance against gender equality targets. This could be achieved by:

- exempting employers that hold a WGEA Employer of Choice for Gender Equality certification
- WGEA committing to liberally exempting these employers via the 'reasonable excuse' exemption.

If evidence emerges that the gender equality targets are imposing materially higher costs or generating materially lower benefits, then the regime should become voluntary. The next review of WGEA, expected in 2028, should independently assess the early impacts of the requirements and consider whether broader change is necessary.

Reducing reporting burdens for highly gender-equal employers

Currently, all employers are required to report the same data to WGEA, irrespective of their gender equality outcomes. There is an opportunity to make WGEA reporting more risk-based by easing reporting requirements for highly gender-equal employers, thereby targeting it at the employers from whom the most change is sought. This would also incentivise employers to achieve better gender equality outcomes, as doing so could ease the reporting burden they face in the future.

The PC is proposing that this be achieved by reducing the frequency of some or all reporting for highly gender-equal employers. The PC is not proposing eliminating any reporting altogether, as WGEA would need a means to check that the employer is still achieving sufficiently positive gender equality outcomes to warrant ongoing reporting reductions.

We seek participants' views on which specific requirements highly gender-equal employers should be required to report against less frequently, what the frequency of the reporting should be, and what the criteria should be to trigger less frequent reporting.

Regardless of how this is implemented, highly gender-equal employers should retain the option to continue with annual reporting on a voluntary basis.

Reform direction 4.2
Ease the reporting burden on highly gender-equal employers

The Australian Government should relax WGEA reporting requirements for highly gender-equal employers to reduce the reporting burdens they face. The PC is considering:

- which specific reporting requirements (such as the Workplace Profile) should be reported against less frequently (such as once every 3 years)
- what the trigger to reduce the reporting requirements should be (such as maintaining an Employer of Choice for Gender Equality certification).

4.4 Extracting more value from WGEA data

WGEA allows nearly all of the data it reports through its online dashboard to be downloaded in bulk for research purposes. This is a good practice, but there are opportunities to make the data more valuable for research.

The Australian Bureau of Statistics has invested heavily in developing increasingly comprehensive datasets that integrate data collected from a wide array of government functions and surveys – the 'Person Level Integrated Data Asset' for person-level data, the 'Business Longitudinal Analysis Data Environment' for business-level data, and the 'Linked Employer-Employee Dataset' for both. Policymakers and researchers can access this data for research and policy development provided they follow strict protocols that protect the privacy and confidentiality of the people and businesses represented in the data.

WGEA's data has not been linked to these datasets. Linking the WGEA data in would substantially increase its usefulness for research and policy development. For example:

- the ability to follow employees over several years and across employers would enable questions around return to work and post-parenthood earnings to be examined in relation to the presence of flexible work and paid parental leave policies
- detailed information on employers allows the impact of gender equality policies or strategies on employer productivity, growth, employee retention or business survival to be examined
- combined business and employee information and tracking over time allows the introduction of gender-equality policies to be examined from both perspectives to understand which policies create benefits for both employees and employers.

To improve the value of the workplace gender equality reporting data, WGEA should work with the ABS to integrate WGEA data into the ABS' infrastructure, allowing researchers to get more value from this rich source of data.

Reform direction 4.3
Make WGEA data more accessible for researchers

To boost its value for research and policy development, WGEA should work with the Australian Bureau of Statistics to link their data on an enduring basis to Australia's major integrated data assets – namely the Person Level Integrated Data Asset, the Business Longitudinal Analysis Data Environment and the Linked Employer-Employee Dataset.

A. Public consultation

This appendix provides information about the consultation process for this inquiry. It lists the organisations and individuals who contributed through submissions, consultations and roundtables.

The Productivity Commission (PC) received the terms of reference for this inquiry on 24 August 2026. The PC released a call for submissions on 9 September 2026 inviting public submissions and brief comments. The PC received 60 submissions in total (table A.1) and 1 brief comment. The public submissions and comment are available on our website at: www.pc.gov.au/inquiries-and-research/business-reporting/submissions/.

The PC also consulted with 31 individuals, groups and organisations (table A.2) and held a roundtable discussion with professional accounting bodies and providers of accounting, finance and business reporting software (table A.3).

You are invited to examine this interim report and comment on it by written submission to the PC, preferably in electronic format, by **18 December 2026**. Further information on how to make a submission is available on the website: www.pc.gov.au/inquiries-and-research/business-reporting/make-submission.

Table A.1 – Public submissions

Participants	Submission no.
Accord Australasia Limited	39
Accounting and Finance Association of Australia and New Zealand (AFFANZ) ESG Special Interest Group	20
Ageing Australia	46
Association of Mining and Exploration Companies (AMEC)	27
Australian Banking Association (ABA)	56
Australian Beverages Council Limited (ABCL)	13
Australian Chamber of Commerce and Industry (ACCI)	26
Australian Communications Consumer Action Network (ACCAN)	22
Australian Council of Recycling (ACOR)	7
Australian Council of Superannuation Investors (ACSI)	17
Australian Food and Grocery Council (AFGC)	11
Australian Industry Greenhouse Network (AIGN)	42
Australian Industry Group (Ai Group)	53
Australian Institute of Company Directors (AICD)	50
Australian Retail Council (ARC)	60

Participants	Submission no.
Australian Small Business and Family Enterprise Ombudsman (ASBFEO)	24
Australian Telecommunications Alliance (ATA)	40
AustralianSuper	35
BHP	54
Borg Shared Services*	4
BPW Australia	25
Business Council of Australia (BCA)	19
Cement Concrete & Aggregates Australia (CCAA)	44
Cement Industry Federation (CIF)	31
Centre for Independent Studies (CIS)	10
Chartered Accountants Australia and New Zealand (CA ANZ)	52
Chemistry Australia	43
Chevron Australia Pty Ltd	41
Clubs Australia	14
Community Council for Australia (CCA)	1
Corporate Tax Association	58
Council of Small Business Organisations Australia (COSBOA)	3
CPA Australia	49
Digital Service Providers Australia New Zealand (DSPANZ)	23
Dr Wei Shi, Dr Ruizhe Wang and Associate Professor Shan Zhou	5
ExxonMobil Australia	48
Financial Services Council (FSC)	30
Fortescue*	57
Grant Thornton Australia	34
Group of 100 (G100)	51
Home and Lifestyle Options Inc. (halo)	2
IKEA Australia	47
Institute of Public Accountants (IPA)	29
Laureate Program for Global Corporate Climate Accountability	15
Master Builders Australia (MBA)	16
Minerals Council of Australia	59
Motor Trades Association of Australia (MTAA)	12
National Farmers' Federation (NFF)	9
Nexia Australia	6
Nicholas Kemp and Michael McGuinness	8

Participants	Submission no.
PRI Association	33
Property Council of Australia	32
Responsible Investment Association Australia (RIAA)	45
SGH Ltd*	36
Silverchain	38
Social Ventures Australia (SVA)	18
TAL Life Limited	28
The Law Society of New South Wales	55
Vocus*	37
Workplace Gender Equality Agency (WGEA)	21

* Submissions marked with an asterisk have omitted 'In confidence' content – part or all of the submission is not online.

Table A.2 – Consultations

Participants
Australian Chamber of Commerce and Industry (ACCI)
Australian Industry Group (Ai Group)
Australian Institute of Company Directors (AICD)
Australian Retail Council (ARC)
Australian Securities and Investments Commission (ASIC)
Australian Small Business and Family Enterprise Ombudsman (ASBFEO)
Australian Taxation Office (ATO)
Business Council of Australia (BCA)
Clean Energy Regulator (CER)
Community Council for Australia (CCA)
Council of Small Business Organisations Australia (COSBOA)
Craig Emerson
Department of Climate Change, Energy, the Environment and Water (DCCEEW)
Department of Finance
Department of the Prime Minister and Cabinet - Office for Women (PM&C)
Department of the Treasury
Investor Group on Climate Change
Leonora Risse (Queensland University of Technology)
Minerals Australia
National Foundation for Australian Women
Payment Times Reporting Regulator

Participants
The Global Institute for Women's Leadership (GIWL)
Workplace Gender Equality Agency (WGEA)

Table A.3 – Accounting roundtable

Participants
Certified Practising Accountants Australia (CPA)
Chartered Accountants Australia and New Zealand
Institute of Public Accountants (IPA)
MYOB
SAP Australia

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