



#### STRATEGIC & EXTERNAL ENVIRONMENT

## Climate and ESG: You're Likely Exempt. Your Sponsors Might Still Ask

ACNC-registered charities are explicitly exempt from mandatory climate disclosure. Indirect exposure is a different question

Australia's mandatory sustainability reporting regime, which began phasing in from 1 January 2025, has generated real anxiety across the business community, and it deserves a direct answer. Most associations sit outside it. Charities registered with the ACNC are excluded regardless of size, state and territory incorporated associations do not prepare Chapter 2M financial reports, and a non-charitable company limited by guarantee is only captured if it meets the size thresholds.

### Which rules apply to your association?

The law depends on how your association is set up. A **company limited by guarantee** follows the Corporations Act 2001 (Cth) and its constitution. An **incorporated association** follows its state or territory associations Act and its rules. A **registered charity** also follows the ACNC Act and the ACNC Governance Standards, and some Corporations Act rules are replaced for charities that are companies. Check your own governing documents, and get advice before decisions with legal consequences.

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## The Direct, Verified Exemption Most Associations Already Have

The mandatory climate disclosure regime, now written into the Corporations Act, applies to entities required to prepare annual financial reports under Chapter 2M that also meet specific size thresholds, phased in across three groups based on revenue, assets and employee numbers. Charities registered with the ACNC are explicitly excluded from the regime, regardless of size. State and territory incorporated associations report under their own Act, not Chapter 2M, so they are outside it too. A non-charitable association that is a company limited by guarantee does prepare a Chapter 2M financial report and is captured if it is large enough: for Group 3, from financial years starting 1 July 2027, that means meeting two of revenue of \$50 million or more, gross assets of \$25 million or more, or 100 or more employees. Few associations reach those levels, but a large non-charitable professional or industry body should check rather than assume.

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## The Real Indirect Exposure Worth Being Prepared For Anyway

Direct exemption from the mandatory regime does not mean complete isolation from its effects. Entities outside the regime may still be asked for emissions or sustainability information by larger reporting entities they supply or partner with, as part of those entities' own value-chain reporting. An association with a major corporate sponsor, or one that supplies services to a large, ASIC-reporting organisation, may be asked for basic sustainability information as part of that larger partner's own compliance process, even though the association itself carries no direct legal obligation to report anything. Being legally exempt from mandatory climate disclosure and being unaffected by it are two different things. A major sponsor's own reporting obligations can reach into an association's operations indirectly, through a straightforward request for information rather than a legal requirement.

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## An Evolving Regulatory Space Worth Monitoring

The thresholds, phase-in dates and assurance requirements are set in law and ASIC guidance and may be amended, so check ASIC's sustainability reporting pages each year. For most associations this is worth monitoring rather than acting on urgently.

- Confirm your association's legal structure and ACNC registration status, since these determine whether the regime can apply to you at all.
- Be prepared to respond to reasonable sustainability or emissions data requests from major corporate sponsors or partners who are themselves subject to mandatory reporting, even without a direct legal obligation of your own.
- Monitor regulatory developments in this space periodically, given the thresholds and scope may change, without treating this as an urgent compliance priority if you are clearly outside the regime.
- Distinguish clearly between the mandatory legal disclosure regime this article addresses and any voluntary ESG or sustainability commitments your association may separately choose to make for its own strategic reasons.
- Check size correctly for your entity type: for a registered charity, size does not matter because the charity exclusion applies; for a non-charitable company limited by guarantee, check the size thresholds each year.

Most associations can set aside anxiety about becoming a mandatory climate reporting entity themselves. The more useful governance discipline is understanding the indirect way this regime may still reach an association through its largest sponsors and partners, and being ready to respond to that request when it comes, rather than being caught unprepared by a question the association assumed did not apply to it at all. This is one of the practical governance topics built into our Association CEO course, alongside the papers, tools and frameworks that turn the principle into your board's actual practice.

[Explore the course](#)

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## BOARDROOM ACTION WORKSHEET

# Climate and ESG: You're Likely Exempt. Your Sponsors Might Still Ask

Turn the resource into evidence, a decision and an accountable next step. Keep the completed record in your association's approved board records system.

### 1 What is the issue or decision?

State the governance question in one clear sentence.

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### 2 What evidence do we already have?

Record the facts, source documents and stakeholder evidence available now.

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### 3 What evidence is still needed?

Identify the legal, regulatory, financial, member or operational information still required.

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### 4 What is the agreed next action?

Capture the owner, timeframe and how the matter will return to the board.

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| Action owner | Review date | Board decision or resolution |
|--------------|-------------|------------------------------|
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