

25 July 2025

The Treasury
Langton Crescent
PARKES ACT 2600
Submitted online

Dear Sir/Madam,

[Economic Reform Roundtable](#)

About ACSI

Established in 2001, ACSI exists to provide a strong voice on financially material environmental, social and governance (ESG) issues. Our members include Australian and international asset owners and institutional investors with more than \$1 trillion in funds under management.

Through our research, engagement, advocacy and voting recommendations, ACSI supports members in exercising active ownership, which enhances the long-term value of the retirement savings entrusted to them to manage. ACSI members can achieve value for their beneficiaries through genuine and permanent improvements to the ESG practices of the companies in which they invest.

Summary of ACSI's position

ACSI welcomes the Government's focus on economic reform, including the emphasis on productivity, economic resilience and budget sustainability. These priorities are significant to ACSI's members, many of whom have a direct, long-term stake in the Australian economy on behalf on their beneficiaries. The Roundtable will be most constructive if debate focuses on reforms which could have a material, long-term positive impact on the Australian economy.

This submission focuses on corporate governance, climate action and environmental protection as enablers of productivity and economic resilience. Firstly, it highlights how robust corporate governance standards and shareholder rights support long-term financial returns and investor confidence. Secondly, the submission notes the importance of addressing climate change to mitigate financial risks and position the Australian economy to take advantage of emerging opportunities. Finally, we stress the economic imperative of better protecting Australia's natural environment and emphasise the near-term opportunity to reform federal environmental protection laws.

The importance of strong corporate governance and shareholder rights

ACSI prioritises strong governance practices by ASX-listed companies, on the basis that good governance supports long-term financial outcomes for superannuation fund members. This includes the appointment of a diverse and appropriately skilled and experienced board of directors which

can challenge and support company management.

Good governance can facilitate access to capital markets for companies, supporting innovation and corporate investment. For example, the OECD notes that “*good corporate governance helps companies access financing, particular from equity and debt capital markets, which promotes innovation, productivity and entrepreneurship, and fosters economic dynamism more broadly*”.¹ Investors value good governance as there is evidence that shareholder focused and better governance practices can positively affect financial performance.²

While it is clear that good governance ultimately supports corporate success, this does not always occur. Therefore, shareholders actively exercise their ownership rights, including by directly engaging with companies and by voting on company resolutions, to improve investment outcomes.

Several key regulatory frameworks are a strength of Australia's capital markets and play an important role in promoting strong corporate governance and enabling shareholder rights including:

- **‘One share, one vote’** which is the principle that a shareholder’s voting power should be equivalent to its financial exposure, supporting companies’ accountability to their shareholders. It is currently upheld in Australia by a prohibition on dual class share structures in the ASX Listing Rules.
- **Shareholder votes on companies’ remuneration reports and the ‘two strikes rule’** which enhance company directors’ accountability to shareholders on remuneration issues. They have contributed to long-term trends in Australia which have generally avoided the egregious executive pay practices seen in other markets and have set executive incentives which are aligned with the delivery of shareholder value.
- **Directors’ duties** which (among other things) require company directors to act with due care and diligence and in the best interests of the company, which supports accountability and broader market confidence.
- **Continuous disclosure obligations** which support market integrity, informed investment decisions and investors’ confidence in Australia’s public markets.

We are aware of some characterisation of the key governance protections above as merely ‘red-tape’, without value. However fit-for purpose governance can support organisations with clarity, accountability and alignment across strategy, risk and resource allocation. The key corporate governance standards and investor protections outlined above ultimately support long-term shareholder returns and investors’ confidence in Australia’s public markets, in turn encouraging growth and innovation

Effectively addressing climate change

Climate change presents material, economy-wide financial risks that long-term investors cannot easily mitigate, even in a diversified portfolio. There should be a clear public understanding of the cost of inaction. A 2024 World Economic Forum report found that climate change has caused over \$3.6 trillion in damage since 2000, and without action, global GDP could drop by up to 22% cumulatively by 2100. The report also notes that the transition presents one of the most significant long-term opportunities for growth in modern history, with estimates of the market for green technologies headed for nearly \$14 trillion by 2030.³

Australia's ability to efficiently transition to net zero emissions, while taking advantage of emerging economic opportunities, will be a key enabler of productivity and economic resilience over coming decades. It is also necessary that Australia manages its exposure to the risks of climate change which are already materialising, including physical damages and disruption across global supply chains. Effective adaptation should build economic resilience and mitigate the impact of climate

¹ See: [OECD Corporate Governance](#)

² For an overview of international evidence supporting the link between corporate governance and company performance, see Railpen (2025), [Governance for Growth Investor Campaign](#)

³ World Economic Forum (2024), [The Cost of Inaction: A CEO Guide to Navigating Climate Risk](#)

change on Australia's long-term national productivity.

Achieving net zero will require a suite of coordinated policies that address decarbonisation while upholding wider economic, social and environmental outcomes. It will also require a significant level of investment from both public and private sources. An ambitious 2035 national emissions target, aligned with the Paris Agreement goal, would provide markets with confidence that the Government is prepared establish the policy settings which will support a timely transition. Additionally, the Government's forthcoming Net Zero Plan is a key opportunity to articulate a coordinated approach that could provide the private sector with more clarity and certainty to invest in the transition. Many of the suggested 'Actions' in the Climate Change Authority's recently released Sector Pathways review provide a sound basis for further policy discussion. Consultation with investors should take place to support a Plan that is investible and ultimately supports outcomes.

Policy responses worthy of further consultation to incentivise emissions reduction across the private sector could include an economy-wide carbon price signal or reform of the Safeguard Mechanism to expand emissions pricing across a broader share of the economy.

Other policy responses that could support an efficient and effective transition to net zero include:

- Implementing a targeted border carbon adjustment mechanism to promote the ongoing competitiveness of domestic producers of hard-to-abate commodities.
- Undertaking targeted public investment in future industries, including to address specific infrastructure gaps or technological limitations which constrain private investment.
- Taking steps to ensure that existing policy and regulatory settings support decarbonisation objectives across all levels of government, including tax, environmental regulation and land planning policies. Specific attention should be given to areas of legal or regulatory overlap across levels of government which may present barriers to an efficient transition.
- Continuing work to expand financial market access to comprehensive and decision-useful information on climate risks and opportunities, building on existing mandatory corporate disclosure obligations. This would support the ability of investors to efficiently allocate capital.

Decisive action to support the achievement of transition to a low-carbon economy presents a significant economic opportunity, which could ultimately position the Australian economy for long-term growth.

There are also opportunities to consider targeted reforms to address regulatory costs associated with the implementation of climate-related financial disclosure requirements without lowering standards. For example, significant consultation about appropriate levels of audit for the end-state requirements has not yet taken place. Consultation should seek feedback on options to refine end-state arrangements to ensure they meet the needs of reporting users while taking into account costs.⁴

The economic case for protecting Australia's natural environment

Economies and societies depend on the value of the services that the natural environment provides. More than half of the world's GDP is generated in sectors that highly or moderately depend on ecosystem services.⁵ However, this value is being rapidly eroded by unprecedented rates of biodiversity loss, posing a material risk for investors globally.

Australia's natural environment is in an overall state of decline and is under increasing threat.⁶ This is of significant concern to ACSI's members, who are exposed to Australia's biodiversity risks through the value chains of their portfolios. While investors engage with companies to encourage effective management of nature-related risks and opportunities, many challenges need to be addressed at

⁴ For more information, see ACSI's 2024 [submission](#) to the AUASB.

⁵ World Economic Forum (2020), [Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy](#).

⁶ Australian Government (2021), [Australia State of the Environment 2021](#)

a system-wide level.

In this regard, there is an economic rationale for robust environmental regulation to uphold standards. However, Australia's central environmental protection legislation, the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act), is failing to protect the natural environment. In his 2020 review of the Act, Graeme Samuel found that "the Act lacks clear national outcomes and effective mechanism to address environmental decline".

While failing to adequately address nature decline, the EPBC Act is also a source of inefficiency as approval processes are often slow, complex and uncertain. There is also duplication across EPBC Act requirements and state and territory environmental regulatory processes. These inefficiencies constrain productivity at the level of an individual company or project, but also present barriers to addressing key national priorities such as the rollout of renewable energy infrastructure and the development of net-zero aligned industries.

The Samuel Review set out a comprehensive and practical set of recommendations which provide a strong foundation for reform. This includes moving away from a narrow focus on individual projects and instead setting clear National Environmental Standards which are aligned with the Government's commitment to halt and reverse nature loss. There is also a significant opportunity to streamline environmental regulatory processes across levels of government. ACSI encourages the Government to prioritise the policy development process, consulting broadly and openly.

I trust our comments are of assistance. Please contact me or Kate Griffiths (kgriffiths@acsi.org.au) should you require further information.



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