Australian Government
The Treasury

Improving the efficiency of climate-related financial disclosures

Consultation paper

August 2026

treasury.gov.au

In the spirit of reconciliation, the Treasury acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples.

Consultation Process

Request for feedback and comments

The Government seeks views on proposals to reform the climate-related financial disclosure framework and the specific questions raised in this paper. These views will inform ongoing regulatory reform work being undertaken by Treasury.

To help you prepare your response, we recommend that you:

- prepare your response in Word (DOCX or RTF) format, you can also upload PDF files
- read our submission guidelines
- read our privacy policy

You must agree to our privacy collection statement to submit your response. If you have any issues submitting your response, you can contact us.

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The closing date for submissions is Friday 2 October 2026.

Online	https://consult.treasury.gov.au/c2026-778607/consultation
Enquiries	Enquiries can be initially directed to climatereportingconsultation@treasury.gov.au

The reform proposals outlined in this paper have not received Government approval. This paper is putting forward potential policy reform options to garner feedback from stakeholders.

Publication of Submissions

All submissions to the consultation process will be published, unless authors have indicated they would like all or part of their submission to remain confidential. Specifically, all information (including name and address details) contained in submissions will be made available to the public on the Treasury website, unless it is indicated that you would like all or part of your submission to remain confidential. A request made under the Freedom of Information Act 1982 for a submission marked ‘confidential’ to be made available will be determined in accordance with that Act.

Key terms

Term	Definition
AASB	Australian Accounting Standards Board
AASB S2	AASB S2 Climate-related disclosures. AASB S2 is the sustainability standard made by the AASB under s336A of the Corporations Act.
ASIC	Australian Securities and Investments Commission
AUASB	Australian Auditing and Assurance Standards Board
Corporations Act	*Corporations Act 2001*, including regulations made for the purposes of the Act
Greenhouse gas emissions	Refers to scope 1 greenhouse gas emissions, scope 2 greenhouse gas emissions and scope 3 greenhouse gas emissions
ISSB	International Sustainability Standards Board
Reporting entity	An entity that is required to prepare a sustainability report under s292A
Scope 3 emissions	Scope 3 includes all other greenhouse gas emissions that occur upstream and downstream in a company's value chain
Sustainability report	An annual sustainability report required under s292A of the Corporations Act

Purpose of this consultation

This paper seeks feedback on efficiency-enhancing reforms to the sustainability reporting framework, as announced in the Budget 2026-27. As the phased implementation of the regime continues, international developments as well as early stakeholder feedback, suggests there may be opportunities to reduce compliance costs while maintaining the quality, consistency and international comparability of sustainability reporting.

Early engagement with reporting entities and other stakeholders has identified potential to improve the efficiency of the reporting process, including the costs associated with establishing systems, acquiring assurance, developing appropriate governance processes and understanding and interpreting new reporting requirements. While many of these costs are expected to decline over time as reporting practices mature, the Government is closely monitoring the first year of disclosures and is seeking opportunities to improve the efficiency of the framework without undermining its core objectives.

Process

Treasury, as the agency responsible for the Government's policy on climate-related financial disclosures, is leading the consultation, with close support from ASIC, AASB and AUASB. Treasury has also consulted with relevant agencies, including the Department of Climate Change, Energy, the Environment and Water (DCCEEW) and the Department of Agriculture, Fisheries and Forestry (DAFF) in drafting this paper.

Responding

In particular, views are sought from reporting entities, investors, assurance providers and other interested stakeholders on their practical experience implementing Australia's sustainability reporting framework. Stakeholders are encouraged to provide evidence on the costs and benefits and the impacts of the current framework, including areas where implementation challenges, duplication or unintended complexity may arise. Treasury also seeks the inclusion of information in submissions that support the quantification of costs and benefits of the current framework. This will inform a Policy Impact Analysis, which will be developed as part of this reform, in accordance with the Australian Government Guide to Regulatory Impact Analysis.

Feedback can be provided on a confidential basis to the consultation hub until 2 October 2026.

Next steps

Treasury and relevant agencies will consider feedback received and provide advice to Government on next steps. Where legislation is required to give effect to the new requirements, exposure draft legislation will be released.

It is important to note that the changes being considered in this paper will not impact those reporting for the 2026-27 financial year. The Government recognises that many businesses are already making significant investments to prepare for reporting and assurance obligations. Accordingly, any implementation will be sequenced to minimise disruption and provide reporting entities with sufficient time to adjust their reporting processes.

Policy Context

Development of climate-related financial disclosures

The Government has committed to ensuring large businesses and financial institutions provide Australians and investors with greater transparency and accountability when it comes to climate related risks and opportunities. To achieve this, informed through a series of consultations from December 2022-February 2024, the Government introduced standardised, internationally-aligned reporting requirements for businesses to make disclosures regarding governance, strategy, risk management, targets and metrics – including greenhouse gasses.

Implementation of climate-related financial disclosures

Mandatory climate-related financial disclosures commenced on 1 January 2025, requiring Australia's largest entities to report on their climate-related risks and opportunities. The legislation requires Australia's largest listed and unlisted reporting entities to prepare an annual sustainability report in accordance with Chapter 2M of the *Corporations Act 2001*. Reporting entities are being phased into reporting requirements in three groups. Please refer to **Table 2** in ASIC RG 280 for more information on phasing of reporting requirements.

Reporting entities are phased-in to allow time to upskill and set up governance systems. This includes a three-year modified liability period, which prevents private action in relation to all forward-looking statements (for one year) and statements related to Scope 3 emissions, scenario analysis and transition plans (for three years). This relief applies to all sustainability reports made in accordance with the standards – whether they are prepared voluntarily or as required by the *Corporations Act 2001* – to encourage entities to commence reporting early and embrace a learning-by-doing approach. In addition, Scope 3 emissions disclosures only become mandatory from a reporting entity's second reporting year.

Group 1 entities have now undertaken their first year of climate-related financial disclosures, providing scope to identify opportunities to improve the efficiency of these reporting obligations.

International developments

Australia's sustainability reporting framework is based on the IFRS S1 and IFRS S2 standards issued by the International Sustainability Standards Board (ISSB).

Recent international developments highlight the growing uptake of sustainability reporting globally. As adoption has increased, other jurisdictions have taken the opportunity to refine their regulatory frameworks to ensure they remain fit for purpose. This provides the Government an opportunity to engage with stakeholders to consider whether any targeted efficiency-enhancing reforms may be appropriate in Australia. These reforms are intended to enhance efficiency by achieving a more appropriate balance between the benefits of disclosure and the associated costs, including through targeted adjustments to scope and compliance thresholds that support business competitiveness and reduce administrative burden.

2026-27 Budget changes

In the 2026-27 Budget, the Government announced reforms to reduce the regulatory burden in the financial sector.

Changes to Large Proprietary Company thresholds

Reforms announced in the Budget 2026-27 as part of the Australian Government's productivity package include raising the monetary thresholds prescribed for determining whether a proprietary company is 'large':

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

This will have the effect of relieving smaller Group 3 entities (between the current thresholds and the proposed increase) from mandatory sustainability reporting. The timing of this change will be confirmed through the broader regulatory reform package.

This reform will eliminate compliance costs for impacted smaller corporate entities, including both listed and unlisted entities. The proposals outlined in this paper will complement this reform, by identifying additional efficiency-enhancing reforms to benefit all reporting groups.

Improving the efficiency of climate-related financial disclosures

Further, the Government announced, it will consult on reforms to reduce burden while maintaining core sustainability reporting requirements, including:

- Improving consistency in the application of reporting requirements by clarifying how key concepts, including 'undue cost or effort', apply in practice.
- Adjusting assurance settings to ensure they are proportionate and practical.
- Setting clearer boundaries on supplier information requests, to reduce costs and complexity, particularly for small businesses.

Principles underpinning proposed reforms

The Government is undertaking this consultation now to identify opportunities to reduce unnecessary compliance costs before they are incurred by future reporting cohorts.

The principles in Box 1 will guide the Government's consideration of stakeholder feedback and should be referred to by stakeholders in their submissions. In providing feedback, stakeholders should explain how each proposal supports or detracts from achieving these principles. Additional proposals from stakeholders will be considered where they explain how they help to achieve these principles.

Box 1: Principles underpinning proposed reforms

The proposals for reform are intended to achieve four core principles:

1. Improve the efficiency of the sustainability reporting framework by reducing compliance costs
2. Maintain international alignment between AASB S2 and its global counterpart, IFRS S2
3. Minimise disruption for reporting entities, and
4. Ensure the 2028-29 Review is used to examine more systemic issues.

Achieving greater efficiency through lower compliance costs

Efficiency-enhancing reforms should focus on reducing the practical costs associated with complying with sustainability reporting while preserving the integrity and usefulness of disclosures. Such reforms may include regulatory, implementation, guidance or legislative measures that improve processes reporting entities use to identify, collect, verify and report climate-related information.

The Government recognises that costs for reporting entities are highest in the first year as businesses establish new systems, governance arrangements and build internal capability. While some efficiency measures may deliver benefits over the longer term, the Government is particularly interested in identifying opportunities to reduce unnecessary compliance costs before they are incurred.

Maintain alignment with IFRS S2

When considering proposed efficiency-enhancing reforms, the Government will seek to balance any efficiency gains with preserving the credibility, usefulness and international alignment of the CRFD regime.

The core objective of sustainability reporting is to improve the quality, consistency and comparability of climate-related financial disclosures of reporting entities. This facilitates confident and informed decision making by investors and other users of that information. Maintaining high-quality disclosures supports informed decision-making, investor confidence and Australia's broader objective of remaining an attractive destination for global capital.

The Government considers continued alignment between AASB S2 and its international baseline counterpart, IFRS S2, to be an important feature of the regime. Alignment promotes comparability across jurisdictions, reduces complexity for investors and supports efficient allocation of capital across global markets. Where stakeholders propose reforms that would reduce alignment with IFRS S2, they should clearly explain the expected benefits and why those benefits outweigh the costs associated with reduced international comparability.

Minimise disruption for reporting entities

Efficiency-enhancing reforms should be capable of being implemented in a manner that minimises disruption for reporting entities, particularly where entities have already invested time, systems and resources in preparing for climate disclosure reporting obligations.

A stable and predictable regulatory environment provides reporting entities with the confidence to continue developing reporting systems and governance arrangements. Frequent or late-stage changes to requirements can create a risk that preparatory work becomes obsolete, increasing costs and undermining confidence in the regime.

The Government will therefore prioritise reforms that can be implemented with appropriate transition arrangements, provide clear expectations to reporting entities and minimise the risk of unnecessary compliance efforts.

Interaction with 2028-29 Review

The purpose of this consultation is to identify efficiency-enhancing reforms that can be implemented in the short to medium-term. It is not intended to replace the legislated statutory review of the CRFD framework, which is required to commence as soon as practicable after 1 July 2028.

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. It is expected that by this time, stakeholders across the board will have accumulated practical implementation experience across multiple reporting cycles, allowing for a more comprehensive evidence-based evaluation of the regime.

The timing of the review will also enable the Government to assess whether implementation challenges have been resolved through market developments, improvements in data availability, industry practice, technological innovation or whether further policy intervention may be warranted. The 2028–29 review will focus on systemic implementation issues. This timing allows the sustainability reporting framework to mature, providing the Government, a richer, evidence-based data set drawn from actual reporting cycles. The timing will also ensure that early implementation issues have had an opportunity to be resolved through market-driven data solutions, industry standards, and evolving commercial practices.

Proposals for reform

Since the regime commenced on 1 January 2025, Treasury has consistently engaged with stakeholders to understand how reporting entities are managing their sustainability reporting requirements. To date, we understand that experience of reporting entities has varied, depending on factors such as the sectors in which they operate and any prior experience they have had of sustainability reporting. Based on this engagement, Treasury has identified the following proposals to improve efficiency of reporting requirements.

Proposal 1: Adjusting assurance settings

The Government recognises that assurance plays an important role in promoting confidence in climate disclosures and supporting the integrity and comparability of information provided to the market. The current assurance framework was established to support the provision of credible, consistent and decision-useful climate-related information to investors and other users of sustainability reports.

The Government has adopted a phased approach to assurance, recognising that reporting entities and assurance providers would require time to build capability and experience under the sustainability reporting framework. The assurance requirements for climate-related financial disclosures are legislated to transition from limited assurance to reasonable assurance from 1 July 2030.

The first year of climate-related financial disclosures completed by Group 1 entities now provides an evidence base to support consideration of whether this is the most appropriate level of assurance activity, given the nature of disclosures, the cost of each level of assurance and the current capacity of assurance providers and data and measurement systems.

Potential options

The Government is seeking evidence regarding the costs and benefits of the current assurance settings, including their impact on reporting entities, assurance providers and users of sustainability reports. The Government is also seeking views on whether alternative assurance pathways may be appropriate, and if so, how they could achieve the objectives of sustainability reporting while reducing compliance costs and reflecting current levels of market maturity.

The Government acknowledges that any amendments to assurance requirements would need to consider interactions with other elements of the sustainability reporting framework, including existing transitional arrangements such as the director's declaration being based on 'reasonable steps' until 2027.

If legislative amendments are required, the timeframe for this process would depend on the government's broader regulatory reform priorities and would be unlikely to be finalised in the short-term.

Option 1a: Maintain the limited assurance requirement

Details

The sustainability reporting framework provides a phased assurance pathway, under which entities progressively transition from limited assurance to a comprehensive, positive-opinion audit known as 'reasonable assurance' across all disclosures by 2030.

Under this proposal, all elements of the regime would only require limited assurance on an ongoing basis, therefore removing the requirement to transition to reasonable assurance.

Implementation would require legislative amendments to the Corporations Act, while the AUASB would concurrently need to update its *ASSA 5010* standard to adjust the interim phased timelines.

This proposal would maintain independent assurance as a core feature of the regime, while reducing the compliance costs associated with preparing for, and transitioning to, reasonable assurance.

Rationale

Limited assurance would provide a core safeguard by requiring independent review of climate-related financial disclosures while recognising the practical challenges associated with assuring climate-related information. Maintaining this safeguard will encourage reporting entities to maintain effective internal records and provide investors with confidence that the disclosed climate risks and emissions have been professionally reviewed. This would align Australia with other jurisdictions. Few, if any, jurisdictions plan to currently progress toward a reasonable assurance standard for sustainability reporting. In practice, however, some entities may choose to obtain voluntary, higher-level assurance signoffs for their sustainability reports to meet other market access demands, supply chain requirements, and provide greater confidence in the relevance and reliability of information reported.

While reasonable assurance may strengthen confidence in sustainability disclosures over time, maintaining limited assurance as the mandatory requirement would better align compliance expectations with current market capability and data maturity.

Reasonable assurance requires intensive compliance, system and capacity building for auditing firms. The benefit of reasonable assurance may not fully justify the compliance costs, where factors such as the availability of primary data, evolving practice on materiality and the uncertainty of forward-looking climate outlooks have all been raised as significant challenges that may not warrant implementing reasonable assurance. This approach also allows an entity to voluntarily choose to obtain reasonable assurance should they choose to do so.

Option 1b: Delay the transition to reasonable assurance until 2035

Details

This option would retain the long-term objective of progressing to reasonable assuring while extending the transition period from 2030 to 2035. This would provide reporting entities, assurance providers and data service providers with additional time for reporting systems to be developed. It would also enable both capacity building across the market and an extension of time to deepen the maturity of sustainability data before a reasonable assurance mandate is introduced.

Rationale

The current timeline of transition to reasonable assurance risks burdening nascent sustainability reporting processes and systems. Additional time to build robust systems and market capacity may enhance the quality of data for reasonable assurance and reduce undue burden that may be placed if reasonable assurance is introduced in 2030. As industry experience grows and reporting technologies advance, the processes for collecting and verifying climate data will become more efficient, ultimately reducing the overall cost burden of securing external reasonable assurance.

This option differs from option 1a in that it preserves the long-term policy objective of strengthening disclosure reliability while recognising implementation constraints during the establishment phase of the regime. The proposal also encourages continuous improvement across market wide sustainability practises, given that reasonable assurance will still be expected in the future. Deferring the progression to reasonable assurance also supports international interoperability as it aligns domestic rules with global jurisdictions such as the EU that have delayed independent assurance requirements for sustainability reporting. However, a risk with this option is that reporting entities do not utilise the deferred commencement of reasonable assurance to improve their processes and the potential cost savings of the deferral are not fully realised.

Option 1c: Require reasonable assurance only for mature sustainability reporting metrics

Details

This option would introduce a two-tier assurance model, aligning assurance requirements with the maturity of underlying sustainability metrics, thereby reducing the reporting burden in a proportionate and practical manner.

Under this approach, the requirement to transition from limited to reasonable assurance would apply only where data availability and maturity meet a 'defined baseline standard'. For example, this could involve requiring reasonable assurance for Scope 1 and Scope 2 emissions disclosures, while Scope 3 emissions disclosures could continue to be subject to limited assurance.

Rationale

A tiered model recognises that some components of sustainability reporting require significantly more effort and financial cost for preparers. This includes sourcing or relying upon third party data estimations and projections, particularly for reporting Scope 3 emissions. Assuring this data to a reasonable assurance standard can increase the overall cost of assurance significantly due to the increased effort that must be accounted for.

In comparison, reporting and assuring mature data such as Scope 1 and Scope 2 emissions is more accessible at a granular level. These data sets often rely on internal reporting entity data with greater comparability and reliability in these measurements for investors. This model encourages a proportionate uplift in reporting practice and aims to better balance the resource efforts of reporting entities adjusting to report within the sustainability reporting ecosystem.

Questions:

1. Which of the options outlined above would help to achieve the four key principles underpinning this reform process (see Box 1)? Please explain any impacts on compliance costs, international alignment, disclosure quality, investor information needs and implementation certainty. Why is this your preferred option?
2. **For reporting entities:** Please provide information on the financial and administrative costs associated with obtaining assurance over your sustainability report. Where possible, please provide detailed information to quantify this impact.
3. **For assurance providers**: How would changes to assurance requirements affect your firm's costs, investment decisions, workforce capability development and service offerings? Where possible, please provide quantitative estimates. Where possible, please provide detailed information to quantify this impact.
4. **For reporting entities**: To what extent are investors, lenders, shareholders or other stakeholders seeking reasonable assurance over sustainability disclosures? Have any stakeholders indicated that the level of assurance influences their decision-making or confidence in reported information?
5. **For users of sustainability reports**: What impacts, if any, would permanently maintaining limited assurance (option 1a) have on investor confidence, access to capital, international comparability or market credibility?
6. **For assurance providers**: What would a "defined baseline standard" look like for data availability and maturity for option 1c to be viable?
7. If a transition to reasonable assurance were retained over the longer-term, what conditions would need to be satisfied before implementation? For example, market capability, data quality, methodological maturity, assurance capacity, or other factors.

Proposal 2: Improving consistency in the application of existing requirements

To support reporting entities in navigating the new regime, ASIC, Government and standard setters have published a broad range of guidance materials, educational resources and supporting documentation. This has also been supplemented with other resources including webinars and targeted information sessions with industry. A summary of existing resources is provided at **Appendix A**.

There may be scope to further clarify aspects of reporting requirements. For example, proportionality mechanisms embedded within AASB S2, such as what constitutes *“reasonable and supportable information … without undue cost or effort”* and *“commensurate with the skills, capabilities and resources that are available to the entity”* could be further defined to clarify how they apply to climate risk disclosures. It may also be possible to reduce reporting costs by providing further guidance on the circumstances in which an entity may conclude that it has no material climate-related risks or opportunities for the purposes of sustainability reporting, and the evidence and governance processes required to support this conclusion.

Potential options

Sustainability reporting is a new regime, and early implementation feedback suggests that entities are facing uncertainty in practice when applying certain aspects of the disclosure and assurance standards, and legislation. The Government is seeking feedback on areas where additional guidance may assist implementation of the sustainability reporting framework. This could include providing additional clarity on the following:

- Resources on practically applying the proportionality mechanisms in AASB S2, including “*reasonable and supportable information … without undue cost or effort*” and “*commensurate with the skills, capabilities and resources that are available to the entity*”.
- Resources on practically applying the statement of “*no material climate-related risks or opportunities*” in accordance with the Corporations Act.
- Resources on providing assurance in circumstances when an entity elects to apply proportionality mechanisms or makes a statement of “*no material climate-related risks or opportunities*” in accordance with the Corporations Act.
- Additional measures such as workshops and educational seminars could also be utilised to ensure the flexibility that is built into the regime is better understood by reporting entities and their value-chain partners.

Treasury does not have responsibility for implementing the sustainability reporting framework and issuing of further guidance would need to be considered by the relevant agency. Feedback received through this process will be shared with relevant agencies for further consideration. In considering any further guidance, agencies would need to balance the benefits of providing greater clarity with limiting flexibility or undermining broad applicability across different industries and circumstances.

As the regime matures and further reporting experience is gathered, the Government, ASIC and standard setters will be better positioned to assess whether any remaining implementation challenges can be addressed through further guidance or need more substantive policy reform.

Alternative option considered

An alternative option considered was whether amendments to the standards or legislation could be pursued to respond to areas of implementation uncertainty stakeholders highlighted.

While such amendments may provide additional certainty in some circumstances, the challenges identified to date largely arise from the application of principles-based requirements to a diverse range of reporting entities and circumstances. These principles-based requirements were intentionally designed to provide flexibility and enable entities to exercise judgment based on their circumstances.

Amending legislation and/or standards may provide greater certainty, but would likely reduce flexibility, create unintended consequences and increase the risk that requirements become unsuitable over time as reporting context evolves.

In addition, such amendments may reduce international alignment, be more resource-intensive and unlikely to be finalised in the short-term, create policy uncertainty. Given that sustainability reporting is in its early stages of implementation in Australia, providing targeted education resources has been prioritised as a more immediate and proportionate short-term response.

Questions:

9. Would this option help achieve the guiding principles outlined in this paper? Please explain any expected impacts on compliance costs, international alignment, disclosure quality and implementation certainty.
10. **For reporting entities**: What specific practical challenges have you experienced, or do you to expect to experience:
    a. in applying the "*undue cost and effort*" principle? Please identify your reporting group and provide examples where possible.
    b. In assessing whether your entity has "*no material climate-related risks or opportunities*"? Please identify your reporting group and provide examples of evidence, governance processes or judgement areas that would benefit from further guidance.
11. **For assurance providers**: What guidance would assist you in providing assurance where an entity applies proportionality mechanisms or concludes that it has no material climate-related risks or opportunities?
12. What form of guidance would be most useful to support implementation (e.g. fact sheets, educational modules, detailed guidance materials, workshops, webinars, etc.)?
13. Are there any additional areas of guidance that should be considered? Please explain why and how this would improve the efficiency of the sustainability reporting framework.

Proposal 3: Setting clearer boundaries on value-chain information requests

Disclosures related to Scope 3 emissions have not yet commenced, as entities are only required to complete Scope 3 disclosures from their second year of reporting. Scope 3 reporting requirements are also limited to "*reasonable and supportable information… available without undue cost or effort*". However, reporting practices observed overseas under similar disclosure requirements has highlighted the potential value of clearer boundaries on value-chain information requests.

Potential options

The Government is seeking views on mechanisms that could improve the consistency and predictability of value-chain information requests while preserving reporting entities' ability to obtain information necessary to identify and disclose material information relating to climate-related risks and opportunities.

Potential options may include:

- Further targeted guidance and clarity to help determine the boundaries of the types of information required for Scope 3 emissions reporting, including expectations surrounding the exercise of judgement in this context.
- Additional resources to help reporting entities efficiently determine the boundaries of their value chain and ensure that data requests (e.g. for GHG emissions data) do not create disproportionate costs or compliance impacts across value chains, particularly for SMEs.
- A further option would be for the Government to play a role in either developing or collecting existing reputable domestic emissions factors to assist in providing the market with access to more accurate secondary data. This would reduce the need for reporting entities to collect primary data to report metrics such as Scope 3 emissions.

Treasury is specifically interested in stakeholder views on mechanisms that can help balance the need for reporting entities to sufficiently understand their entity-specific exposure to climate-related risks and opportunities, while ensuring that unnecessary burden is not borne by those in the value chain.

Option 3a: Provide additional guidance on what constitutes a reasonable request for information from a reporting entity's value chain

Details

Additional guidance and practical examples could assist reporting entities and SMEs in their value-chain to determine the information that may reasonably be sought from value-chain participants and how proportionality concepts should be applied when collecting information for climate-related financial disclosures.

Guidance developed by the regulator and standard setters could provide additional targeted, practical guidance and/or sector-specific case studies regarding requests for information from the value chain, including GHG data. For example, clearer parameters could be provided to define what constitutes "*reasonable and supportable information… available without undue cost or effort*" within value chains and how this interacts with data requests on domestic SMEs that may be resource constrained. Furthermore, these parameters would support the application of proportionality in practice, helping to safeguard entities in the value chain from disproportionate or unreasonable data requests, while retaining sufficient flexibility for reporting entities to obtain the information necessary to understand the risks and opportunities within their value chains and meet their reporting obligations.

Rationale

Additional guidance may improve consistency in how reporting entities approach value-chain information requests and reduce the likelihood of unnecessary or duplicative requests.

This approach could be actioned relatively quickly, subject to due process followed by the regulator and standard setters. This approach may also support reporting entities and their value-chain partners to reach commercially negotiated agreements on data provision based on their specific circumstances.

Option 3b: Reducing supply chain administrative burdens through improving domestic emissions factors

Details

The Government is seeking views on whether increasing the availability of publicly accessible domestic emissions factors could improve reporting efficiency and reduce reliance on primary data collection across value chains. By providing reliable secondary data, the government can reduce the need for reporting entities to issue complex data requests to resource-constrained SMEs. A range of other sectors may benefit from this approach. For example, in highly fragmented sectors like road freight, specialised manufacturing, agriculture and commercial construction, SMEs may lack the technical capacity to calculate granular Scope 1 and 2 outputs for corporate clients. Implementing a credible centralised repository of emission factors could help to ensure that large reporting entities can reliably estimate their Scope 3 footprints across a range of industries, without imposing an unreasonable cost burden on their value chain partners.

Rationale

This approach would increase the availability of inputs that reporting entities can rely on to calculate emissions. It would not preclude industry innovation in this space to trace more granular data to provide more detailed information to calculate emissions, as supply chain transparency could be used as a competitive advantage. Increasing the availability and market-awareness of publicly accessible and comprehensive emissions data would lower compliance costs for reporting entities that operate in difficult to trace industries, recognising that some sectors have more variability than others.

Stakeholder feedback is welcome on how expectations of reporting can be managed in the interim period and what credible sources of emission factors currently exist that could be relied upon by reporting entities when reporting their scope 3 emissions.

Alternative options considered

An alternative option considered was standardising the information that could be requested of supply chain entities, for example, by way of a form or template. The key benefit of this approach is that this could provide a fixed set of essential metrics, providing supply chain entities greater certainty over what could be reasonably requested of them, and for reporting entities, a consistent way to engage supply chain entities.

However, standardising information requests risks encouraging reporting entities to issue data requests when they are not necessary, as AASB S2 permits the use of secondary estimates (for example see AASB S2 para B49 and RG 280.104). This approach would not align with the objective of AASB S2 to allow entities to collect and disclose information relating to their specific facts and circumstances. It could create further administrative burden by resulting in some entities in the value chain being asked to provide more information than what is necessary.

Reporting entities continue to retain the right to request data from their supply chains, and a learning curve can be reasonably expected in the roll out of a policy which seeks for businesses to better understand the climate-related risks and opportunities in their supply chain. Where the Government can assist is in supplying further guidance on reasonable information requests that can be made of supply chain entities, and/or looking for opportunities to improve availability of secondary data in difficult to estimate sectors to reduce regulatory burden.

Questions:

14. **For entities in the supply chain of reporting entities**: What has been your experience receiving climate-related financial disclosure information requests, including requests made directly by reporting entities or by third-party data collection providers? Please describe the nature, frequency and administrative impact of these requests.
15. **For reporting entities**: What has been your experience engaging your value chain partners to gather data for reporting climate-related information so far? Please identify key challenges, including data availability, supplier capability, cost, consistency and use of third-party data providers.
16. **For investors and other users of climate disclosures**: What information relating to value-chain climate risks, opportunities and emissions is most important for decision-making? Please identify any information that you consider particularly valuable when assessing an entity's climate-related risks and opportunities.
17. **For investors and other users of climate disclosures:** Are there specific circumstances where entity-specific primary data is important for decision-making? Conversely, are there circumstances where emissions factors, industry averages or other secondary data sources are sufficient for these purposes?
18. Would greater availability of standardised domestic emissions factors or other secondary data sources reduce the need for, or the burden created by, value-chain information requests? What types of emissions factors, sectors or data sources would be most useful for sustainability reporting purposes?
19. Would standardising data requests for supply chain entities constrain the ability of reporting entities to obtain the data they need to fulfill their reporting obligations?
20. Are there any examples where industry-led standards or common practices are emerging to help standardise the information that is being requested by reporting entities of their value chain partners?

Other potential avenues to improve efficiency of disclosure requirements

Reform proposals 1 to 3 were foreshadowed in the Budget 2026-27 Fact Sheet: Whole-of-Government Regulatory Reform Agenda. The Government welcomes advice on alternative avenues to improve the efficiency of climate related financial disclosures, where they are consistent with the principles underpinning this consultation process (outline in Box 1), including reducing compliance costs, maintaining international alignment and minimising disruption for reporting entities. Two examples of other potential opportunities are provided below.

Opportunity 1: Improved alignment between domestic frameworks and AASB S2 requirements

Summary of issue

Some stakeholders have identified that, where there are differences between reporting periods used for sustainability reporting and National Greenhouse and Energy Reporting (NGER) reporting periods, this could unnecessarily increase the regulatory burden for entities subject to both reporting frameworks. Such a situation may arise if a reporting entity has a financial year that, unlike the NGER reporting period does not end on 30 June.

Other relevant considerations

The Government notes that current regulatory settings provide some flexibility under AASB S2, such as jurisdictional relief relating to measurement methodology for GHG emissions, and that entities must use all reasonable and supportable information available at the reporting date and disclose measurement uncertainty where estimates are required.

The Government also notes that any changes designed to improve alignment between domestic reporting frameworks would need to be carefully considered against broader policy objectives, including maintaining consistency with IFRS S2 and preserving the international comparability of climate disclosures. However, the Government is interested in understanding the practical implications of any misalignment between reporting frameworks and whether existing mechanisms are sufficient to manage these challenges and alternatives that could be considered.

Questions:

21. **For entities subject to both sustainability reporting and NGER reporting requirements**: what practical challenges arise when different reporting periods apply?
    a. Please provide examples or evidence of the administrative and assurance effort or compliance costs associated with differences between NGER and sustainability reporting periods.
    b. To what extent do the existing flexibilities within AASB S2 assist in managing differences between reporting periods?
22. **For assurance providers**: How can the delivery of assurance engagements help to manage differences in NGER reporting and financial reporting periods? How does this affect assurance scope, resourcing and cost?
23. **For investors and other users of climate-related financial disclosures**: Would allowing alignment of reporting periods for scope 1 and 2 with NGER reporting periods for these emissions affect the value of the reported data for investors and what risks or unintended consequences should Government consider?
24. **For investors and other users of climate-related financial disclosures**: Would differences between emissions reporting periods and financial reporting periods affect the usefulness of climate-related disclosures for decision-making purposes? Why or why not?

Opportunity 2: Registered Company Auditor (RCA) practical experience requirements

Summary of issue

Some stakeholders have identified that the practical experience requirements for Registered Company Auditors may have implications for the cost and availability of sustainability assurance practitioners.

There may be scope for greater recognition of sustainability assurance engagements for the purposes of RCA registration. The regulations governing, the practical experience pathway for RCA registration, and the related auditor competency standards for RCAs, have not been reviewed since the sustainability regime was introduced. At the same time, it is important to consider whether the auditor of a sustainability report should be required to have comparable obligations, skills and experience to those of a financial report auditor.

Other relevant considerations

The Government notes that existing assurance standards already allow assurance practitioners to draw on specialist expertise to navigate the complex, non-financial data inherent in sustainability reporting. Under standard ASSA 5000 *General Requirements for Sustainability Assurance Engagements,* the AUASB outlines that a lead assurance practitioner may use internal or external experts to evaluate technical sustainability matters, such as complex greenhouse gas emissions modelling or climate scenario analyses.

The Government also notes that sustainability assurance requirements and market practices are continuing to evolve. The development of the sustainability assurance market may be influenced by future assurance settings, the availability of specialist expertise and the maturation of sustainability reporting practices.

We note that the shape of the sustainability assurance market may also be influenced by broader assurance settings including Proposal 1 outlined earlier in this paper. We are therefore seeking evidence regarding the practical impacts of the current RCA framework on the availability, cost and quality of sustainability assurance services before considering whether any future changes may be warranted.

Questions:

25. **For assurance providers**: Do the current RCA eligibility requirements create any challenges in developing sustainability assurance capability (for example due to disincentives for individuals working towards RCA registration from taking on sustainability assurance work)?
26. **For assurance providers**: To what extent are any challenges arising from the current RCA framework creating immediate impacts on the availability, cost, capability or quality of sustainability assurance services?
27. **For reporting entities and assurance providers:** What role have internal and external sustainability experts played in sustainability assurance engagements to date?
28. **For reporting entities and assurance providers:** Do current arrangements appropriately recognise sustainability expertise within assurance engagements?
29. **For reporting entities**: Have you experienced any challenges in obtaining sustainability assurance services with appropriate climate-related expertise? If so, please describe the nature and extent of those challenges.
30. **For assurance providers**: What changes to the RCA framework would you suggest to address any identified challenges?
31. **For assurance providers**: If sustainability assurance was to be recognised as relevant experience for the purposes of auditing sustainability reports under the Corporations Act, what sustainability assurance qualifications, skills or experience may be appropriate to consider and why?
32. Are there alternative approaches that could support the development of sustainability assurance capability while maintaining confidence in the quality and independence of assurance engagements? Please provide examples where possible.
33. **For investors and other users of sustainability disclosures**: How important is specialist sustainability expertise in providing confidence in sustainability assurance engagements?

Interaction of proposals and other ideas to be considered

The reform proposals outlined in this paper are not intended to operate in isolation. If implemented, they would collectively influence how reporting entities, assurance providers, investors and other stakeholders interact with Australia's sustainability reporting framework.

Accordingly, the Government is interested in understanding not only the merits of individual proposals, but also how they operate together to improve the efficiency of the regime while maintaining disclosure quality, international alignment and implementation certainty.

Stakeholders are encouraged to consider how the proposals complement each other and whether other reforms would be needed to ensure the full efficiency-enhancing benefits of the reforms are able to materialise.

The Government also welcomes suggestions for additional efficiency-enhancing reforms that are consistent with the principles underpinning this consultation process.

While this is an opportunity to provide efficiency-enhancing proposals that have not been specifically identified in this paper, this consultation is not intended to consider reforms that would reduce the credibility or core features of the climate-related financial disclosure regime. For example, the Government is not seeking views on changes to Scope 3 emissions reporting requirements or the entities required to report under the regime.

Questions:

34. Which proposal or combination of proposals would deliver the greatest improvement in efficiency relative to implementation effort? Please explain your reasoning.
35. Are there any significant risks or unintended consequences that may arise from implementing one or more proposals outlined in this paper? If so, how could those risks be mitigated?
36. Are there any additional efficiency-enhancing policy proposals that Government should consider which are consistent with the objectives and scope of this consultation process? Please explain how any proposed reform would improve efficiency while maintaining disclosure quality, international alignment and implementation certainty.

Appendix A: Additional sustainability reporting materials

The Australian Securities Investment Commission's Sustainability Reporting resource page contains links to ASIC's *Regulatory Guide 280*, detailed information for preparers of sustainability reports, FAQs about the review and audit requirements relating to sustainability reports and information on sustainability reporting for small business.

The Australian Accounting Standards Board's AASB S2 Knowledge Hub provides a repository of information to assist in preparing climate-related financial disclosures using AASB S2 Climate-related Disclosures. This includes access to AASB Standards Portal, Technical FAQs and scientific data toolkits from agencies such as the CSIRO and the Australian Climate Service

ASIC and the AASB have also published eight interactive e-learning modules to help entities develop a better understanding on key concepts listed below:

- Module 1: Corporations Act and climate-related disclosure requirements
- Module 2: Introduction to climate change
- Module 3: Climate-related physical risks
- Module 4: Climate-related transition risks
- Module 5: Climate-related opportunities
- Module 6: Emissions accounting
- Module 7: Scenario analysis
- Module 8: Governance and risk management

ASIC and the AASB have also hosted a series of free online webinars to help companies prepare for the new mandatory sustainability reporting requirements.

The Australian Auditing and Assurance Standards Board (AUASB) has established a suite of resources to support auditors and preparers through the implementation of assurance for mandatory corporate climate disclosures. At the core of this framework is ASSA 5000, the formal Australian equivalent to the international standard for sustainability assurance engagements, paired with ASSA 5010, which dictates the phased rollout timeline transitioning from limited to reasonable assurance. The AUASB has also published practical implementation tools, including Illustrative Sustainability Assurance Reports to drive reporting consistency, alongside an ongoing directory of Sustainability Assurance FAQs and institutional Key Messages targeting common industry misconceptions.

The Department of Agriculture, Fisheries and Forestry (DAFF) has published a farmer friendly factsheet clarifying key concepts in the agriculture value chain context.

The Department of Climate Change, Energy, the Environment and Water has developed national climate scenario guidance to provide governments, businesses, engineers and other decision-makers with information to support risk management and delivery of infrastructure.

The CSIRO provide essential scientific data, technical frameworks, and risk management tools, such as the National Climate Risk Assessment (NCRA) and high-resolution climate projections, that may be used as information sources and inputs to aid entities in preparing climate-related financial disclosures.