ASX Corporate Governance Council

Adoption of Recommendation 7.4: Reporting on Environmental and Social Exposures

Analysis of disclosures made by listed entities between 1 January 2021 and 31 December 2021

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Introduction

Introduction

In February 2019, the Australian Securities Exchange (ASX) Corporate Governance Council (the Council) released the Fourth Edition of the *Corporate Governance Principles and Recommendations* (Principles and Recommendations or the Fourth Edition). The Fourth Edition covers a wide range of corporate governance matters, including foundations for management and oversight, board structure, organisational culture, integrity of corporate reporting and disclosure, respect for the rights of securityholders, risk management and remuneration.

Recommendation 7.4 in focus

This report focuses specifically on Recommendation 7.4, which was re-focused in the Fourth Edition on material environmental and social risks, thus no longer referencing economic risks. Recommendation 7.4 requires entities to **disclose whether they have any material exposure to environmental or social risks and if they do, how they manage or intend to manage those risks**. Commentary for this Recommendation was expanded to specifically reference climate change and if material, consider making the disclosures recommended by the Financial Stability Board's Task Force on Climate Related Financial Disclosures (TCFD). Additionally, references to integrated reports prepared in accordance with the International Integrated Reporting Council (now Value Reporting Foundation) International Integrated Reporting <IR> Framework and references to a recognised international standard for sustainability reporting were added. The revised Recommendation 7.4 and associated commentary from the Fourth Edition are set out in Appendix One.

This report

This report examines the disclosure of a sample of 600 ASX listed entities against Recommendation 7.4 of the Fourth Edition Recommendations in their first full year of public reporting. The main purpose of this report is to assist listed entities understand how their peers have responded to the amended Recommendation 7.4 and to provide a resource on market practice with respect to social and environmental exposure disclosures. International and Australian reporting developments have also been summarised to highlight emerging requirements that may be relevant to reporting on Recommendation 7.4 in the future. The research includes quantitative and qualitative review of public disclosures relating to Recommendation 7.4 and supports ASX's longer term objective of lifting the overall standards in listed entity practices and disclosures by highlighting examples of good practices that may be adopted, innovative approaches to disclosure, and new and emerging trends.

This report builds on the report *Adoption of Third Edition Corporate Governance Principles and Recommendations* published by KPMG and the ASX in 2016 in relation to the 2015 calendar year (the 2015 Survey) and provides comparison to the 2015 trends where relevant, and the report *ASX Corporate Governance Council: Adoption of Fourth Edition Corporate Governance Principles and Recommendations* published by KPMG and the ASX in 2022, which also builds on the 2015 Survey, and is available via this *link*.

This report covers:

- environmental and social risks reporting
- emerging environmental and social risks and opportunities
- the frameworks used by listed entities to report on environmental and social risks, including whether the TCFD Recommendations were adopted for climate-related risks, and Australian and international corporate reporting developments and trends relevant to the approach listed entities may take to reporting against Recommendation 7.4 in future years
- the location of where entities have chosen to report on environmental and social risks

- governance in relation to environmental and social risk disclosures, including who is responsible for approving the disclosures, the interaction with remuneration, verification and assurance, and shareholder engagement
- observations with respect to moving towards better quality of reporting on environmental and social information

Public reports that have been examined in this report include the corporate governance statements, annual reports, Appendix 4G, and sustainability reports of the relevant entities are referred to as 'in-scope reports'. This report has not considered marketing content or other non-governance related content on entities' websites.

How to read this report

This report contains seven chapters:

1. **Introduction** (this section) – outlines the background, scope and focus of this report
2. **Executive summary** – provides a summary of the report
3. **Environmental and social exposure identification** – outlines findings and observations in relation to Recommendation 7.4 adoption rates, entities that disclosed that they do not have a material exposure to environmental and/or social risks, the types of environmental and social exposures and opportunities identified, a technical deep dive into assessing material exposures and an assessment of the 'if not, why not' explanations provided
4. **Emerging environmental and social risks and opportunities** – details the emerging environmental and social risks and opportunities observed, including natural capital, circular economy and modern slavery
5. **Location of environmental and social risk disclosures** – outlines findings and observations in relation to the location of environmental and social risk disclosures within corporate reporting
6. **Frameworks and standards used to report environmental and social risk disclosures** – outlines findings and observations in relation to the frameworks and standards used, including a technical deep dive into reporting standards and frameworks developments in Australia and internationally and leading reporting principles including reporting on impact
7. **Governance considerations** – outlines findings and observations in relation to responsibility for environmental and social risk reporting, linkages to remuneration, external assurance and shareholder engagement where climate is a material issue.

Throughout the report case studies are provided in the form of images and prose that offer practical examples of ASX entities incorporating environmental and social disclosures in their corporate reporting. Finally, the **Appendices** – include an extract of Recommendation 7.4, methodology, entities selected for research, the number of entities within each GICS sector group.

At a glance

At a glance

- 6 percent (of the 600) were excluded from research as they were not required to follow the Recommendation. Of the remaining entities 95 percent adopted Recommendation 7.4 in full for the reporting period and further 4 percent provided 'if not, why not' explanations. Less than 1 percent did not adopt the Recommendation.
- Three quarters of the sampled entities reported on environmental and/or social risks, with around a quarter of entities reporting that they do not have material exposure to environmental and/or social risks.
- While we acknowledge there is a significant breadth of entities with different circumstances and exposures within the sampled entities, material exposure identification inconsistencies amongst sector peers suggest possible need for greater consideration of the basis of the belief that there is no material exposure and benchmarking disclosures against those made by peers.
- Many of the sampled entities reported on performance by disclosing specific key performance indicators alongside the identified material exposure. Good practice also included call outs of environmental and social opportunities (e.g. development of climate resilient assets and products contributing to decarbonisation, resource efficiency efforts and workplace diversity and cultural improvements).
- Mature reporters disclosed processes used to identify environmental and social risks and opportunities. Some were internally focused (i.e. incorporating views of management and executive leadership) and others incorporated external views and trends via stakeholder surveys, interviews and benchmarking of reporting by peers.
- Half of the sampled entities provided disclosure in their corporate governance statements and the other half cross-referenced to other reports (annual and sustainability reports predominantly). Good practice included disclosures being clearly referenced across multiple reports in a way that was logical to follow and avoided duplication.
- Majority of the sampled entities disclosed approaches used to manage the identified material exposures to environmental and social factors. Good practice disclosures incorporated linkages to company purpose and values, strategy and entity-wide risk management frameworks.
- Reporting frameworks and standards were referenced to varying degree among the sampled entities. Approximately half followed at least one internationally recognised framework, and over 30 percent followed two or more frameworks. There have been significant developments over the past twelve months aimed at providing global consistency across sustainability reporting, thus potentially providing early indication that the Australian government may make environmental and social disclosure mandatory in the future.
- Good practice governance considerations included:
  - identification of board and management level accountabilities for identification and management of material social and environmental exposures;
  - linking ESG performance to remuneration; and
  - external assurance over environmental and social exposure disclosures.
- In the landscape of multiple reporting frameworks, and investor and regulator focus on decision useful material environmental and social information, we observed a maturing of reporting, particularly among the S&P/ASX 200, and encourage entities to continuously review their reporting to improve focus on material exposures and overall quality.

Executive summary

Executive summary

Recommendation 7.4 calls for Australian listed entities to disclose whether they have any material exposure to environmental or social risks and, if they do, how they manage or intend to manage those risks.

Since the updates to Recommendation 7.4 in 2019, the external interest in environmental and social information has continued to grow at a significant rate. This interest is driven by a range of stakeholders such as the investor community, regulators and broader society (employees, suppliers, customers and communities) in light of global megatrends such as climate change, inequality and biodiversity loss persisting over recent years. In the World Economic Forum (WEF) *2022 Global Risks Report*, the WEF signalled societal and environmental risks as the most concerning over the next five years, citing the erosion of social cohesion, livelihood crises and the deterioration of mental health, all of which have worsened since the start of the COVID-19 pandemic. Over a 10-year horizon, environmental concerns are perceived to be the most critical long-term threats to the world, including climate action failure, extreme weather events and biodiversity loss, which are ranked as the top three most severe risks.[1]

The Australian government's policy platform includes a focus on management of both the environmental and social issues.

On the ***social*** front, the government's policy platform includes goals on gender equality, First Nations Peoples, inclusion of people with a disability, modern slavery, forced labour in supply chains and human rights institutions. On the ***environmental*** front, there is a commitment to introduce significant new policies to address climate change, including a revised 2030 emissions reduction target of 43 percent reduction from 2005 levels.

Further, on the ***reporting*** front, the establishment of the International Sustainability Standards Board (ISSB) under the International Financial Reporting Standards (IFRS) Foundation's umbrella, and the release of the first two exposure drafts for general sustainability and climate exposure-related reporting, is aimed at establishing a global baseline for sustainability reporting. ISSB is working closely with other international organisations and jurisdictions, including Australia, to incorporate the global baseline into jurisdictional requirements. This development could indicate that the Australian government may make environmental and social disclosure mandatory in Australia in the future.

In this context, transparent disclosure of material environmental and social impacts, and approaches to their management and performance, continue to be critical. The Council's Recommendation 7.4 requirements provide Australian listed entities with the opportunity to communicate to their stakeholders and the market, their approach to managing environmental and social risks, and opportunities in their respective organisations.

Recommendation 7.4 adoption rates

37 (of the 600) sampled entities were either foreign exempt or newly listed, and thus were not required to follow the Recommendation. Of the remaining entities, 95 percent (or 538) adopted the Recommendation 7.4 in full and a further 4 percent (or 23) provided 'if not, why not' explanations. Less than 1 percent did not adopt the Recommendation.

Material exposure identification rates

While the number of entities identifying material environmental or social exposures remained consistent with the 2015 Survey overall, the depth and sophistication of disclosure continued to mature, particularly across S&P/ASX 200 entities.

Our research identified that of the (561) sampled entities that adopted Recommendation 7.4 (this includes, the 538 entities that followed the Recommendation in full and the 23 entities that followed the 'if not, why not' principle), 25 percent reported that they had no material exposure to both social and environmental risks, a further 4 percent reported that they had no material exposure to environmental risks and 1 percent reported that they had no material exposure to social risks.

The *World Economic Forum Global Risks Report 2022* identified the top five most severe risks on the global scale as environmental (climate action failure, extreme weather and biodiversity loss) and social (social cohesion erosion and livelihood crises). While we acknowledge there is a significant breadth of entities with different circumstances and exposures within our sample, we consider it unlikely that over 25 percent of sampled entities did not have any material social or environmental exposures.

'If not, why not' explanations included commentary that:

- the sector was not exposed to material environmental and/ or social risks
- the company had a diverse portfolio of investments and therefore did not bear any material exposure to environmental and/or social risks
- the entity's operations were not materially impacted by environmental regulations under state or federal legislation, or if they were, that there had been no material breaches.

A review of sector-specific reporting however, identified some instances of entities reporting no material exposure to environmental and social risks being out of step with same sector peers.

Nature of material environmental and social exposures

54 percent (or 303) of sampled entities identified specific environmental exposures, 66 percent (or 373) entities identified specific social exposures with 49 percent (or 278) entities identifying both.

The most common environmental exposures included:

- climate change and related impacts
- biodiversity
- water scarcity
- environmental incidents
- resource efficiency and management.

The most common social exposures included:

- community engagement
- diversity and inclusion
- health and safety
- customer privacy and cyber security
- consumer protection
- modern slavery
- human rights.

Many of the sampled entities reported on performance by disclosing specific Key Performance Indicators (KPIs) alongside the identified material exposure.

Of the entities that adopted Recommendation 7.4 in full for the reporting period, 49 percent provided disclosure of material exposure to environmental and social risks located in the corporate governance statement. Approximately 31 percent of the sampled entities provided some disclosure within their corporate governance statements and cross-referenced another report, while the remaining 19 percent of the sampled entities disclosed in another report, such as their annual or sustainability report, but not in their corporate governance statement. Good practice included disclosures being clearly referenced across multiple reports in a way that was logical to follow and avoided duplication. Good practice also included call outs of environmental and social opportunities, such as development of climate resilient assets and products contributing to decarbonisation, resource efficiency efforts and workplace diversity and cultural improvements.

Mature reporters disclosed processes used to identify environmental and social disclosure. Some were internally focused (i.e. incorporating views of management and executive leadership), and others incorporated external views and trends via stakeholder surveys, interviews and benchmarking of reporting by peers.

Majority of the sampled entities disclosed approaches used to manage the identified material exposures to environmental and social factors. Advanced reporters incorporated linkages to company purpose and values, as well as linkages to strategy and entity-wide risk management frameworks.

Emerging environmental and social exposures

Natural capital and biodiversity and circular economy are emerging as topics of interest to investors, while presenting significant risks and opportunities, which are not yet well understood. Section 4 examines these emerging risks and opportunities, including their importance, what reporting frameworks exist, what entities are reporting now, what entities should think about moving forward, as well as examples of leading disclosures.

While modern slavery is not yet an emerging social risk, given the Australian legislation is relatively new, Section 4 provides examples of emerging practice and considerations for future management and reporting on this risk.

Frameworks used for reporting

Recommendation 7.4 commentary references several internationally recognised reporting standards for environmental and social exposures. 44 percent of the sampled entities referenced at least one framework or standard in relation to environmental and social risks, with 31 percent reporting against more than one framework or standard. Reporting frameworks and standards were adopted to varying degrees among the sampled entities. Specifically, the following adoption rates were noted among the entities that reported against a framework or standard:

- Integrated Reporting <IR> Framework – 5 percent (12 entities)
- Global Reporting Initiative Standards – 55 percent (138 entities)
- Sustainability Accounting Standards Board Standards – 26 percent (66 entities)
- Taskforce on Climate-Related Financial Disclosures Framework – 63 percent (157 entities).

	At least one framework	**More than one framework**
S&P/ASX 200	83%	66%
ASX 201-500	41%	24%
ASX 501+	12%	4%
Total	**44%**	**31%**

Table 1: Percentage of entities reporting to at least one framework and more than one framework

The pace of change in environmental and social risk reporting frameworks and standards has accelerated significantly over the past twelve months. There have been significant developments aimed at providing global consistency across sustainability reporting, thus potentially providing early indication that the Australian government may make environmental and social disclosure mandatory in the future.

The evolving landscape of reporting frameworks and standards has implications for how entities adopt Recommendation 7.4. Section 5 of this report provides a summary of the recent international and Australian developments, as well as the potential impact for Australian listed entities, including the relevant social, environmental and general sustainability frameworks and standards beyond those listed in the Recommendation 7.4 commentary.

Governance considerations

Of the sampled entities, 43 percent of the sampled reported that the board is ultimately accountable for material environmental and social exposures and reporting on them, with a number of entities dedicating board level sustainability or Environmental, Social and Governance (ESG) committees. Management accountability for reporting on environmental and social risks was explicitly called out by 31 percent of the sampled entities, with 7 percent of the sampled entities reporting that they have appointed a chief sustainability officer. This was predominantly observed in the S&P/ASX 200.

Approximately 20 percent of the sampled entities obtain external assurance over environmental and social exposure disclosures, with 49 percent of the S&P/ASX 200 obtaining external assurance over environmental and social exposure disclosures.

Entities that were advanced in their approach to sustainability governance also linked environmental and/or social KPIs to executive remuneration.

Some entities participated in a 'Say on Climate' initiative, putting their climate transition action plans to shareholder votes at their annual general meetings. While voluntary and non-binding, participating in a 'Say on Climate' initiative signals entities' strong commitment to active shareholder engagement and accountability to commitments.

Observations on better reporting

In the landscape of multiple reporting frameworks, and investor and regulator focus on decision-useful material environmental and social information, we observed a maturing of reporting, particularly among the S&P/ASX 200, and encourage entities to continuously review their reporting to improve focus on material exposures and overall quality. The quality of reporting is an opportunity for entities to distinguish themselves from others in the market and provide internally decision-useful information, upon which risk and opportunity management strategies can be built and targets set.

This report provides a number of observations intended to assist listed entities identify and, if appropriate, adopt better quality reporting practices in relation to environmental and social exposures, including what we consider to be the hallmarks of reporting best practice:

- comparable (consistent measurement across reporting periods and comparable across reporting entities facilitated by following of relevant internationally recognised reporting frameworks)
- verifiable and accurate (corroborated and checked)
- timely (aligned to other reporting)
- readily understandable (clear and concise)
- transparent and balanced (open about the challenges, as well as achievements)
- reporting on impacts (communicating change created by the entity's efforts).

Benefits of reporting on environmental and social exposures

In addition to regulatory compliance, research shows several benefits of reporting on environmental and social issues:

- **Transparency enhances trust:** Transparency is increasingly valued by company stakeholders, from customers to employees, to investors and regulators. Balanced and focused reporting signals an entity's commitment to performance improvement as stakeholders can compare performance across industry and hold entities accountable for progress towards goals and commitments. It is also a way of focusing on material environmental and social impacts, allowing entities to maintain focus amongst the chaos.
- **Become more attractive to investors:** Investors are increasingly setting environmental and social goals and targets and demanding the same from their investees. Investors are looking for opportunities to transition their portfolios towards environmentally and socially sustainable outcomes, as suggested by the Harvard Business Review's study[2] of senior executives across 43 global institutional investment firms. Transparent reporting helps investors access decision-useful information and demonstrates entities are managing long-term risks and taking advantage of opportunities, thus making them attractive to investors.
- **Become more attractive to customers:** Consumer tastes are shifting towards sustainability and choosing to support entities with strong environmental and social credentials. A report commissioned by the World Wildlife Fund[3] shows a 71 percent increase in online searches for sustainable goods globally over the past five years. Transparency helps entities connect with customers, boosting customer loyalty.
- **Attract talent and build employee pride and loyalty:** It's not just the consumers that prefer sustainable businesses. Environmental and social issues are of growing importance to employees, especially millennials, who are more likely to work for a company with strong environmental and social policies, as found by The Cone Communications Millennial Employee Study[4]. Transparency helps entities connect with their existing and prospective employees, attract talent, support retention and boost employee pride and loyalty.

Environmental and social exposure identification

SECTION 1:

Environmental and social exposure identification

Recommendation 7.4 adoption rates

6 percent of the 600 sampled entities are foreign exempt or newly listed and thus were not required to follow the Recommendation. Of the remaining entities, 95 percent (or 538 entities) followed Recommendation 7.4 in full for the whole reporting period, a further 4 percent (23 entities) stated that they have not followed the Recommendation in full for the whole reporting period and have set out their reason for not doing so in their corporate governance statement in keeping with the 'if not, why not' principle), and less than 1 percent did not adopt the Recommendation.

The adoption rates overall have improved significantly since the analysis in the 2015 Survey.

Adoption of Recommendation 7.4: 2021 and 2015 compared

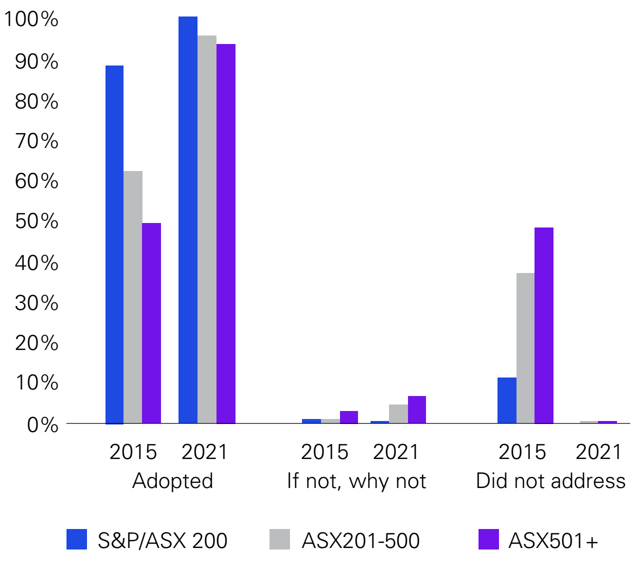


Figure 1: Adoption of Recommendation 7.4 2015 and 2021

Material exposure identification rates

Our research identified that of the 94 percent (or 561) sampled entities that adopted Recommendation 7.4, 25 percent of the entities reported that they had no material exposure to both social and environmental risks, a further 4 percent reported that they had no material exposure to environmental risks and 1 percent reported that they had no material exposure to social risks.

No exposure claims

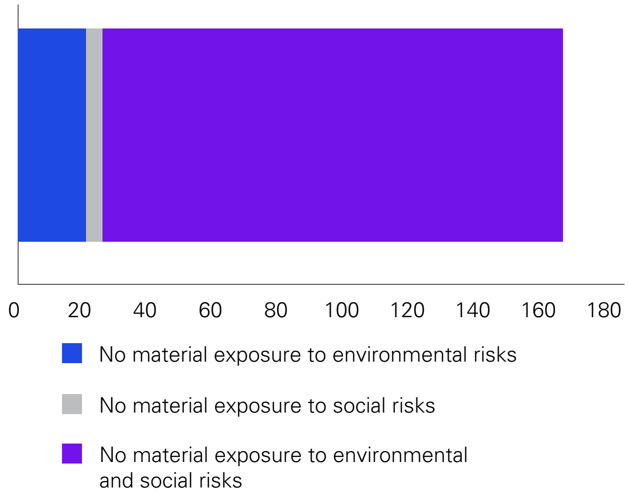


Figure 2: No exposure claims

Environmental and social risk reporting

Overall, just under three quarters of the sampled entities reported material exposure to environmental and/or social risks.

Do entities report environmental and/or social risks

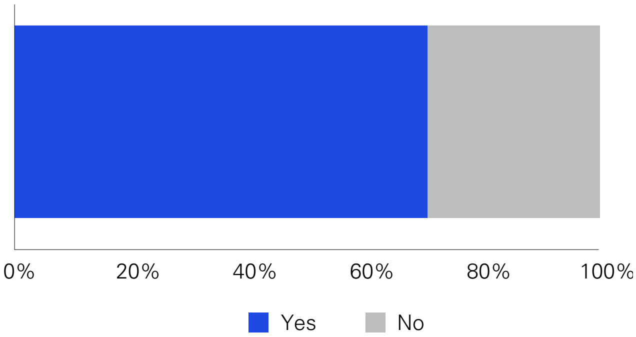


Figure 3: Entities that report on environmental and/or social risks

At a sector level, disclosure of environmental and/or social exposures varies. These results should be considered in the context of the numbers of entities within each sector group selected for sampling (see Appendix Three for a listing of sampled entities). Research has found inconsistencies in the reporting of categories of environmental and social exposures within sectors, including whether entities within the sector consider themselves materially exposed to any environmental or social risks at all. These observations are further explored in subsequent pages in this section.

Do entities within each GICS Industry Group report environmental and/or social risks in any in-scope documents

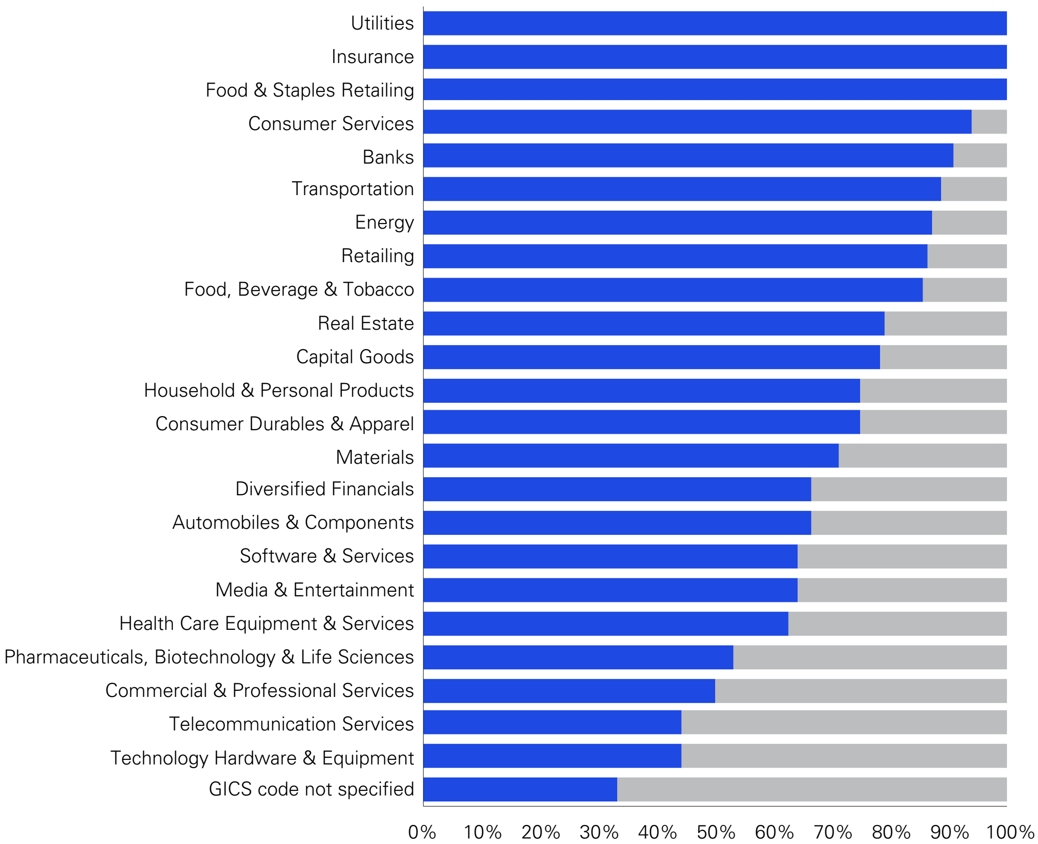


Figure 4: Sector based reporting on environmental and/or social risks

Nature of environmental and social exposures

54 percent identified and called out specific environmental exposures and 66 percent identified and called out specific social exposures.

Does the entity identify specific environmental risks/ topics

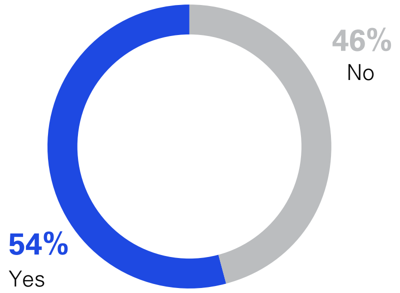


Figure 5: Entity identification of specific environmental risks/topics

Does the entity identify specific social risks/topics

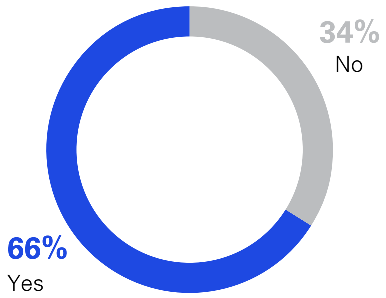


Figure 6: Entity identification of specific social exposures

Entities identified a range of environmental exposures and the majority reported on associated Key Performance Indicators (KPIs) to explain how they monitor performance against the particular exposure. Below are the main categories of environmental exposures frequently identified by the sampled entities, as well as examples of associated KPIs:

Frequently identified environmental risks/exposures	Example KPIs
Climate change and related impacts, including: • Impact of extreme weather events • Transition risks	• Scope 1 and 2 emissions • Scope 3 emissions • Emissions reduction programs • Energy consumption • Energy efficiency
Biodiversity/natural capital/land management	• Land holdings, rehabilitation and conservation • Protected areas and species • Biodiversity protection programs
Water scarcity	• Water consumption/withdrawals • Water recycling/reuse
Environmental incidents	• Number of environmental events reported • Instances of environmental non-compliance • Associated fines
Resources efficiency and management • Waste • Packaging and plastics • Product design • Life cycle management • Sustainable products	• Total waste generated • Waste diverted from landfill • Waste sent to landfill • Recycling rate • Waste intensity • Recyclable packaging

Table 2 – Table of frequently identified environmental risks/exposures and example KPIs

Other environmental risks identified less frequently included:

- risk of litigation and disputes related to environmental risks or compliance with, environmental laws and regulations
- air quality
- animal welfare
- hazardous chemicals/chemicals management
- exploration and new projects risk from environmental approvals/environmental design.

Good practice examples

Ingham's Group Limited (ASX 201-500)

Ingham's Group identified sustainable agriculture and water stewardship (among others) as two areas of environmental focus in their *2021 Sustainability Report*. Ingham's approach to the environmental risks identified have been outlined and are accompanied with relevant case studies to support actions undertaken throughout the year, as illustrated below.

SUSTAINABLE AGRICULTURE

Sustainable agriculture practices reducing our footprint

Ingham's participates in the local chapter of the global Sustainable Agriculture Initiative (SAI). We support their vision of a sustainable, thriving and resilient agricultural sector that protects the Earth's resources, human rights and animal welfare.

Ensuring our feed ingredients are sustainable is a key focus area for Ingham's. We are working with a range of research groups on an alternative protein meal strategy to reduce our reliance on soy-based products. In addition, we are working with suppliers to ensure that future supplies of soy meal do not contribute to deforestation. This will be a key action with goals set in line with Ingham's SBTs in 2023.

WATER STEWARDSHIP

As a member of the Alliance for Water Stewardship (AWS) Global Standard, whose aim is to achieve responsible and sustainable water management, we have committed to proactively manage our water catchment, usage and treatment of wastewater. Proudly, we continue to set the industry benchmark for water stewardship, being the only certified poultry processor in the world.

We undertook our annual audits remotely at four sites in FY21. We are delighted that four of our primary processing sites – Bolivar, Murarrie, Somerville and Te Aroha – are part of the worldwide group of 162 certified to AWS standards. The Murarrie and Somerville sites achieved the highest recognition with platinum certification.

At the primary processing plant at Murarrie, several water stewardship projects completed over the past 12 months delivered great benefits and platinum recognition. We rejuvenated six of the site's ponds, so they now hold 60 million litres of water and provide a fantastic habitat for the local wildlife. The volume of on-site wastewater treatment plant's sludge has also been reduced over three years and the site's water consumption by one-third.

CASE STUDY

WANNEROO FEEDMILL'S WATER INNOVATION

Every year, the West Australian Water Corporation recognise and celebrate the water efficiency achievements of businesses.

In FY21, we were delighted that Ingham's Wanneroo Feedmill operations were awarded the Platinum Waterwise Business of the Year, the highest recognition, for their innovative water management and industry-leading best practices on site.

Under the site's Environmental Management Plan, the team set actions towards their Planet Key Performance Indicator targets. They then identified and implemented a range of innovative water savings and efficiency measures. These included water-efficient fixtures, checking for leaks and using fit-for-purpose recycled water that contributed to reducing water usage by more than 40 per cent from the previous year.

Figure 5: Ingham's 2021 Sustainability Report page 15

Similarly, sampled entities identified a range of social risks, and the majority reported associated KPIs. Below are the main categories of social risks frequently identified by the sampled entities, as well as examples of associated KPIs:

Frequently identified social risks/exposures	**Example KPIs**
Communities: • Community engagement • Cultural heritage • Indigenous engagement and native title	• Amount of community spending • Community events • Reductions in violations of rights of Indigenous Peoples • Money contributed to charity/donated
People/Employees: • Diversity and inclusion • Health and safety • Wellbeing • Employee engagement • Employee training, education and career development • Remuneration framework and performance	• Gender representation – employees, senior executives and board • Reduction in injuries and illnesses • Reduction in fatalities • Work hours • Employee engagement scores (eNPS) • New hires and turnover • Employee training hours and training spend • Gender pay ratio
Customers: • Customer privacy/cyber security/security breaches • Consumer protection • Customer satisfaction/support • Responsible business and lending • Product quality and safety	• Customer engagement score • Health and safety impacts of products and services • Instances of non-compliance with product/service regulations • Privacy breaches
Human rights (incl. Modern Slavery)	• Operations and suppliers at risk of child labour, forced labour, of freedom of association • Operations subject to human rights assessment

Table 3 – Table of frequently identified social risks/exposures and example KPIs

Other social risks identified less frequently included:

- compliance with laws, regulations and industry standards,
- risk of litigation and disputes related to social risks
- digital inclusion.

Overall, transparency, disclosure and ethical business practices also featured as risks in several entities' reporting across both social and environmental topics.

More advanced reporting featured overall or Group-level data, as well as more granular data breakdowns by:

- absolute and intensity targets
- operational and equity share
- overall and site/operation/location.

Globe International Limited (ASX 501+)

In their *2021 Annual Report*, Globe disclosed its focus on supply chain and ethical sourcing as an area of social focus for the 2021 reporting period. The disclosure includes a succinct summary of the impacts relevant to the entity and the strategies in place to manage exposure.

Social

Globe International undertakes an annual review of its supply chain and ensures all suppliers and its own sourcing and production staff sign off on an Ethical Sourcing policy. This publicly available policy was revised again this year and sets out expected minimum standards, particularly in relation to banning both child and forced labour along with the requirement to provide a safe workplace for all. Globe submitted its Modern Slavery Statement as part of the requirements of the Australian Modern Slavery Act 2018 in December and has already become more proactive in this area, including requesting and directly commissioning social audits of new key suppliers and undertaking a more thorough risk assessment process.

Most of Globe's products are manufactured in China, the USA and Mexico with long-standing third-party supplier partners and Globe remains committed to avoiding manufacturing areas where there are known serious social issues around worker exploitation – including Myanmar (Burma) and North Korea. During the initial COVID-19 outbreaks worldwide Globe did not cancel large orders and was in the fortunate position of generally being able to increase orders with its suppliers throughout the period. At the same time, Globe made significant investments in COVID-19 safety practices and staff wellbeing programs across all three of its major operating regions.

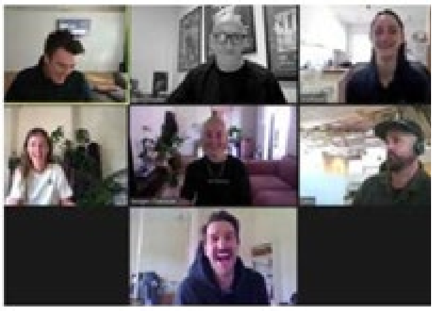


Figure 6: 2021 Globe International Annual Report page 41

Nature of environmental and social opportunities

Less than half of the sampled entities reported any opportunities associated with environmental or social topics. The majority of entities that reported on opportunities associated with environmental or social topics were in the S&P/ASX 200.

The disclosure of environmental or social opportunities was more difficult to ascertain than the disclosure of risks, as entities did not report on opportunities to the same degree of clarity as on environmental and social risks.

While reporting on social and environmental opportunities is not specifically called out under Recommendation 7.4, it can bring balance to reporting on social and environmental topics.

Examples of environmental and social opportunities that were identified by sampled entities included:

- development of climate resilient assets
- products and services that contribute to decarbonisation
- green finance products that are tied to decarbonisation targets
- resource efficiency/re-use/recycling
- workplace diversity and cultural improvements
- becoming a 'community partner of choice'.

Good practice examples

Aurizon (S&P/ASX 200)

Aurizon included a table of climate-related opportunities in its *FY21 Sustainability Report*. The table outlines each climate-related opportunity, the opportunity category, potential impact to the business including time horizon, Aurizon's approach to capitalising on the opportunity and metrics used to track the opportunity.

TABLE 4 RESPONSE TO CLIMATE-RELATED OPPORTUNITIES

Opportunity	Description	Opportunity type	Potential impact to business	Aurizon's approach	Metrics
Renewable energy and carbon offsets	In addition to purchasing carbon offsets as needed, our business has the potential to create high-quality offsets by investing in improved land use, energy efficiency, low-carbon technology and renewable energy.	Energy source & markets	Less exposure to carbon costs by augmenting direct abatement initiatives with high-quality offsets to aid in addressing hard-to-abate emissions (linked to availability of low-carbon technology for the Australian rail freight sector in the near-term). **Time horizon: Medium term**	— Install solar PV arrays across our largest operational depots. — Identify opportunities to increase renewable energy mix within energy procurement frameworks by engaging with suppliers and project developers. — Assess opportunities to build a carbon offset portfolio by engaging with project developers to either acquire or originate high-quality carbon offsets with environmental and social co-benefits aligned to key sustainability objectives.	— Electricity consumption and renewable energy generation (MWh). — Operational GHG emissions (absolute and intensity).
Development and/or expansion of low-emissions goods and services	Our direct investment in fleet decarbonisation technologies could result in enhanced engagement and partnerships with participants across Australia's freight transport sector.	Products & services	Increased customer value proposition and alignment of supply chain decarbonisation objectives (e.g. by offering low-carbon freight transportation services). Accelerated development of low-carbon technologies for our own use and potential adoption across Australia's freight transport sector. **Time horizon: Medium to long term**	— Continue to implement our Tracking Towards Net-Zero Operational Emissions initiatives (supported by the establishment of a $50m Future Fleet Fund, and the creation of forums for collaboration and partnerships to accelerate the development of low-carbon technologies).	— Operational GHG emissions (absolute and intensity). — Capital investment in low-carbon energy supply chains (e.g. green hydrogen) and storage (e.g. battery technology).

Figure 7: Aurizon FY21 Sustainability Report page 27

Evolution Mining Limited (S&P/ASX 200)

Evolution Mining has disclosed a series of climate-related opportunities in its *Annual and Sustainability Report 2021*. The entity has categorised the opportunities in line with its sustainability strategy and highlighted potential opportunities associated with a series of actions, including decarbonisation, supply chain partnerships, the uptake of new technologies and greater investor appetite.

Our Actions

1. Footprint - Understanding, managing and reducing emissions (Scope 1 and 2)

Specific opportunities include:

- Planning process – integrating emissions reduction opportunities and projects into Provincial Plan, Life of Mine Plan (LOM)
- Climate scenarios – stress testing climate scenarios through workshops with external consultant
- LOM forecasting – developing credible estimates of Scope 1 and Scope 2 GHG emissions
- Projected emissions intensity built into planning (per unit of production) (transition risk)
- Energy efficiency – conduct energy audits to identify process improvement opportunities
- Sustainable procurement strategy – development of a strategy that includes emissions reduction opportunities including renewable energy

Note: Inclusion of understanding and managing Scope 3 is acknowledged

2. Partnerships - Industry, government and supply chain collaboration for higher use of low-emissions solutions i.e. Sustainability Advantage, Electric Mine Consortium

Specific opportunities include:

- Renewable energy – active management with energy suppliers to deliver renewable energy sources for grid connected operations
- Sustainability Advantage – participating in the Net Zero Emissions Leadership Accelerator Pilot
- Electric Mine Consortium – Battery Electric Vehicles, Energy Storage and Electrical infrastructure, Underground and Open Cut efficiency
- Funding and grants – partner with industry peers and representatives to secure grant funding for emissions reduction opportunities
- Mine Expansion, independent peer review – refine RA process for energy efficiency
- Planning for long-term transition risk – Continue membership and climate policy advocacy with Ontario Mining Association, New South Wales Minerals Council, The Chamber of Minerals and Energy of Western Australia, Queensland Resources Council, and Minerals Council of Australia for an orderly transition to a low emission economy
- Northern Industrial Electricity Rate Program (NIER) (Canada)

3. Technology Pathways - Utilising technology to improve resource use efficiency

Specific opportunities include:

- Technology Roadmap – develop business-wide roadmap focusing on innovation, adaptation, technology
  - Multiple projects already in the pipeline – automation, tailings efficiency, renewable energy, future fuels etc
- Pumped Hydrogen Project – Mt Rawdon (Shared Value Project)
- Emission reduction plans at each operation and Group
- Sustainable Procurement Strategy – Internal Carbon pricing
- Red Lake Battery Storage Project
- Battery Electric Vehicles

4. Capital - Allocating capital to prioritise and support deployment of seed funding to trial reduced emissions solutions

Specific opportunities include:

- Review of how technology and R&D can be funded, including offset mechanisms

5. Transparency - Transparent reporting on our progress and performance i.e. NGERs and TCFD

Specific opportunities include:

- Full alignment with TCFD reporting
- Potential external assurance on TCFD disclosures in the near future
- NGERs compliance

Figure 8: Evolution Mining Annual and Sustainability Report 2021 page 74

Horizon Oil (ASX 501+)

Horizon Oil includes a table of climate-related risks and opportunities in its *Sustainability Report 2021*. The table include a description of the opportunity, potential financial impacts and projected time horizon for each opportunity. The opportunities are tied to transitioning to a lower carbon economy and include resource efficiency resulting in lower operating costs and potential diversification of business activities away from oil, such as through the exploration of carbon capture and storage technologies.

[B] HORIZON CLIMATE-RELATED OPPORTUNITIES

OPPORTUNITY	DESCRIPTION	POTENTIAL FINANCIAL IMPACTS	TIME HORIZON
RESOURCE EFFICIENCY	Commercial opportunities arising from new technologies as the market transitions to a lower-carbon economy	Improved operating efficiency and accelerated technological innovation, resulting in lower operating costs for the business	Medium to long term
PRODUCTS & SERVICES	Diversify business activities	Increased revenues through access to new and emerging markets. Horizon is pursuing carbon capture and storage opportunities, specifically in the area of exploration and appraisal of potential carbon capture and storage sites	Medium to long term

Figure 9: Horizon Oil Sustainability Report 2021 page 17

Technical insight

Assessing material exposures

What is a materiality assessment process?

A 'materiality assessment' is the process of identifying, refining and assessing numerous potential environmental and social exposures that could affect the entity and/or the entity's stakeholders. The identified exposures are then condensed into a list of topics that inform the entity's strategy, management approach, performance and targets and public reporting.[5] A materiality assessment process typically involves the following key phases: the creation of a long-list of potential material topics; refining topics by grouping into categories; exploring categories in greater detail; seeking stakeholder feedback; engaging management, executive leadership and the board; and prioritising the topics based on strategic importance to the business.[6] The level of stakeholder engagement can vary depending on the resources available to the entity including whether a third party is engaged to conduct the materiality assessment. Entities may also wish to align their materiality assessment with a globally recognised framework.

Why is materiality assessment important?

Identifying material environmental and/or social exposures (risks and opportunities) enables entities to focus risk and opportunity management and strategic direction in a targeted and efficient manner, while monitoring and reporting on material elements that are important to stakeholders.

The emphasis on material information improves the entity's and external users' decision-making by focusing on the core issues managed by the entity, limiting extraneous information, and supporting concise, digestible reporting content.[7] Further, the materiality assessment process encourages boards and management to critically evaluate the trends, dependencies, risks and opportunities likely to shape the entity's performance trajectory.[8]

How is 'material exposure' defined?

Recommendation 7.4 provides a definition of what constitutes a 'material exposure'. Material means "a real possibility that the risk in question could materially impact the listed entity's ability to create or preserve value for securityholders over the short, medium or longer term".

Several definitions of materiality are provided by various recognised international standards and frameworks. The focus of their impact varies with some standards and frameworks focused on information investors would find decision-useful and others catering to the information needs of broader stakeholder groups. To illustrate the diversity of current definitions of materiality, the following two examples are provided from recognised international frameworks:

Financial materiality for investors:

International Sustainability Standards Board (ISSB) Exposure Drafts Sustainability Disclosure Standard IFRS S1: General requirements for disclosure of Sustainability-related Financial Information, which states:

> Sustainability-related financial information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general-purpose financial reporting make on the basis of that reporting, which provides information about a specific reporting entity.[9]

Broader stakeholder materiality focus:

Global Reporting Initiative (GRI) Standards GRI3: Material Topics 2021, which states:

> Material topics are topics that represent the organisation's most significant impacts on the economy, environment and people, including impacts on their human rights[10]

In 2020, five internationally recognised sustainability and integrated reporting organisations issued a statement of intent to work together towards comprehensive corporate reporting. The statement recognised several concepts used by entities to determine material environmental and social impacts and introduced a concept of 'nested' materiality.

Nested materiality applies a graduated approach to reporting, starting from core financial information typically reported in financial accounts, to sustainability topics that are material for enterprise value creation, to an entity's significant impacts on the economy, environment and people, as represented below.

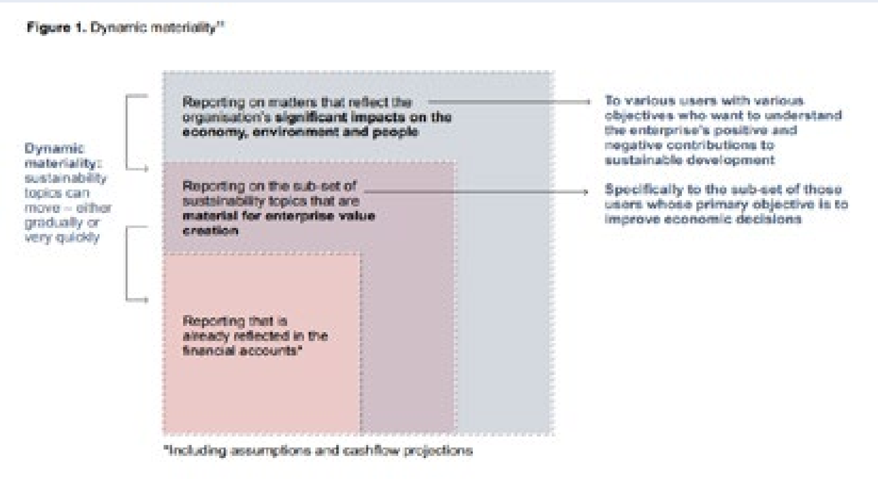


Figure 10: Representation of nested materiality[11]

Good practive examples

Internally focussed

E&P Financial Group Limited (ASX 501+)

Given the nature and size of the Company's business and operations, the business has not identified any material environmental sustainability risks. Social sustainability risk assessment (across areas such as customer privacy, ethical conduct, and labour management) forms part of the overall risk management framework overseen by the Board, with the assistance of the Audit, Risk & Compliance Committee. In addition, our Modern Slavery Statement provides an overview of the policies and practices that supports the ongoing assessment of social sustainability risks related to contractual counterparties and suppliers.

Figure 11: E&P Financial Group Limited FY21 Annual Report page 28

Incorporating internal and external views and trends

McMillan Shakespeare Group (ASX 201-500)

McMillan Shakespeare Group disclosed their materiality identification process in their *Sustainability Report 2021*. The process included a scan of the investor and industry landscape to identify potentially material trends, internal consultation and an internal validation workshop with McMillan Shakespeare's management to identify the key material risks and opportunities. Five identified material topics were clearly listed, along with page numbers of where the Group's management approach was disclosed.

Our stakeholders and strategy

OUR MATERIAL ISSUES

Our business operates in an environment that is constantly evolving, and it's important that we anticipate and respond to these changes, manage our risks and leverage opportunities in order to sustain and grow our business.

Our Board and management recognise the importance of having effective risk management and corporate governance practices. The Group Executive team, as well as dedicated risk and compliance functions are responsible for ongoing monitoring of Group-wide risk management systems to ensure that we proactively identify and manage our material risks and opportunities.

During the year, we conducted a high level materiality review to understand long-term environmental, social and governance risks and opportunities for the Group.

The process, led by an independent sustainability consultant, included:

- a review of the investor landscape, financial services and automotive industry trends, and community expectations,
- in-depth consultations with the MMS management team, and
- an internal validation workshop with the management team to validate the most material ESG risks and opportunities for the Group, taking into account interests of key stakeholders, and prioritise those that have the potential for greatest business impact.

This work informed the formulation of our sustainability strategy and the content of this Report. Findings have also been integrated within MMS's Group level risk register which contains material risks for the Group and resulting management strategies.

Topic	Description	Our response
Climate change	Addressing MMS's climate change impact. This includes managing risks and opportunities from transition to net zero economies (including the longer term transport sector transition to the use of low and zero emission vehicles), reducing MMS's direct operational impact, and assisting our clients and customers on their carbon reduction goals.	Low carbon economy (pages 30–33)
Customer experience	Designing products and services that meet the needs of our customers and delivering a positive customer experience	Serving our customers (pages 18–19)
Customer financial wellbeing	Supporting the financial wellbeing of customers through our suite of products and services	Serving our customers (pages 18–19)
Accessibility and social inclusion	Ensuring that disadvantaged or vulnerable individuals or communities, including those living with disabilities and Indigenous Australians, can engage with and feel supported by our brand, products, services and workplaces.	Serving our customers (page 19-21) Supporting our communities (pages 22-24)
Community investment	Making a positive impact on communities in which we operate through impactful community investment activities and providing employees opportunities to contribute through volunteering and fundraising programs.	Supporting our communities (pages 22-24)

Figure 12: McMillan Shakespeare Group Sustainability Report 2021 page 9

Incorporating external stakeholder interviews

Xero (S&P/ASX 200)

Xero's materiality assessment process, including involvement of external and internal stakeholders and validation processes, along with the identified material exposures are disclosed in its *2022 Annual Report* and reproduced below.

This year, we conducted our first externally-facilitated stakeholder engagement and materiality assessment. This was to help ensure we are identifying and responding to the sustainability issues, risks and opportunities that are most material to our stakeholders and the creation of long-term value at Xero.

Our assessment was completed in accordance with materiality guidelines of the Integrated Reporting <IR> Framework. The assessment considered a range of inputs, including peer and competitor benchmarking, a review of the Sustainability Accounting Standards Board (SASB) software and IT services sector standard, and Xero internal documents. We also engaged directly through a range of activities involving internal and external stakeholders. These included surveys responded to by more than 600 employees and approximately 350 customers. Interviews were conducted with 34 additional key stakeholders including senior Xero executives, directors and investors. The initial findings were reviewed by our ESG Steering Committee, and validated by the Xero leadership team.

Through this process we identified the ESG "matters material to value creation". We also identified some additional matters that emerged as slightly less material in the overall assessment, but we felt warranted discussion in this report. How we manage each of these to enhance Xero's value, is described under each of the Inputs in this report.

The stakeholder engagement and materiality process has identified the following material matters for FY22.
The sustainability matters identified are grouped under four of the identified Inputs that are described in further detail in the How Xero creates value section of the report on pages 20 to 27. A fifth grouping of matters has been formed under the category of 'Governance' which also forms a critical component of the value creation process. Those that are recognised as material to long-term value creation by the process are highlighted in bold.

People and Culture
- **Employee attraction, training, development and retention**
- **Employee health, safety and wellbeing**
- **Diversity and inclusion**

Customer, Partners & Ecosystem
- **Stability, reliability and accessibility of information**
- **Customer support, loyalty and engagement**
- Supporting Xero's ecosystem to do good

Platform, Technology and Data
- **Stability, reliability and accessibility of information**
- **Cyber security**
- **Customer privacy**
- **Technological innovation, artificial intelligence and digitisation**
- Intellectual property, including product development and delivery

Social and Environmental
- **Climate action and energy management (including alignment with the Taskforce on Climate-related Financial Disclosures)**
- **Responsible supply chain and modern slavery**
- Community support, engagement and partnerships

Governance
- **Board and management composition, capabilities and remuneration**
- **Corporate governance, compliance and risk management**

These are discussed on pages 23 and 65 of this report.

Figure 13: Xero Annual Report 2022 page 22

Management of material exposures

Of the population of entities that stated they have followed Recommendation 7.4 in full for the whole reporting period, the majority (68 percent or 363 entities) specifically referenced in their Appendix 4G the location of management approach disclosures. The majority of these entities are within the S&P/ASX 200. While the remaining 172 entities did not specifically state in their Appendix 4G the location of management approach disclosures, the majority have provided those disclosures in the reports examined as part of this research.

Of the 68 percent of sampled entities that disclosed the location of their management approach in their Appendix 4G, the majority (87 percent or 314 entities) provided this disclosure in the same report that they disclosed whether they have material exposure to environmental and social risks, and some (13 percent or 49 entities) provide this disclosure in a different report, most commonly a stand-alone sustainability report.

Good practice examples

Transurban (S&P/ASX 200)

Transurban's approach to managing material exposures is outlined in its *FY21 Corporate Governance Statement*. Management of environmental (including climate related impacts) and social risks is incorporated within the entity-wide risk management framework. The Board and the Audit & Risk Committee are responsible for overseeing Transurban's risk management framework, with management and internal control of the framework delegated to management through the CEO.

8. Recognising and managing risk

Relevant governance documents
- Audit and Risk Committee Charter
- Risk Management Policy

8.1 Risk management framework

The Board, in conjunction with the Audit and Risk Committee, is responsible for overseeing the implementation of an effective system of risk management and internal control. The responsibility for maintaining Transurban's sound system of risk management and internal control has been delegated to management through the CEO.

Transurban has implemented a practical and holistic Enterprise-wide Risk Management (ERM) Framework which applies to all its business activities, operations and projects. The ERM Framework is aligned to industry better practice and is consistent with the ISO 31000:2018 risk management standard. The ERM Framework provides guidance on the identification, assessment, management and escalation of risks to ensure that key risks, including those with the potential to have a material impact on the business, are escalated appropriately for decision-making and proactive management. The framework is also integrated with our HSE, emergency management, business continuity, crisis management and assurance processes to enhance our business resilience and identify opportunities to innovate.

The ERM Framework includes a Risk Management Policy that articulates the increasing maturity of Transurban's risk management profile and business growth. These enhancements included further refinements to the Risk Appetite Statement and risk management guidelines. The dedicated ERM software system has also been enhanced through further integration with data analytics to provide increased access to, and sharing of, risk knowledge and insights across a broad range of risk topics. The Audit and Risk Committee has satisfied itself that the ERM Framework continues to be sound both in process and its application within the business, and that Transurban is operating with due regard to the risk appetite set by the Board.

8.2 Material risk disclosure

Transurban is exposed to a variety of risks due to the nature of the environment in which it operates. These risks include consideration of financial and non-financial risk themes including economic conditions, environmental (including climate related impacts on/or from Transurban), regulatory risk and social sustainability risks themes.

The risks outlined below reflect the key business risks (threats and opportunities) that have the potential to impact on Transurban's operations and its financial performance if not managed effectively.

Under the ERM Framework, any risks identified as material are escalated to the appropriate Senior Executive for management and monitoring in accordance with the ERM Framework and reported to the Audit and Risk Committee.

During the reporting period, Transurban continued its organisation-wide climate change risk review process in line with the Task Force on Climate related Financial Disclosures (TCFD) recommendations. This included validation of the existing Transurban business, project, operational and strategic risks where climate change has been identified as a contributing cause to the risk including those relating to asset and system reliability, traffic forecasts, project disruption and supply chain vulnerabilities.

Further details about material risks and how Transurban manages them are set out in Transurban's FY21 Corporate Report.

8.3 Internal audit function

Internal Audit provides independent and objective assurance on the adequacy and effectiveness of Transurban's internal control environment and results of internal audits and recommendations are provided to improve the efficiency of the relevant systems and processes.

Transurban has a co-sourced internal Audit function where an external service provider partners with a core internal team. The co-source model enables a balance of external subject matter expertise and internal knowledge.

Internal Audit operates under a dynamic plan approved annually by the Audit and Risk Committee and updated quarterly. Internal Audit has full access to all functions, records, property and personnel of Transurban. In accordance with the Transurban Internal Audit Charter, Internal Audit administratively reports to the Company Secretary and has a direct reporting line to the Chair of the Audit and Risk Committee.

A risk-based approach aligned to the enhanced ERM Framework is used to focus assurance activities. The results of internal audit activities are reported to the Audit and Risk Committee at each of its meetings.

Figure 14: Transurban Corporate Governance Statement 2021 page 13

NEXTDC Limited (S&P/ASX 200)

NEXTDC clearly describe climate related risks and opportunities in their *FY21 Environmental, Social and Governance Report*, including a description of the risk and/or opportunity, the time horizon and the associated controls and mitigation strategies.

Risk and Opportunities

The table below sets out the potentially significant climate-related risks and opportunities identified through this process, as well as the key response strategies we are implementing.

Topic	Description of risk and/or opportunity	Time horizon	Control and mitigation
Reputation	NEXTDC's climate change-related disclosures may fall below stakeholder expectations of an ASX100-listed company. This may impact our ability to attract capital, deliver shareholder returns and execute growth plans (including consideration as a preferred supplier or partner).	S/M	• We have publicly disclosed Environmental, Social and Governance (ESG) Reports each year including content on climate change. This includes a roadmap for compliance with recommendations of the TCFD in FY21 and FY22. • We undertake regular and transparent engagement with investors on ESG related concerns including climate change.
Reputation	NEXTDC's strategic response to climate change may not meet investor and other stakeholders' expectations. This may impact our ability to attract capital, deliver shareholder returns and execute growth plans (including consideration as a preferred supplier or partner). There is also an opportunity to exceed stakeholder expectations in this area, further strengthening our reputation and presenting the business as a supplier and/or investment of choice.	S/M/L	• Our core customer offering includes best practice energy efficiency levels and a carbon neutral service offering (recently released to market) with offsets procured via a reputable third-party broker. • We have strategic partnerships in place with leaders in sustainable supply chain practices including climate change related performance, to further strengthen sustainability performance and credentials. • We are in the process of developing decarbonisation plans and targets which are aligned with goals of the Paris Agreement.
Policy/ Compliance	As climate policies develop further in Australia, emissions from the electricity generation sector may be included, with associated carbon costs likely to be passed through to end-users such as NEXTDC and its customers. Renewable energy policies may also be expanded and result in increased pass-through of costs incurred by electricity producers and retailers. NEXTDC may also be affected by changes to commercial building laws and regulations in response to climate change, including more stringent energy efficiency requirements.	S/M/L	• An internal legal team maintains oversight of emerging regulations that may impact our business directly or indirectly, with support from external counsel where required. • The majority of customer contracts in place allow for direct pass-through of electricity costs, including relevant levies and network charges. For contracts not set up with direct electricity cost pass-through, appropriate force majeure provisions are in place to manage disruptive price increases. • We actively pursue renewable electricity supply contracts as a component of our electricity cost and risk management strategies (including investment in both on-site and off-site renewable generation). • Optimal energy efficiency is maintained as a core element of NEXTDC's customer offering, including external verification via achievement and maintenance of 5-star (or better) NABERS ratings our facilities, ISO14001 certification at all sites and publicly disclosed national average Power Utilisation Effectiveness (PUE) ratios.

Figure 15: NEXTDC FY21 Environmental, Social and Governance Report page 30

Fortescue Metals Group Ltd (S&P/ASX 200)

Fortescue outline their material social and environmental risks and associated risk management strategy within their *2021 Corporate Governance Statement*. A linkage to company Values is also made.

Material risk	Risk management strategy
Social and environmental sustainability risks	
Health and safety and environmental incidents and/or breaches of regulations could adversely affect our people, operations and reputation	Safety is one of our core Values and we aim to achieve global leadership in safety performance. • We have a comprehensive Health, Safety, Environment and Security framework that promotes responsibility and accountability at all levels within the organisation. • We have an active program of education, training, monitoring and reporting within the business which is focused on continuous improvement and learning from experience. • We are actively engaged both locally and globally to identify and implement leading safety and environmental practices across all the sectors in which we operate. • We consult with local communities, regulators and other stakeholder groups to ensure our operations are managed in an environmentally sustainable manner.
Managing workforce capacity and capability to meet our current and future skill requirements	Automation, digital platforms and other innovations are changing the fundamental nature of work, resulting in industries evolving at a rapid pace. Our ability to identify, attract and retain key talent is fundamental to establishing sufficient workforce capacity and capability to support the delivery of current and future strategic priorities. • We have robust approaches to talent and recruitment management, remuneration, skills development and succession planning. • We work to strengthen our reputation and status in the community as an employer of choice through community engagement programs. • Employee engagement is a key priority, and we are committed to ensuring our employees are provided with opportunities to help shape the way that we conduct our business. • We are committed to building and maintaining a workplace that is diverse and inclusive of all people.
Climate change	Climate change presents us with a range of risks and opportunities. • We are committed to contributing to global efforts to combat climate change and support the Paris Agreement's long-term goal of limiting global temperature rise to well below 2° Celsius above pre-industrial levels. • We have announced an industry-leading emissions reduction target to achieve carbon neutrality by 2030 (net zero Scope 1 and Scope 2 emissions). • We support reporting in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), recognising that this provides the transparency, standardisation and meaningful disclosure that allows our stakeholders to access our performance. More extensive disclosure on climate change risk and Fortescue's response is set out in our FY21 Climate Change Report, which is available on our website at www.fmgl.com.au

Figure 16: Fortescue Metals Corporate Governance Statement FY21 page 4

‘If not, why not’ explanations and reporting of no material exposures

Recommendation 7.4 not followed in full

4 percent (23) of the sampled entities disclosed that they did not follow the Recommendation in full for the whole of the reporting period. Below are examples of their ‘if not, why not’ responses:

- “The Company has a well-established and active Environmental Policy and Management Plan that governs the operations of the Company. The Company is fully cognisant of its responsibility to meet community expectations and legislative requirements in respect to Environmental and Social responsibility. The company plans and manages activities so that their effect on the environment will be minimised to ensure all operations are in line with expectations.”
- “The Fund invests predominantly in securities listed on the ASX. The companies in which the Fund invests may have a material exposure to economic, environmental or social sustainability risks and these risks are evaluated as part of the investment decision making process.”
- “The Company does not currently have any material exposure to environmental and social risks. As a company with no employees, the Company itself does not impact the environment significantly.”
- “The entity does not have material exposure in these areas at this stage of the Company’s operations. The risks relevant to the entity are disclosed on the Company’s website in the Corporate Governance Section.”

There is great variation in the nature of the provided responses. Not all responses address the question of why the Recommendation 7.4 was not followed in full. Answers were reproduced verbatim to highlight the low level of consistency in responses, as well as the lack of clarity in the responses provided.

No material social and/or environmental exposure identified

A quarter of the sampled entities that stated they adopted the Recommendation in full, reported that they did not have material exposure to environmental and/or social risks. Below is a breakdown of these entities by sector groups, followed by detailed insights covering reasons provided by the sampled entities explaining why they believe they do not have material exposure to environmental or social risks, including benchmarking of these disclosures against peers, and further guidance on climate change risk identification.

Percentage of total sector group that report no exposure to environmental and/or social risks

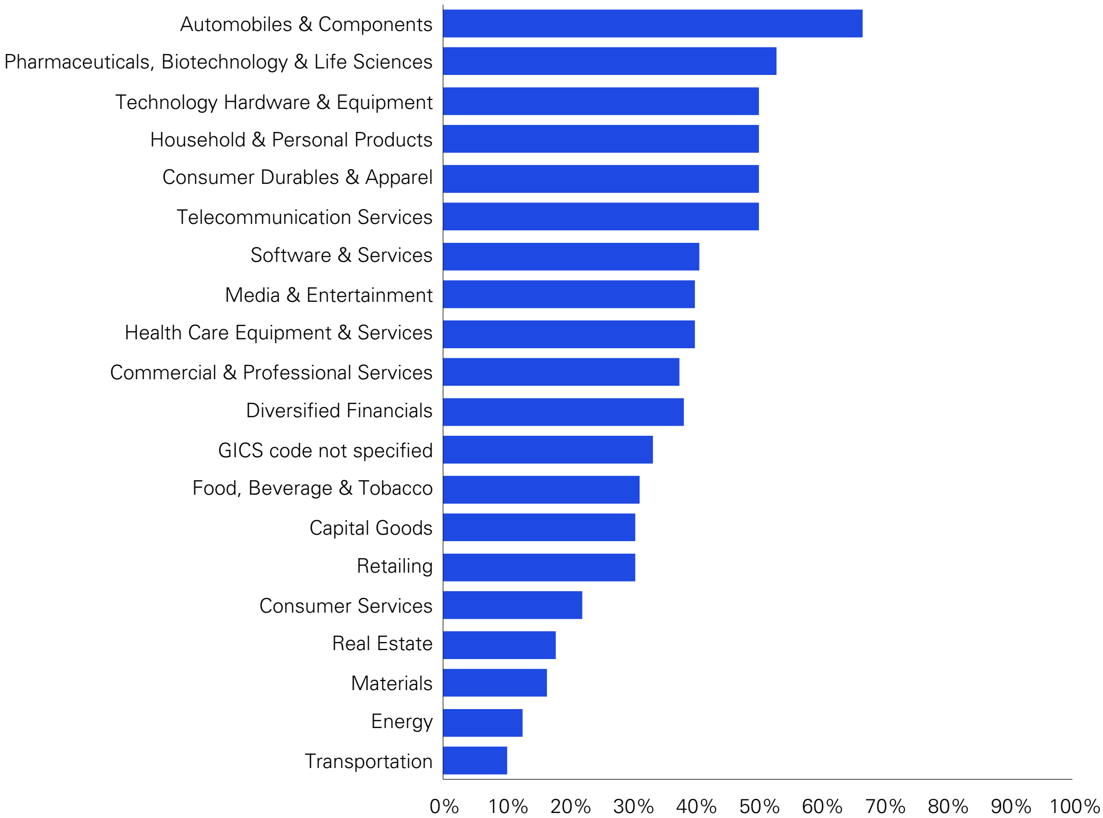


Figure 17 : Sector groups reporting no exposure to environmental and/or social risks

Only approximately a quarter of the entities that reported they do not have material exposure to environmental and/or social risks provided a reason why they do not have exposure.

The reasons provided to explain why the entity does not have material exposure to environmental and/or social risks vary between entities and include the following:

- The sector in which the entity operates does not expose them to material environmental or social risks
- The entity has a diverse portfolio and therefore material exposure to risk to an investee company should not result in material exposure to the entity
- The entity is an investment company with no employees and therefore no significant environmental impact
- Due to the entity's activities, products and size, it does not have material exposure to environmental and social risks
- Given that the entity is a services firm and the majority of the employees are based in a small head office, there is relatively small environmental impact
- The board considers the entity to not have material exposure to environmental risks as the entity's activities do not adversely impact the environment, and the activities will not be adversely affected by changes in the natural environment
- Controls, policies and risk management frameworks implemented mitigate the risks and as such they are not material
- The entity is in the pre-project stage of development
- The entity's operations are not materially affected by environmental regulations under state or federal legislation, or if they are, there have been no breaches of the regulations
- The entity manages environmental activities in an environmentally sustainable manner.

The Council encourages entities that believe they do not have material exposure to environmental or social risks to consider carefully their basis for that belief and to benchmark their disclosures against those made by their peers.[12]

Our review of the entities that did not identify any material exposure to environmental or social risks revealed an inconsistency with peer comparisons, whereby peer entities in most cases did identify material environmental and social risk exposures. We acknowledge there is a significant breadth of entities with different circumstances and exposures within the sampled entities. However, inconsistencies amongst sector peer groups illustrate the need for greater consideration of the basis of the belief that there is no material exposure to environmental or social risks and benchmarking disclosures against those made by peers. We have called out the following examples which highlight identified inconsistencies and explore why the explanations may be deemed insufficient:

Inconsistency between sectors:

a. Technology Hardware & Equipment sector peers

One of the sampled entities in the Technology Hardware & Equipment sector stated that the sector in which the entity operates does not expose them to material environmental or social risks. However just under half of the other sampled entities in this sector identified specific social risks in their in-scope reporting. Specifically, modern slavery, health and safety, diversity and inclusion, corruption, pandemics (COVID-19), and intellectual property were identified as material social exposures by other sampled entities in the sector.

b. Commercial & Professional Services sector peers

One of the entities in the Commercial & Professional Services sector stated that the clients they serve operate in sectors that are unlikely to be directly impacted by climate change. In contrast, around half of the other sampled entities in this sector disclosed specific environmental and social risks in their in-scope reporting. Specifically, climate change, water scarcity, environmental incidents, contamination, pollution and waste were identified as material environmental exposures and community support, supply chain/modern slavery, health and safety, employee engagement, diversity and inclusion, corruption and pandemics (COVID-19) were identified as material social exposures.

c. Diversified Financials sector peers

One of the entities in the Diversified Financials sector stated that the entity's operations did not expose it to material environmental risks, nor does it operate in a sector that has the potential to damage ecosystems. However more than half of the other sampled entities in the Diversified Financials sector disclosed specific environmental and social risks in their in-scope reporting. Specifically, climate change, water, contamination, pollution and waste were identified as material environmental exposures, while health and safety, diversity and inclusion and community support were identified as material social exposures. Some of the risk management approaches included incorporation of climate-related risks into credit analysis for carbon intensive sectors, generating physical and transition climate risk vulnerability heat maps to inform portfolio risk assessments, conducting scenario analysis of lending and equity portfolios, promoting clear expectations and facilitating improvements in investee entities' Work Health and Safety Policies.

Inconsistency within investment entities, primarily asset managers:

One of the common 'if not, why not' reasons provided was that the entity is not directly or materially exposed to the environmental and/or social risks impacting the investee entities within their portfolios.

The TCFD Framework provides guidance on identification of climate change related risks by asset owners ("whether they invest directly or through asset managers, asset owners bear the potential transition and physical climate change risk to which their investments are exposed"[13]) and asset managers *("In the case where an asset manager is a public company, it has two distinct audiences for its climate related financial disclosures. The first audience is its shareholders, who need to understand enterprise-level risks and opportunities and how these are managed. The second is its clients, for whom product-, investment strategy-, or client-specific disclosures are more relevant."[14])*.

This guidance encourages asset owners and asset managers to consider whether their investments are exposed to climate change risk. Listed entities that choose to follow the TCFD Framework are encouraged to consider this guidance when identifying material exposure.

Narrow focus on environmental regulations fails to incorporate investor information needs, inconsistent with sector peers

Two of the entities in the Health Care Equipment & Services sector and two entities in the Retailing sector stated that the entity's operations are not materially affected by environmental regulations under state or federal legislation, or if they are, there have been no breaches of the regulations. The definition of 'material exposure' in Recommendation 7.4 refers to creation or preservation of value for securityholders. Therefore, Australian listed entities are encouraged to consider investor information needs, beyond the requirements of environmental or social regulation. Australian investors' expectations with respect to climate governance, including specific themes that support investor engagement with entities on climate risk, are discussed below. Further, this explanation is inconsistent with sector peers, with over half of peers in both the Health Care Equipment & Services sector, and the Retailing sector reporting on specific environmental and/or social risks in their in-scope reporting (for example, climate change and related impacts, water, waste, employee health and safety and diversity and inclusion). We acknowledge a wide variety of entities are included within our sample and that some entities may genuinely not have material exposure to environmental and social risk. This example is presented to highlight inconsistencies in reporting by peer entities and highlight the focus of the Recommendation on securityholder information needs.

Climate change risk

Climate change risk is a specific environmental risk that many listed entities will be exposed to, even where they are not directly involved in mining or consuming fossil fuels. The Council encourages entities to consider whether they have material exposure to climate change risk by reference to the Recommendations of the Financial Stability Board's TCFD, and if they do, to consider making the disclosures recommended by the TCFD.[15]

Implementing the Recommendations of the TCFD[16] guidance published in October 2021 encourages all organisations to disclose their absolute Scope 1 and 2 greenhouse gas emissions independent of a materiality assessment and their Scope 3 emissions subject to materiality. The guidance notes that "organizations should determine materiality for climate-related issues consistent with how they determine the materiality of other information included in their annual financial filings." The guidance "cautions organizations against prematurely concluding that climate-related risks and opportunities are not material based on perceptions of the longer-term nature of some climate-related risks."

Emerging environmental and social risks and opportunities

SECTION 2:

Emerging environmental and social risks and opportunities

2.1 Natural capital

Background

With the release of the Taskforce on Nature-related Financial Disclosures (TNFD) (Beta Framework) in March 2022, momentum is continuing to build towards a standardised reporting framework for disclosures around entities interface with nature, including risks and opportunities. The TNFD defines nature as the natural world, emphasising the diversity of living organisms (including people) and their interactions amongst themselves and with their environment (including ocean, land, freshwater and atmosphere).

The TNFD broadly seeks to align with the three global targets in the UN Convention on Biological Diversity's (CBD) post-2020 Global Biodiversity Framework: 'zero net loss of nature' from 2020, 'net positive' by 2030 and a full recovery of nature by 2050.

Importance of natural capital

Nature's contribution to the global economy is estimated to be US$125 trillion per year. In comparison, over 50 percent of the world's GDP (US$44 trillion) is moderately or highly dependent on nature and its services.[17] *The World Economic Forum 2022 Global Risk Report*, ranks biodiversity loss and ecosystem collapse as one of the top five risks humanity will face over the next year.[18]

Industry and governments that embrace nature-positive policies, procedures and investments stand to gain considerable opportunities. Transitioning to a nature-positive economy stands to create 395 million new jobs and generate US$10 trillion in annual business value[19].

Natural capital reporting frameworks

TNFD's Beta Framework seeks to provide an overarching reporting framework to guide nature-related disclosures. Modelled on the TCFD Framework, it aims to establish a method for entities to identify, assess and report material nature-related risks and opportunities.

TNFD's Beta Framework consists of three core components:

- foundational guidance on concepts and definitions to aid understanding of nature-based risks and opportunities
- draft disclosure recommendations
- an introduction to the 'Locate, Evaluate, Assess and Prepare' (LEAP) assessment process for assessing nature-related risks and opportunities.

In addition to the TNFD, other complementary frameworks assist and guide organisations to undertake their assessments, create KPIs and targets, and develop disclosures. These frameworks include:

- Science Based Targets Network[20]
- Global Reporting Initiative[21]
- Natural Capital Protocol[22]
- World Benchmarking Alliance – Nature and Biodiversity Benchmark.[23]

Entities currently reporting on natural capital

Nature-related disclosures are varied in quantity and quality across ASX listed entities, with many entities currently not making any form of natural capital related disclosure.

Where entities are making natural capital related disclosures, these vary from discrete disclosure on specific nature-related spheres (e.g. water consumption), through to setting and disclosing specific targets and natural capital value conserved or consumed.

Good practice examples

Rio Tinto (S&P/ASX 200)

While the scope of this report is disclosures in calendar year 2021, in 2020, Rio Tinto reported on the biodiversity sensitivity of their assets using a database developed by the UN Environment Programme World Conservation Monitoring Centre methodology, which combines global datasets of threatened species and conservation and protected areas. This work has expanded to include how Rio Tinto's biodiversity programmes might also contribute to carbon sequestration and application of nature-based solutions within landholdings.

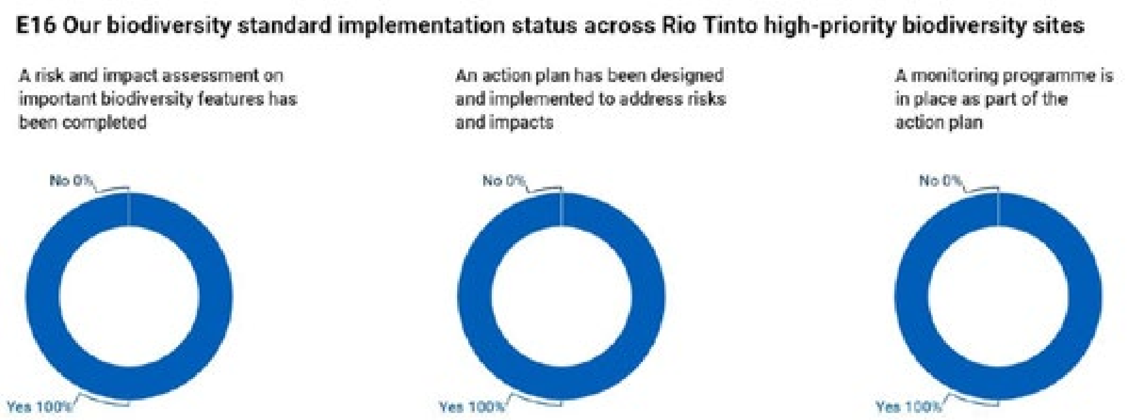


Figure 19: Rio Tinto's website, 'Biodiversity' page, within their 'Sustainability' section

Stockland (S&P/ASX 200)

Stockland's *2021 ESG Review* includes an entire segment on biodiversity within the environment chapter, describing key targets, performance progress and status.

PROGRESS ON KEY TARGETS

TARGETS	PROGRESS	STATUS
Maintain a net positive contribution to biodiversity value as determined by the biodiversity calculator for all new master planned residential communities.	Achieved a positive Biodiversity Index Score for the following masterplanned communities projects: The Gables (NSW), Evergreen (Vic), Katalia (Vic) and Sinagra (WA).	●
Review our biodiversity calculator and methodology to ensure it continues to provide best practice assessment of our biodiversity project outcomes.	The calculator was reviewed in FY21. Minor changes were made to definitions to enhance ease of use and alignment with targets while still representing industry best practice across all regions in which Stockland operates.	●
Continue to work with all levels of governments, and biodiversity experts to identify best practice design, restoration and engagement approaches on our project sites.	We have reviewed current legislation alongside with our consultant teams, including NSW Government Architect's Draft Greener Places Design Guide, and participated in GBCA's new Expert Reference Panel for Nature to ensure we use best practice biodiversity principles on our projects.	●

Figure 19: Stockland FY21 ESG Review page 35

Future implications for natural capital

Given the importance of natural capital to the global economy, listed entities can expect nature and biodiversity-related financial disclosures to be called for in the future in the same way as climate-change disclosures are currently expected by the capital markets, regulators and broader society.

To prepare, Australian listed entities are encouraged to proactively identify short, medium and long-term material exposures (where they exist) to nature-related risks in their supply chains and organisational footprints. Additionally, entities are encouraged to consider appropriate metrics to measure performance and demonstrate progress where entities decide to transition towards nature-positive strategies.

2.2 Circular economy

Background

The Ellen MacArthur Foundation defines the Circular Economy (CE) as:

> "A systems solution framework that tackles global challenges like climate change, biodiversity loss, waste, and pollution. It is based on **three principles, driven by design: eliminate waste and pollution, circulate products and materials (at their highest value), and regenerate nature.**
>
> It is underpinned by a transition to renewable energy and materials. Transitioning to a circular economy entails decoupling economic activity from the consumption of finite resources. This represents a systemic shift that builds long-term resilience, generates business and economic opportunities, and provides environmental and societal benefits."[24]

This approach to the economy is a contrast to the current economic approach, in which we take materials from the earth, use them to make products and eventually dispose of them as waste. This is considered a linear economy. The circular economy, by comparison, focuses on keeping resources within the economy longer through the design of materials and processes to maintain resource value.

Importance of circular economy

In a report commissioned by the CSIRO, KPMG estimates that a circular economy could give Australia a $23 billion GDP boost[25]. The circular economy, by definition, is a transformative framework that poses change to business as usual. This transformation can create opportunities for businesses that embrace the transition and may generate risks for those that are left behind and continue to operate linearly. The circular economy helps businesses mitigate risks that come with the linear economy and leverage new business opportunities for value creation.

Circular economy reporting

Overall, only a few reporting approaches explicitly mention Circular Economy, namely, the GRI Standards GRI 306[26], British Standards Institution and the World Economic Forum. The reporting guidance given to entities on circularity reporting is very general, varies widely and places the responsibility of selecting performance assessment approaches on the reporting entity.

New circular assessment tools such as the Ellen MacArthur Foundation's Circulytics[27] and the World Business Council for Sustainable Development's Circular Transition Indicators[28] are beginning to enable entities to measure and track circularity performance.

The development of a circular economy reporting framework, common definitions, guidance, supporting tools and requirements for the implementation of activities is crucial for the development of a circular economy. The ISO is in the process of setting ISO TC 323 Circular Economy standard to provide a common global framework for entities.

Entities currently reporting on circular economy

Circular economy is becoming increasingly present on corporate agendas and may play an increasingly important role in future global and domestic reporting frameworks.

Australian entities are beginning to bring circularity and principles of the CE into their business strategy, operations and reporting these initiatives and efforts to the market.

Good practice examples

Pact Group Holdings Ltd (ASX 201-500)

Pact Group's *2021 Sustainability Report* includes reporting on extra financial figures including circular economy activities relating to reduction, reuse and recycling.

Figure 20: Pact Group Sustainability Report 2021 page 40

Nestlé

Nestlé designate a section of their sustainability report to Packaging and Circularity.[29] This includes packaging and circularity targets, strategy and plan to phase out problematic packaging.

Figure 20: Nestle Sustainability Report 2021, page 34

Brambles (S&P/ASX 200)

Brambles *Annual Report 2021*[30] explains Brambles' circular business model to facilitate sharing and reuse of pallets and containers through global supply chains, including how circularity helps Brambles generate value for their stakeholders.

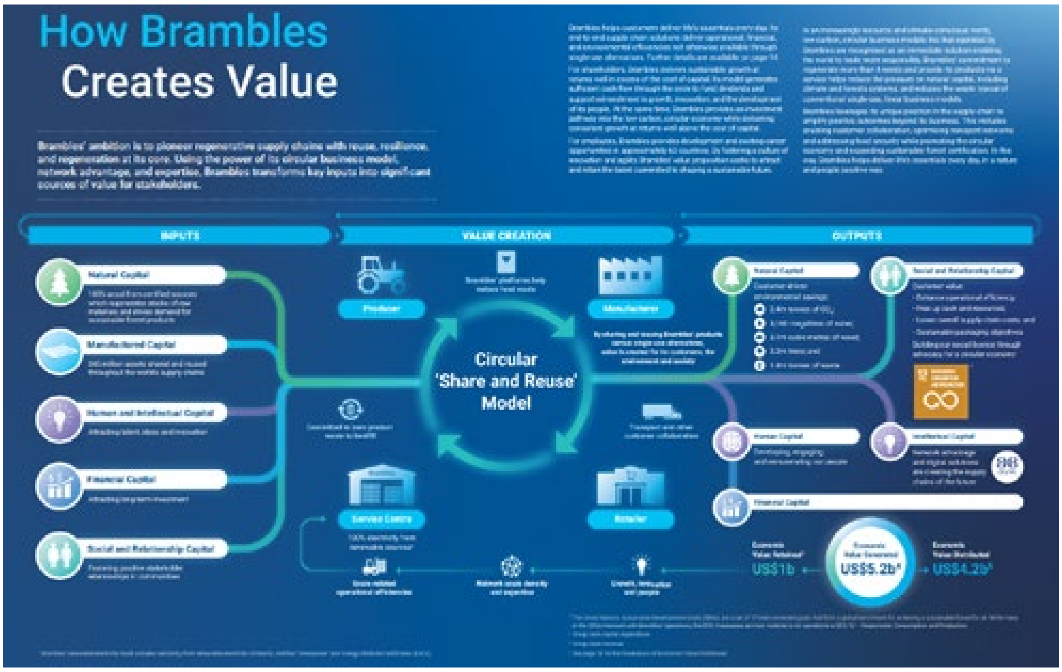


Figure 21: Brambles Annual Report 2021 page 8

Future implications of circular economy

Entities ought to consider how circularity can provide business benefits through unlocking innovation, potential new markets and generating cost savings. As a result of this, baselining circularity within business operations, understanding opportunities and reporting on linear risks within supply chains, including reliance on critical materials and virgin inputs, may become more prevalent and potentially regulated.

2.3 Modern slavery

Background

Regulation requiring certain entities to report on modern slavery risks is still relatively new, but expectations on risk management are evolving rapidly. In other jurisdictions, the introduction of mandatory human rights due diligence is driving deeper responses, including for Australian entities with a global footprint.

Modern slavery constitutes coercion, threats or deception to undermine an individual's freedom. Modern slavery includes human trafficking, slavery, servitude, forced labour, debt bondage, deceptive recruitment for labour or services, forced marriage and child labour.[31] Over 40.3 million people live in modern slavery worldwide, 16 million of whom are exploited in global supply chains in the private economy.[32]

Modern slavery is under-reported in Australia, with only an estimated one in five victims detected. Victims are often hidden out of sight in homes, restaurants, on farms, building sites and within supply chains.[33] From 2004 until June 2019, 24 offenders were convicted[34] notwithstanding the fact that over 200 cases of human trafficking have been reported to the Australian Federal Police each year for the past three years.[35]

Modern slavery reporting frameworks

In 2019, federal legislation introduced mandatory annual reporting for entities with an annual revenue of $100 million to publicly report on how they are managing the risk of modern slavery in their operations and supply chains. Boards are now responsible for public statements about their entities' efforts to manage the risk of modern slavery.

The *Modern Slavery Act 2018* (Cth) (the Act) sets out seven mandatory criteria for the content of these statements:

1. Identify the reporting entity
2. Describe the reporting entity's structure, operations and supply chains
3. Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls
4. Describe the actions taken by the reporting entity and any entities it owns or controls to assess and address these risks, including due diligence and remediation processes
5. Describe how the reporting entity assesses the effectiveness of these actions
6. Describe the process of consultation with any entities the reporting entity owns or controls (a joint statement must also describe consultation with the entity giving the statement)
7. Provide any other relevant information

The Act applies to over 3,000 entities in Australia and statements must be provided to the Australian Government for publication annually.

In addition, the UN Guiding Principles on Business and Human Rights (UNGPs) are the current global standard for government and business on preventing and addressing business-related human rights harms. The UNGPs outline clear foundational principles to help guide businesses to take appropriate steps to prevent, investigate, and redress any human rights abuses through effective policies, legislation, regulations and adjudication.

Entities reporting on modern slavery

Most Modern Slavery statements describe the structure and activities undertaken by the reporting entity and detail the processes in place to assess the risk of harm and actual modern slavery occurrences. However, KPMG's experience shows that many statements lack maturity in discussing actions undertaken to measure effectiveness of modern slavery responses, and entities do not outline remediation processes. More mature reporters outline forward-looking commitments relating to modern slavery, including what they intend to accomplish in the next reporting period.

Good practice examples

Wesfarmers (S&P/ASX 200)

Wesfarmers's modern slavery statement combines reference to modern slavery and human rights more broadly, explaining approach and position on both, as demonstrated in the *2021 Modern Slavery Statement* extract below.[36]

Wesfarmers actively monitors the risk of modern slavery occurring in its operations and supply chains. Wesfarmers recognises modern slavery in the context of broader human rights risks as modern slavery is considered a subset of labour rights, in turn a subset of human rights. Human rights risks are a material inherent risk in the Group's risk profile.

In the 2021 financial year, Wesfarmers engaged a third-party human rights consultant to conduct a salient human rights issues assessment across the Group. This assessment included:

- Discussions in cross-functional human rights working groups
- Overarching human rights and modern slavery risk management gap analyses
- Human rights risk mapping for operations, supply chains and other business relationships
- An assessment of each risk based on scale, scope, irremediability and likelihood of potential or actual human rights impact.

The findings of this risk assessment illustrated at a general level how the Group may impact human rights in its operations and supply chains. Supporting labour rights of workers in its value chain was listed as one of the six most salient human rights issues for Wesfarmers.

Importantly, the review and future work plans highlight progress made in the 2021 financial year along with the importance of the suite of actions we have taken to address identified modern slavery risks. No individual actions eliminate modern slavery risks and accordingly we recognise the need for continued vigilance and we expect that our strategies will continue to evolve.

Each division will use the issues assessment findings and recommendations to further improve existing human rights due diligence processes and procedures in the 2022 financial year.

WESFARMERS OPERATIONS

The Wesfarmers salient human rights issue assessment identified that key human rights issue for the Group's divisions is maintaining safe an fair workplaces for its team members in its operations. The operations the Group's divisions are primarily conducted in low modern slavery ris countries, such as Australia and New Zealand. The Wesfarmers divisio monitor and address human rights issues in their workforces under the various policies and procedures, including the Wesfarmers *Code of Conduct* and *Diversity and Inclusion Policy*.

At 30 June 2021 around 87 per cent of the Wesfarmers workforce was covered by collective agreements with the remaining 13 per cent employed via individual agreements. These agreements confer minimum pay and entitlements, in compliance with legal requirements, and typically provide for consultation regarding significant operational changes.

Wesfarmers recognises the right of team members to negotiate collectively, with or without the involvement of third parties.

Wesfarmers has assessed the risk of modern slavery in its operations a low because its workforces are predominantly in low-risk countries anc maintain robust human resources policies and grievance mechanisms, which create greater transparency of modern slavery issues.

Figure 22: Westfarmers 2021 Modern Slavery Statement page 5

Coles (S&P/ASX 200)

Coles illustrates the scope of their Ethical Sourcing Program to a Tier One and Tier Two level.

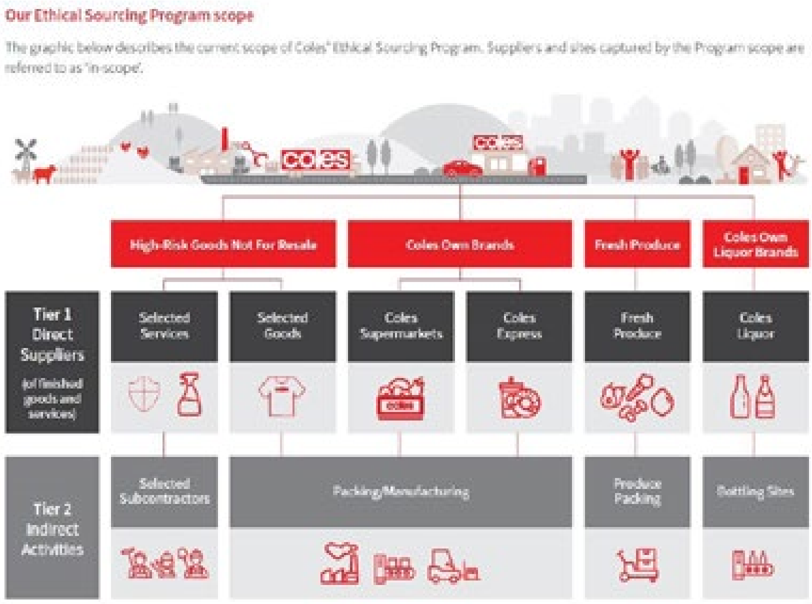


Figure 23: [Coles Group 2021 Sustainability Report] page 58

Future considerations for modern slavery

At a global level, there has been a move towards strengthening of due diligence and mandatory disclosure requirements that go beyond modern slavery and extend to human rights more broadly. For example, the draft European Union Directive on corporate sustainability due diligence extends human rights due diligence requirements to a company's value chains. The UK Government has also committed to amend its Modern Slavery Act 2015 to make current voluntary provisions mandatory.

In Australia, the Modern Slavery Act 2018 (Cth) is currently under review, with amendments expected by March 2023. Australian listed entities are encouraged to stay abreast of developments of legislative requirements.

Frameworks and standards used to report environmental and social risk disclosures

SECTION 3:

Frameworks and standards used to report environmental and social risk disclosures

3.1 Frameworks and standards used

Approximately half of the entities that reported on material social or/and environmental exposures, referenced at least one reporting framework or standard, with the other half not referring to any reporting frameworks or standards. Further, 31 percent reported against more than one reporting framework or standard, which was predominantly observed in the S&P/ASX 200.

Table 3

	At least one reporting framework	More than one reporting framework
S&P/ASX 200	83%	66%
ASX 201-500	41%	24%
ASX 501+	12%	4%
Total	**44%**	**31%**

Table 4: Percentage of entities with at least one reporting framework and more than one reporting framework

Recommendation 7.4 commentary states that entities may meet this Recommendation by publishing an integrated report in accordance with the Value Reporting Foundation's International Integrated Reporting <IR> Framework, or a sustainability report in accordance with a recognised international standard, such as:

- The Global Reporting Initiative (GRI) Standards
- The various sustainability accounting standards published by the Sustainability Accounting Standards Board (SASB)
- The Climate Disclosures Standards Boards (CDSB) *Framework for reporting environmental and natural capital.*

The Council also specifically encourages entities to consider whether they have material exposure to climate change risk, by reference to the Recommendations of the Financial Stability Board's TCFD.[37]

This research has shown several entities that adopted a reporting framework, adopted one or multiple of the above frameworks, with GRI and TCFD being the most common combination.

The research also indicated several topics or industry specific frameworks and standards were being utilised, such as:

- Environmental and Social:
  - International Council on Mining and Metals (ICMM) Sustainable Development Framework
  - Dairy Sustainability Framework (DSF)
  - Responsible Gold Mining Principles (RGMPs)
- Environmental:
  - Carbon Disclosure Project (CDP)
  - Australian Government's National Greenhouse and Energy Reporting Scheme (NGERS)
  - Climate Measurement Standards Initiative (CMSI)
  - Science Based Targets initiative (SBTi)
  - Australian Prudential Regulation Authority (APRA) Prudential Practice Guide CPG 229 Climate Change Financial Risks (CPG 229)

- Social:
  - Bloomberg Gender Equality Framework
  - Business for Social Impact (B4SI)
  - Rainbow Tick
  - The National Institute of Standards and technology (NIST) Framework for Improving Critical Infrastructure Cybersecurity (NIST Cybersecurity Framework)
  - APRA Governance Standard (CPS 510)

In addition, research indicated instances of entities leveraging benchmarks, certifications and signatory commitments to reconcile their environmental and social disclosures, including:

- Bloomberg ESG Scores
- Climate Active 100+ Net Zero Company Benchmark
- United Nations Global Compact (UNGC), including Communication on Progress (CoP)
- World Economic Forum International Business Council (WEF IBC) Toward Common Metrics and Consistent Reporting of Sustainable Value Creation
- Global Real Estate Sustainability Benchmark (GRESB)
- NABERS Framework
- SAM Corporate Sustainability Assessment
- ISO 14001 Certification
- ISO 9001 Certification
- New Zealand Climate Leaders Coalition
- New Zealand Plastic Packaging Declaration
- Australian Packaging Covenant Organisation (APCO)
- Forest Stewardship Council (FSC)
- Forestry Chain of Custody certification (CoC)
- Program for Endorsement of Forest Certification (PEFC)
- Global Food Safety Initiative (GFSI)

Of the 250 sampled entities that reported against a framework or standard, a majority used TCFD (63 percent) or GRI Standards (55 percent). Reporting against the <IR> Framework (5 percent) and SASB Standards (26 percent) was less prevalent. The majority of the entities that utilised a reporting framework or standard were found in the S&P/ASX 200.

GRI reporting among ASX groups

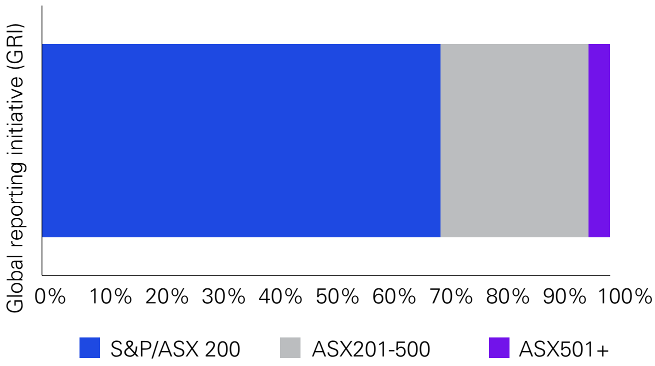


Figure 24: GRI reporting among ASX groups

TCFD reporting among ASX groups

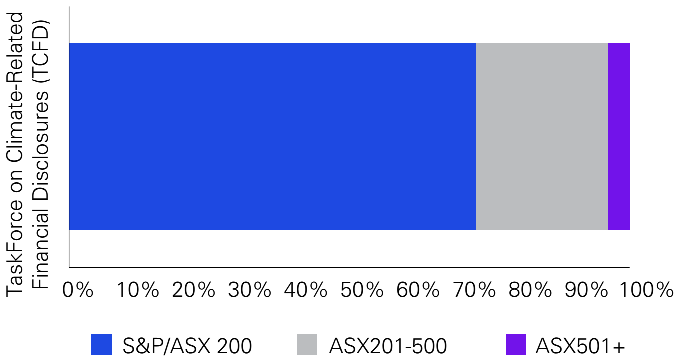


Figure 25: TCFD reporting among ASX groups

TCFD alignment varied between sectors, although these results should be considered in the context of the number of entities within each sector group sampled. Lower adoption rates were noted within high-risk sectors[38] such as Energy (42 percent), Materials (25 percent), Real Estate (47 percent), Food, Beverage & Tobacco (43 percent), and Utilities (40 percent). High adoption rates were noted in Food & Samples Retailing (80 percent), and Transportation (67 percent) sectors.

Of the 157 entities that reference the TCFD, alignment varied between fully aligned, partially aligned and a commitment to report against the TCFD Recommendations in the future.

The TCFD Recommendations ask that entities include their climate-related financial disclosures within their mainstream financial filings, issue at least annually, distribute widely and be available to investors and others and subject to internal governance processes that are the same or substantially similar to those used for financial reporting.[39]

Good disclosure examples included entities providing summary tables covering all 11 TCFD Recommendations cross-referenced to the location of disclosures, which were presented in the annual report or in other reports (e.g. sustainability report or standalone climate change report).

Good practice examples

Commitment to report and partial alignment

REA Group (S&P/ASX 200)

In its *FY21 Sustainability Report* REA Group states that it engaged a sustainability consultancy to complete a gap analysis and future roadmap for potential reporting aligned to the TCFD Recommendations. REA Group also states that it reports on the impacts of climate change to its business via the Carbon Disclosure Project (CDP) and SAM Corporate Sustainability Assessment (CSA).

Task Force on Climate Related Financial Disclosures (TCFD)

In FY21 REA Group engaged a sustainability consultancy to complete a gap analysis and future roadmap for potential reporting aligned to the Task Force on Climate Related Financial Disclosures, a globally recognised system for disclosing climate change risk and opportunities. This work will be completed in FY22. REA Group also reports on the impacts of climate change to our business via the Carbon Disclosure Project (CDP) and SAM Corporate Sustainability Assessment (CSA).

Xero (S&P/ASX 200)

Xero have included a commitment to report in line with TCFD Recommendations in their *Annual Report 2022*. This is complemented by the *FY22-24 TCFD Roadmap* available on their website.

Sustainability

Aligned with our purpose and values, Xero strives to operate sustainably, through responsible management of environmental and community impact, and policies and practices that support our people to thrive. We aim to be a trusted business wherever we operate, acting ethically and authentically, while upholding high standards of governance. In recognition of the progress we have made so far in these areas, Xero was included in the Dow Jones Sustainability Index (DJSI) for the first time in FY22.

Having outlined our initial intent on the Task Force on Climate-related Financial Disclosures (TCFD) in last year's Annual Report, we were pleased to make further progress in FY22. We became a registered supporter of TCFD and also made good progress in developing a roadmap to implement the recommendations of the TCFD Framework across our business over the next two years. This year, for the first time we are reporting on the steps we have taken in implementing the TCFD framework in the "TCFD Journey 2022" report, available to download on our website. The Board recognises the TCFD recommendations as a critical component of our climate, and wider sustainability approach.

Figure 27: Xero Annual Report 2022 page 10

Towards full alignment

Lendlease (S&P/ASX 200)

Lendlease reports TCFD disclosures within the Climate Risks and Opportunities section of its integrated *2021 Annual Report*. Lendlease has undertaken scenario analysis using three scenarios for transition risk and in FY21 disclosed strategic resilience for ten distinct climate related impacts per scenario and disaggregated by business line.

It is worth noting that this is not a quantitative disclosure, but the company does provide a scale of exposure to different risks, ranging from 'higher positive sensitivity' to 'higher negative sensitivity'.

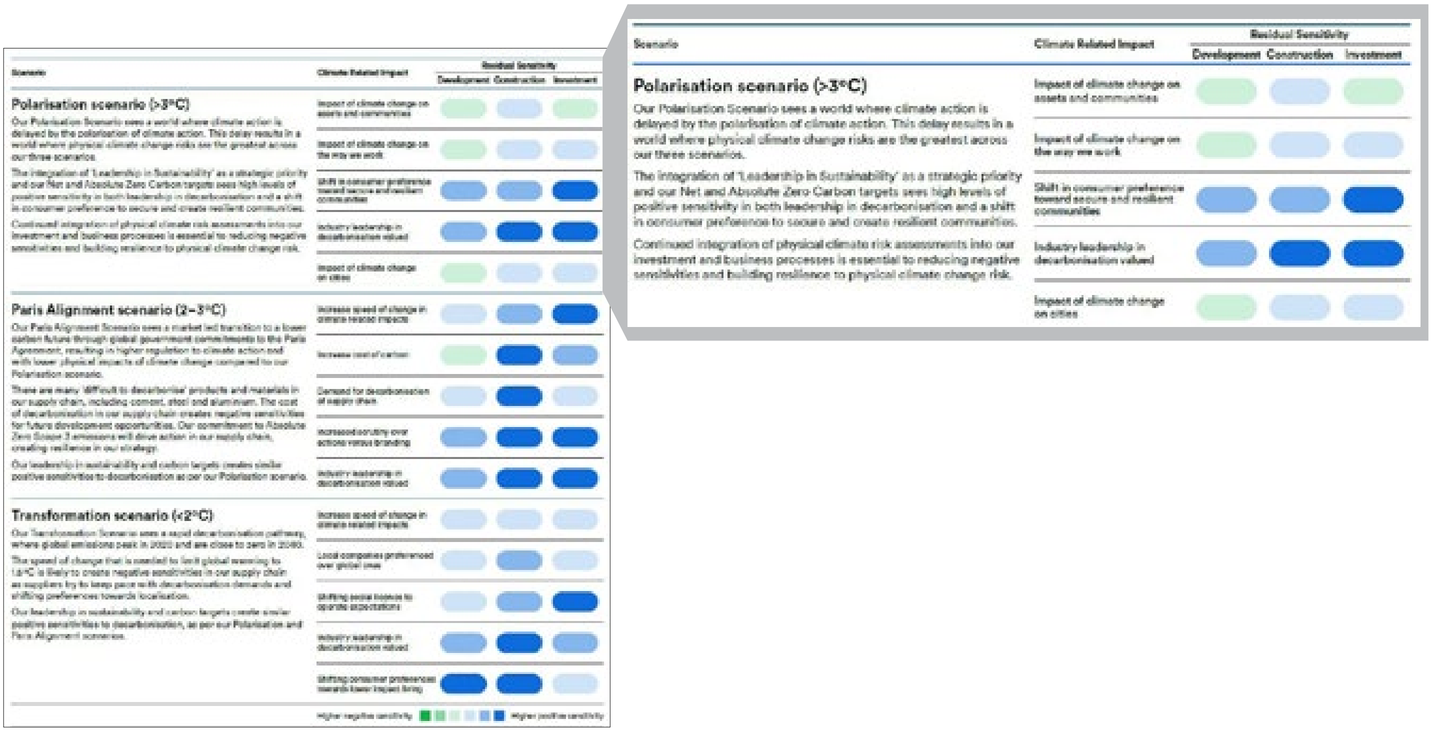


Figure 28: [Lendlease Group Annual Report 2021](#) page 53

BHP (S&P/ASX 200)

BHP summarises the alignment of their reporting with the TCFD Framework within their *Sustainability and ESG Standards and Databook 2021*, where a separate tab is dedicated to a TCFD Index. This links disclosure requirements to the content within BHP's 2021 Annual Reporting Suite and website, as shown in the below extract.

BHP

Annual Report | BHP Reports | Home
Our Requirements | BHP Website

Task Force on Climate-related Financial Disclosures (TCFD) Index
For the year-ended 30 June 2021

	Disclosure	Guidance for all sectors	BHP response
Governance	Describe the board's oversight of climate-related risks and opportunities.	In describing the board's oversight of climate-related issues, organizations should consider including a discussion of the following: – processes and frequency by which the board and/or board committees (e.g. audit, risk, or other committees) are informed about climate-related issues, – whether the board and/or board committees consider climate-related issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and business plans as well as setting the organization's performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions, and divestitures, and – how the board monitors and oversees progress against goals and targets for addressing climate-related issues.	Annual Report 2021 section 2.1.4 Board and Committee meetings and attendance; section 2.1.5 Key Board activities during FY2021; section 2.1.10 Risk and Audit Committee Report; and section 2.1.11 Sustainability Committee Report. Information can be found at bhp.com in Risk and Audit Committee Terms of Reference and Sustainability Committee Terms of Reference.
	Describe management's role in assessing and managing climate-related risks and opportunities.	In describing management's role related to the assessment and management of climate-related issues, organizations should consider including the following information: – whether the organization has assigned climate-related responsibilities to management-level positions or committees; and, if so, whether such management positions or committees report to the board or a committee of the board and whether those responsibilities include assessing and/or managing climate-related issues, – a description of the associated organizational structure(s), – processes by which management is informed about climate-related issues, and – how management (through specific positions and/or management committees) monitors climate-related issues.	Annual Report 2021 section 1.15.7 Climate change and portfolio resilience - Governance and management; section 2.1.3 BHP governance structure; section 2.1.5 Key Board activities during FY2021 - Climate change; section 2.1.10 Risk and Audit Committee Report; section 2.1.11 Sustainability Committee Report; and section 2.1.14 Management. Climate Change Report 2020 section 1. Governance. Information can be found at bhp.com in Sustainability Committee Terms of Reference.
Strategy	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Organizations should provide the following information: – a description of what they consider to be the relevant short-, medium-, and long-term time horizons, taking into consideration the useful life of the organization's assets or infrastructure and the fact that climate-related issues	We disclose climate-related issues across a range of time horizons in our CDP response section C2.3. Information can be found at bhp.com in Climate change – Risk management

Figure 29: BHP ESG Standards and Databook 2021

3.2 Reporting standards and frameworks developments

The pace of change in awareness of the impact of environmental and social risks on value creation, demand for investment grade information and reporting standards and frameworks has accelerated significantly over the past twelve months, with implications for how Australian listed entities adopt Recommendation 7.4.

The expectation to articulate and disclose meaningful strategies, achievable and fit-for-purpose performance indicators and targets around material exposures to environmental and social impacts is growing. Reporting across value chains (beyond operational boundaries) is emerging as a topic of importance to investors, including Scope 3 greenhouse gas (GHG) emissions (indirect GHG emissions that exist in the value chain upstream and downstream) and human rights impacts in supply chains. Although it is challenging to gather this information, we are seeing listed entities starting to understand and measure their material value chain exposure through methodologies.

There are currently many internationally recognised reporting frameworks and standards that can be used to underpin environmental and social disclosures. Several (including the GRI Standards, TCFD, SASB and <IR> Framework) have been highlighted above as currently being used by the sampled entities. This research found that several sampled entities were providing disclosure aligned with multiple frameworks and most advanced reporters (BHP[40], Rio Tinto[41], NAB[42], ANZ[43], Stockland[44] and Telstra[45], among others) have published data books to navigate the readers through their alignment with multiple frameworks. Some of the global leaders in reporting (e.g. Unilever[46] and Siemens[47]) publish their entire data sets as interactive and granular databases enabling stakeholders to slice the data however is most useful and build trust through transparency.

Entities need a global baseline to avoid the cost and operational burden of having to comply with multiple ESG reporting frameworks or standards. In this complex landscape of multiple reporting frameworks and standards, it is pleasing to note that several internationally recognised standard setting bodies have announced their intention to work together towards globally consistent reporting.

Frameworks are starting to consolidate as investors are calling for consistent, complete, comparable and verifiable sustainability information in order to assess portfolios, monitor and track entity commitments and to vote and influence ESG strategies of the entities in which they invest.

The International Sustainability Standards Board (ISSB) is aimed at creating a global baseline of sustainability-related disclosure standards that provide information on material risks and opportunities to help stakeholders make informed decisions.

Outlined below are recent developments, as well as the potential impact for Australian listed entities.

Technical insight

Outlined below are recent developments, as well as the potential impact for Australian listed entities.

Figure 30: Recent Global Developments in Reporting Standards (Summary)

Key:

Social · Environment · Combined Sustainability

Recent global developments in reporting standards and impacts for Australian entities

DATE	TOPICS	DEVELOPMENT	IMPACT FOR ASX LISTED ENTITIES
International			
May 2022	Combined Sustainability	**SEC ESG disclosures for investment advisers and investment companies:** In May 2022, the US Securities and Exchange Commission (SEC) issued a proposed rule amendment to: • require advisers and registered investment companies to make specific and standardised disclosures regarding their ESG strategies; • require certain registered investment companies to disclose information regarding the greenhouse gas (GHG) emissions associated with their portfolio investments • expand the scope of the so-called 'Names Rule', which requires certain registered investment companies to adopt a policy to invest at least 80 percent of their assets in accordance with the investment focus suggested by the fund's name and to apply to fund names that suggest an investment focus with particular characteristics, such as ESG factors. The proposed amendments to rules and reporting forms seek to promote consistent, comparable and reliable information for investors concerning funds' and advisers' incorporation of ESG factors. At the time of writing the proposal is open for a 60-day comment and timing for final amendments will be confirmed upon closure of this period.	It is likely that SEC registered Investment Advisers and Investment Companies will require this information from their investee entities, hence Australian listed entities should monitor these developments and assess readiness to report to the extent relevant to their circumstances.

DATE	TOPICS	DEVELOPMENT	IMPACT FOR ASX LISTED ENTITIES
May 2022	●	**Integration of corporate reporting:** Marking a step towards the integration of ESG and financial reporting, the International Financial Reporting Standards Foundations (IFRS), the chairs of the International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB) announced plans to incorporate the Value Reporting Foundation's (VRF's) International Integrated Reporting <IR> Framework into its standard setting projects and requirements.	This development represents a significant milestone aimed at providing consistency across global corporate reporting. A development of such global standards is expected to see jurisdictions mandating its use. The Australian government could introduce mandatory disclosure in the future.
April 2022	●	**European sustainability reporting standards:** The European Financial Reporting Advisory Group (EFRAG) released its initial draft of the European Sustainability Reporting Standards (ESRS), which sets out the proposed rules and requirements to report on sustainability-related impacts, opportunities and risks under the EU's upcoming Corporate Sustainable Reporting Directive (CSRD). The new rules introduce more detailed reporting requirements on sustainability and requires assurance (limited assurance initially and reasonable assurance after six years).[48] Large public-interest entities with more than 500 employees would be required to report in accordance with ESRS for reports published on or after 1 January 2025. This scope is set to expand to ultimately cover all large and most listed entities (in reports published on or after 1 January 2027).[49]	Australian listed entities with EU subsidiaries ('large entities') should start to assess their readiness to report under CSRD, including implications for processes and systems of internal controls and readiness for assurance.
March 2022	●	**Comprehensive 'global baseline' for sustainability disclosures:** The International Financial Reporting Standards (IFRS) International Sustainability Standards Board (ISSB) was established under the IFRS Foundation umbrella to develop a comprehensive global baseline of sustainability disclosures for the capital markets. As of March 2022, the ISSB has issued two exposure drafts: general sustainability-related disclosure and specified climate-related disclosure requirements. The ISSB's proposals build on the work of the Climate Disclosure Standards Board (CDSB), the International Accounting Standards Board (IASB), the Value Reporting Foundation, the TCFD, and the World Economic Forum (WEF), and is supported by the International Organization of Securities Commissions (IOSCO).[50] The ISSB aims to finalise the Standards by the end of the 2022 calendar year.	The creation of the ISSB represents a significant development aimed at providing consistency across global sustainability reporting. The development of such global standards is expected to see jurisdictions mandating its use. The ISSB is working closely with other international organisations and jurisdictions to incorporate the global baseline into jurisdictional requirements and ensure it is compatible with broader stakeholder groups.[51] This provides an early indication that the Australian government may make environmental and social disclosure mandatory in Australia in the future.

DATE	TOPICS	DEVELOPMENT	IMPACT FOR ASX LISTED ENTITIES
March 2022	●	**Interconnected approach to sustainability reporting:** The IFRS Foundation and the Global Reporting Initiative (GRI) announced a collaboration agreement under which their respective standards-setting boards, the ISSB and the Global Sustainability Standards Board (GSSB), will seek to coordinate their work programmes and standard-setting. The agreement reflects the importance of ensuring compatibility and consistency in sustainability reporting at an international level, thus recognising the need to reduce the reporting burden for entities and to further harmonise the sustainability reporting landscape at an international level.[52]	Australian listed entities should monitor these developments and assess readiness to report.
March 2022	●	**SEC climate disclosure rules increase:** In March 2022, the US Securities and Exchange Commission (SEC) issued proposed climate reporting rules with the overall aim of establishing a common thread between the climate-related risks identified in the annual report (Form 10-K or 20-F) or registration statement and any related financial impact in the financial statements. Any material change to the disclosures in the annual report or registration statement would be disclosed in Form 10-Q.[53] The proposed rules are intended to provide more consistent, comparable and reliable information so that investors can better evaluate the impact of climate-related matters on a registrant. The reporting requirement that stands out relates to assurance over GHG emissions. Scope 1 and 2 emissions will be required to undergo limited assurance by 2024/25 and reasonable assurance by 2026/27. Hence, these disclosures will undergo the same level of scrutiny as the financial statements. The final rules are expected by December 2022.[54] Phased transitions are proposed for entities between 2023 to 2025, depending on the size of listed entities, with smaller reporting entities being exempt from reporting on Scope 3 emissions.	If Australian listed entities have US subsidiaries (who are SEC registrants), they should start considering the effects the new rules will have on processes and systems of internal controls. This will ensure that climate-related information is equivalent in quality to financial information and could be audited initially with limited and later reasonable assurance.
March 2022	●	**Focus on nature-related impacts:** In March 2022, Task Force on Nature-related Financial Disclosures (TNFD) released the first beta version of the framework for market consultation. The aim of the TNFD is to "develop and deliver a risk management and disclosure framework for organisations to report and act on evolving nature-related risks, with the ultimate aim of supporting a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes."[55] Importantly, the TNFD does not intend to create a new standard but will align with and draw from existing initiatives, standards and metrics relevant to nature-related risks and opportunities, such as those published by the GRI and ISSB. Further three iterations of the beta versions are planned for June 2022, October 2022 and February 2023, before the release of the final version of the framework in Q3 2023.[56]	The TNFD will increase the expectation on listed entities to report on how nature impacts their immediate financial performance, or the longer-term financial risks that may arise from how the entity impacts nature.

DATE	TOPICS	DEVELOPMENT	IMPACT FOR ASX LISTED ENTITIES
February 2022	●	**Mandatory human rights and environmental due diligence directive:** The EU Commission adopted a proposal for a Directive on corporate sustainability due diligence. Entities will be required to identify and, where necessary, prevent, end or mitigate adverse impacts of their activities on human rights (e.g., child labour and exploitation of workers) and on the environment (e.g., pollution and biodiversity loss) in the global value chain. The proposal will be presented to the European Parliament and the Council for approval. Once approved, the Directive will be transposed into law within two years.[57]	Australian entities (either with EU subsidiaries or those required to comply due to counterparty or supply chain pressure) will have to demonstrate human rights and environmental accountability, responsibility and equality in the value chains of financial markets through their disclosures.
October 2021	●	**Updated GRI standards:** The GRI released revised Universal Standards 2021. Key changes include, discontinuation of the Core and Comprehensive reporting options, a revised approach to materiality assessments, new disclosure on policy commitments for responsible business conduct and refreshed GRI Sector Standards. The Standards aim to strengthen sustainability reporting through disclosure of organisational impact on the economy, environment and people. The Standards are effective from 01 January 2023, with early adoption encouraged.[58]	More disclosures may be required going forward for Australian entities that report in accordance with the GRI Standards, given the removal of the Core reporting option.
October 2021	●	**Updates to the TCFD Framework:** The TCFD Recommendations have been updated to include more stringent reporting requirements over the Strategy and Metrics and Targets pillars of the TCFD Framework. The additional requirements under the Strategy pillar call for more explicit disclosure of actual and potential financial impact of climate risks and opportunities and additional information on plans to transition to a low carbon economy. The additional requirements under the Metrics and Targets pillar include revised disclosures over Scope 1 and 2 emissions (which are independent of materiality), revised disclosures which encourage Scope 3 emissions where material and additional disclosures over transition risks, physical risks, climate related opportunities, capital deployment, internal carbon price and remuneration.[59] TCFD Recommendations have been endorsed by twelve governments (including the EU, UK, Singapore, Canada, Japan, New Zealand, Brazil, USA and Hong Kong) alongside dozens of central banks, supervisors and regulators.	In Australia, the adoption of TCFD reporting is currently voluntary, however due to investor and regulatory expectations, the number of entities who are now adopting TCFD aligned reporting is increasing year on year.[60] In March 2022, the Australian Accounting Standards Board (AASB) finalised a Position Statement which formally supported the voluntary application of the TCFD Recommendations.

DATE	TOPICS	DEVELOPMENT	IMPACT FOR ASX LISTED ENTITIES
2021 onwards		**Rise of the EU Taxonomy:** The EU Taxonomy is a classification system, establishing a list of environmentally sustainable economic activities. It is a European Regulation which works with the European Union's Sustainable Finance Disclosure Regulation (SFDR).[61] The Taxonomy brings together corporates and investors by identifying economic activities that contribute to a low carbon economy. Under the Taxonomy Regulation, the European Commission developed a list of environmentally sustainable activities by identifying technical screening criteria for each environmental objective through delegated acts. The first delegated act on sustainable activities for climate change adaptation and mitigation objectives was published in the Official Journal on 9 December 2021 and is applicable since January 2022. A second delegated act for the remaining objectives is expected to be published later this year.[62]	As financial markets are global, the EU taxonomy will have implications for entities globally. If Australian entities have EU subsidiaries and/or investors, it is likely they need to align with and/or are expected to align with the EU taxonomy reporting requirements. The Reserve Bank of Australia (RBA) has acknowledged the development of consistent and recognised taxonomies internationally may have implications for the pricing of climate risk and investment in Australia. The Council of Financial Regulator's (CFR) agencies, which includes the RBA, APRA, ASIC and the Australian Treasury are considering how international approaches to defining sustainability investments, including taxonomies, could be adapted to the Australian context.[63]
September 2015		**Sustainable Development Goals:** The United Nations Sustainable Development Goals (SDGs) were adopted by the United Nations at the 2015 UN Sustainable Development Summit and provide a framework with which to approach issues such as climate change, gender inequality and human rights risks. SDGs form part of the multi-year strategy of UN Global Compact to 2030, to drive business awareness and action to support societal goals[64].	Australia has committed to the SDGs as part of a global effort to end extreme poverty and ensure the well-being of all people around the world. Voluntary alignment with specific SDGs can provide listed entities with direction and inspiration to approach environmental and social risks and challenges.
2011 onwards		**United Nations Guiding Principles on Business and Human Rights:** The UNGPs are the current authoritative global standard for government and business on preventing and addressing business-related human rights harms. The UNGPs outline clear foundational principles to help guide businesses take appropriate steps to prevent, investigate and redress any human rights abuses through effective policies, legislation, regulations and adjudication. In a 2020 report, the UN-supported Principles for Responsible Investment (PRI) identified the UNGPs as a guiding framework to incorporate the consideration of human rights into ESG investment activities.[65]	The Australian Government co-sponsored the resolution at the United Nations to adopt the UNGPs. In Australia, the UNGPs have driven several key areas of progress relevant to business including the *Modern Slavery Act 2018* (Cth) and the strengthening of the Australian National Contact Point mechanism, established by the Organisation for Economic Cooperation and Development's (OECD). Despite these developments, the implementation of the UNGPs in Australia remains an area for improvement to ensure vulnerable workers are provided stronger social safeguards. There is currently low business awareness of the UNGPs.[65]

DATE	TOPICS	DEVELOPMENT	IMPACT FOR ASX LISTED ENTITIES
Australian			
June 2022		**Regulatory scrutiny around greenwashing:** Australian Securities and Investments Commission (ASIC) released an information sheet to help issuers avoid 'greenwashing' when offering or promoting sustainability-related products following a review of a sample of superannuation and investment products, where areas for improvement were identified.[66] In November 2021, IOSCO published a set of ten recommendations that outline how regulators around the world can better protect investors from greenwashing and what sustainability-related standards the regulating authorities should expect from asset managers in respect to their sustainable finance products.[67]	Regulatory scrutiny around sustainable finance and, 'greenwashing' is increasing in focus and attention. ASIC is conducting targeted surveillance of financial products to identify misleading statements relating to ESG claims, particularly across social media.[68] Robust and accurate disclosures are expected. Australian entities need to ensure their environmental and social disclosures can withstand scrutiny.
March 2022		**Development of voluntary climate self-assessment survey:** APRA is undertaking a voluntary climate risk self-assessment survey with medium-to-large APRA-regulated entities. The survey improves both APRA and industry's understanding of the approaches to identifying, assessing and managing climate-related financial risks, using APRA's CPG 229 as a benchmark.[69]	APRA and the RBA are among more than 50 international members of the Network for Greening the Financial System (NGFS) that have made public statements on the role of central banks and financial regulators in mitigating the physical, transition and liability risks of climate change in the finance sector.[70] APRA will continue its collaboration with international peers to gain insights to refine and strengthen their understanding and ensure Australian financial institutions are appropriately managing these risks.[71]
November 2021		**APRA developments signal increasing climate disclosure requirements:** APRA finalised the Prudential Practice Guide CPG 229 Climate Change Financial Risks (CPG 229). This set out expectations and examples of better practice to assist entities in managing climate-related risks and opportunities as part of their existing risk management (SPS 220) and governance (SPS 510) obligations. The guide draws on the structure of the TCFD Recommendations.[72]	
September 2021		**APRA undertaking a climate vulnerability assessment:** APRA is undertaking a climate vulnerability assessment with Australia's largest five banks, which will provide insights into potential financial exposure of institutions, financial systems, and economy to the physical and transition risks of climate change.[73]	
November 2021		**Drive for non-financial reporting:** The Australian Financial Reporting Council (FRC), the Australian Accounting Standards Board (AASB) and the Australian Auditing Standards Board (AUASB) are working towards adoption of a reporting regime that meets the needs of users of non-financial reporting and supports Australia's international competitiveness. Specifically, the AASB intends to develop reporting requirements for non-financial information and the AUASB intends to simultaneously update relevant assurance standards, which are already capable of addressing current voluntary disclosures. The FRC will continue to provide strategic oversight.[74]	Australian entities ought to monitor global developments, as Australia is likely to be a fast follower, leveraging existing internationally recognised frameworks.

While there are differences between the multiple sets of proposed standards and the guiding principles, the end-goals are the same: ESG information and metrics should be gathered, calculated, assured and reported with the same rigour and level of technical detail as financial information is today. Several proposed standards are also generally built from or inspired by the framework of the Taskforce on Climate-Related Financial Disclosures (TCFD), which many listed entities have already begun to report in line with. To meet the reporting expectations, listed entities will need to develop or strengthen processes, controls and data streams – and ensure that they can stand up to the scrutiny of either internal verification or an auditor's lens in assuring them.

3.3 Towards better quality of reporting on environmental and social information – recommendations

In the landscape of multiple reporting frameworks and consolidation of frameworks, and given investor and regulator focus on decision-useful, material environmental and social information, we have outlined below considerations for improvement of reporting quality. The quality of reporting is also an opportunity for entities to distinguish themselves from others in the market and provide internally decision-useful information, upon which risk and opportunity management strategies can be built and targets can be set.

Leading reporting principles

The following principles emerging from the leading reporting frameworks and standards, such as the current ISSB exposure drafts:

1. Comparable

Reporting should be comparable across reporting periods so that information users can assess entity performance over time. Consistency of measurement and calculation methods is encouraged to support this objective, as well as transparent disclosure of any changes to methods.

Reporting policies should be followed consistently from one reporting period to the next, unless a change is needed to improve the quality of information required. This should include reporting the same key performance indicators insofar as they continue to be material across reporting periods.[75]

Reporting should also be comparable across entities so that the users can benchmark and compare entities' social and environmental impacts against other.

It is worth noting that given the plethora of different reporting frameworks, with different reporting metrics and parameters, making comparisons with peers reporting to different frameworks is currently challenging. Australian listed entities are encouraged to choose reputable reporting frameworks for that are relevant to their business and follow reporting developments described earlier in this report to keep abreast of relevant changes.

Some tools to assist entities in achieving comparability with others are:

- Use of benchmark data, such as industry or regional benchmarks
- Presentation of information in the form of ratios, for example carbon intensity measures such as emissions per unit of output
- Report of quantitative indicators commonly used by other organisations with similar activities, particularly when stipulated by an independent organisation (e.g. an industry body or reporting framework)[76]

2. Verifiable and accurate

Reporting should be corroborated and checked (the information itself and the inputs used to derive it) to give stakeholders and users of the information confidence that the information can withstand scrutiny. This is consistent with the fourth edition Principle 4 ("a listed entity should have appropriate processes to verify the integrity of its corporate reports") and Recommendation 4.3 specifically ("a listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor"). Verification (internal by management or by independent external assurers) demonstrates a commitment to providing stakeholders with confidence in the quality of the information.

To assist in the accuracy and verifiability of the information within corporate reporting, the following elements support good practice reporting:

- Application of processes and controls to reduce risk to an acceptably low level to ensure that the reported information is not a material misstatement
- Clear communication if estimates are included, and explanation of the nature and limitations of the estimation process.[77]

3. Timely

Reporting should be made available in time to influence information users' decisions. While information about past performance is useful to enable comparability across periods, current information is generally most decision-useful. Better practice shows listed entities aligning timing of reporting on environmental and social exposures to other types of reporting, such as annual reports.

4. Understandable

Reporting should be clear and concise, avoiding use of generic boiler-plate information, focusing on material social and environmental issues and impacts, and using the clearest language possible.

To assist with conciseness, the entity can leverage the materiality assessment process to determine what is material to their business and limit extraneous information within their reporting.

5. Transparent and balanced

The entity should be open about the challenges the company faces, as well as its achievements, and disclose both transparently. Reporting only on achievements and 'good news' can undermine trust in the information and risks being perceived as 'greenwashing'.

Measures to ensure balance include:

- Equal consideration to strengths and weaknesses of the entity, including both positive and negative performance
- Report against previously reported targets, forecasts, projections and expectations
- Consideration of what entities in the same industry are reporting on.[78]

Reporting on impacts

Impact reporting is emerging as a method for communicating change or the results of an entity's intervention to its stakeholders. Impacts can be positive or negative and can be associated with any subject matter.

Negative impacts are often easier to identify and quantify, whilst positive impacts can often be more intangible, difficult to isolate and quantify. Examples of positive impact could include enabling an otherwise under-served population to achieve positive health or educational outcomes, financial inclusion, or hiring and skilling formerly unemployed individuals.

An impact report should cover a number of key aspects:

- **Why** – this is a description of the need or the problem or exposure. Why is there a need for the intervention or a management program in the first place? What is the problem the organisation is trying to solve? What are the positive outcomes and how important are these outcomes to stakeholders?
- **Who** – who are the stakeholders involved and who is the intended beneficiary? The objective of this aspect is for the reader to understand the issue faced by the beneficiaries.
- **What** – what activities are involved in the intervention to achieve the desired outcome? This enables a clear articulation and assessment of the effectiveness of the strategy.
- **Result** – what was achieved by executing the intervention? What risks were involved in the impact activity? Transparency is critical to include both the good and the bad elements of the interventions results, as well as information about the risk analysis.
- **Learnings** – what has the organisation learned? What could have been done differently or to enhance impact? Broad stakeholder consultation is helpful to ensure multiple perspectives are considered.

An impact report is only as good as the measurement framework from which it is derived. The measurement framework should be designed at the outset before the intervention is implemented and should include identification of metrics and indicators for reporting and plans for data capture.

In addition to the quantitative impacts based on comprehensive data collected throughout every stage of the intervention, qualitative information about the impact is also important, such as case studies, stories and testimonials.

Importance of impact reporting

With the heightened focus on environmental and social matters, many entities are disclosing information on the management of environmental and social risks and the associated activities and initiatives undertaken. Within this reporting it is often difficult to discern if the management approaches entities are implementing are making a tangible impact. This is where impact reporting can enable transparent and accountable communication of outcomes. This includes openly reporting negative or unintended impacts that the intervention might have created, which is critical for transparency and building trust with stakeholders.

Impact reporting frameworks

The top frameworks being used to measure impact are the Sustainable Development Goals (SDGs), IRIS+, United Nations Principles of Responsible Investment (UNPRI) and Global Impact Investing Reporting System (GIIRs).

IRIS+ is a widely accepted methodology for impact measurement and reporting and provides online resources which can assist in identifying areas of impact. IRIS+ is the generally accepted impact accounting system that leading impact investors use to measure, manage and optimize their impact.

Proper use of the IRIS+ system ensures a minimum level of consistency in a users' impact claims and performance, which makes it easier for investors to analyse and extract useful information for decision making. Use of IRIS+ also facilitates the comparison of impact information.

The SDGs are one of the leading frameworks against which to measure and report impact, however targets and indicators were designed by countries, for countries, making it difficult for entities to apply them to their daily activities in a meaningful way.

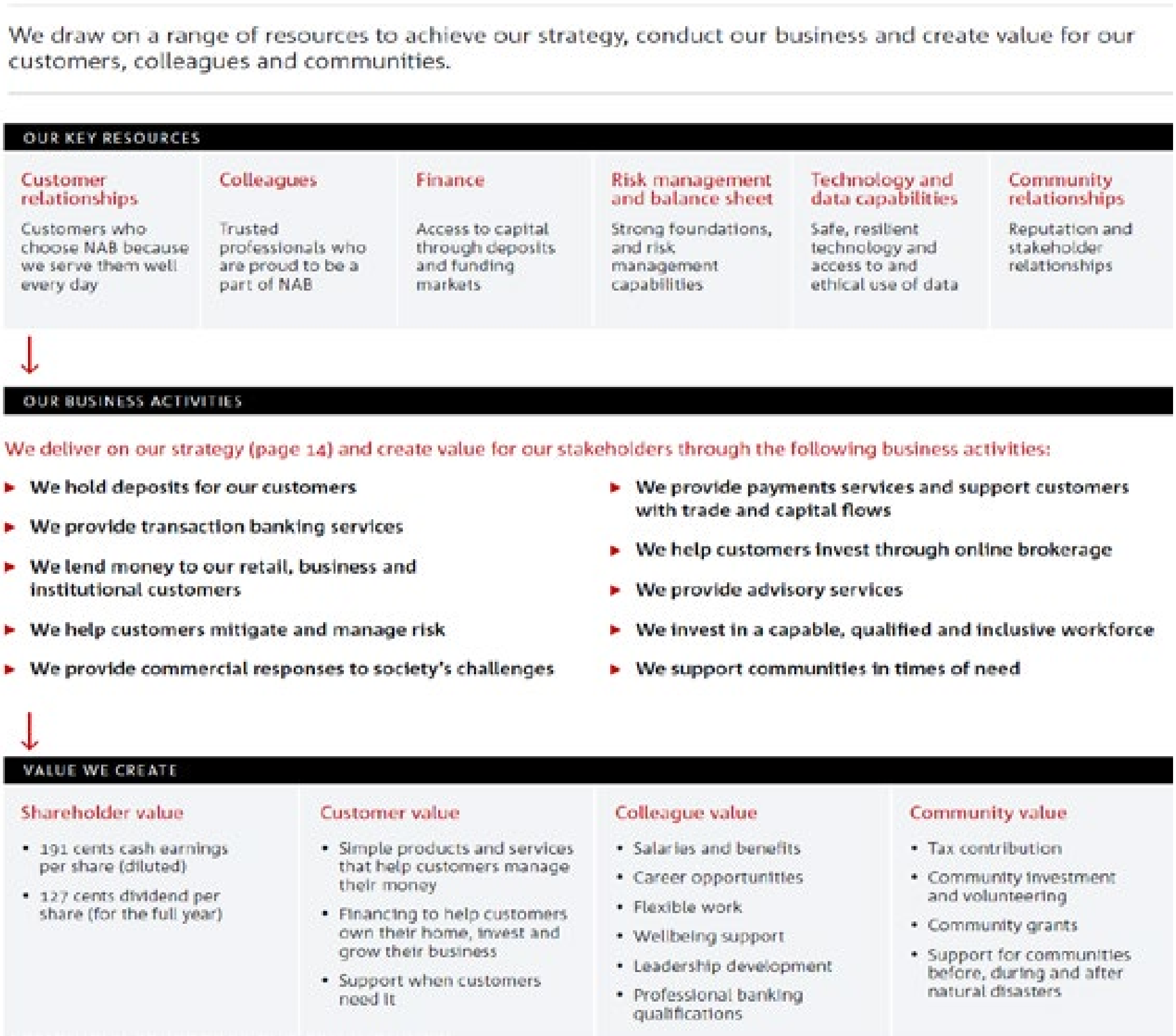
Connecting the impact metrics or indicators to globally accepted and recognised goals such as the Sustainable Development Goals or IRIS+ enhances the credibility and integrity of the impact report. It also provides a framework to link the micro to the macro to showcase how grass-roots intervention can contributing to national and international goals.

Good practice examples

Impact Reporting

National Australia Bank (S&P/ASX 200)

NAB's *Annual Review 2021* outlines how the bank draws on a range of resources to achieve its strategy, conduct business and create value for customers, colleagues and communities. Outputs and outcomes are outlined under the 'Value we create' heading in the below extract.


We draw on a range of resources to achieve our strategy, conduct our business and create value for our customers, colleagues and communities.

OUR KEY RESOURCES

Customer relationships	Colleagues	Finance	Risk management and balance sheet	Technology and data capabilities	Community relationships
Customers who choose NAB because we serve them well every day	Trusted professionals who are proud to be a part of NAB	Access to capital through deposits and funding markets	Strong foundations, and risk management capabilities	Safe, resilient technology and access to and ethical use of data	Reputation and stakeholder relationships

OUR BUSINESS ACTIVITIES

We deliver on our strategy (page 14) and create value for our stakeholders through the following business activities:

- We hold deposits for our customers
- We provide transaction banking services
- We lend money to our retail, business and institutional customers
- We help customers mitigate and manage risk
- We provide commercial responses to society's challenges
- We provide payments services and support customers with trade and capital flows
- We help customers invest through online brokerage
- We provide advisory services
- We invest in a capable, qualified and inclusive workforce
- We support communities in times of need

VALUE WE CREATE

Shareholder value
- 191 cents cash earnings per share (diluted)
- 127 cents dividend per share (for the full year)

Customer value
- Simple products and services that help customers manage their money
- Financing to help customers own their home, invest and grow their business
- Support when customers need it

Colleague value
- Salaries and benefits
- Career opportunities
- Flexible work
- Wellbeing support
- Leadership development
- Professional banking qualifications

Community value
- Tax contribution
- Community investment and volunteering
- Community grants
- Support for communities before, during and after natural disasters

Figure 31: NAB Annual Review 2021 page 11

Australian Unity (ASX 201-500)

Australian Unity's *Our Impact 2021 Report* outlines quantified community and social value delivered during the 2021 reporting period, breaking impact down in three overarching areas – strong communities, lifelong wellness and economic empowerment.

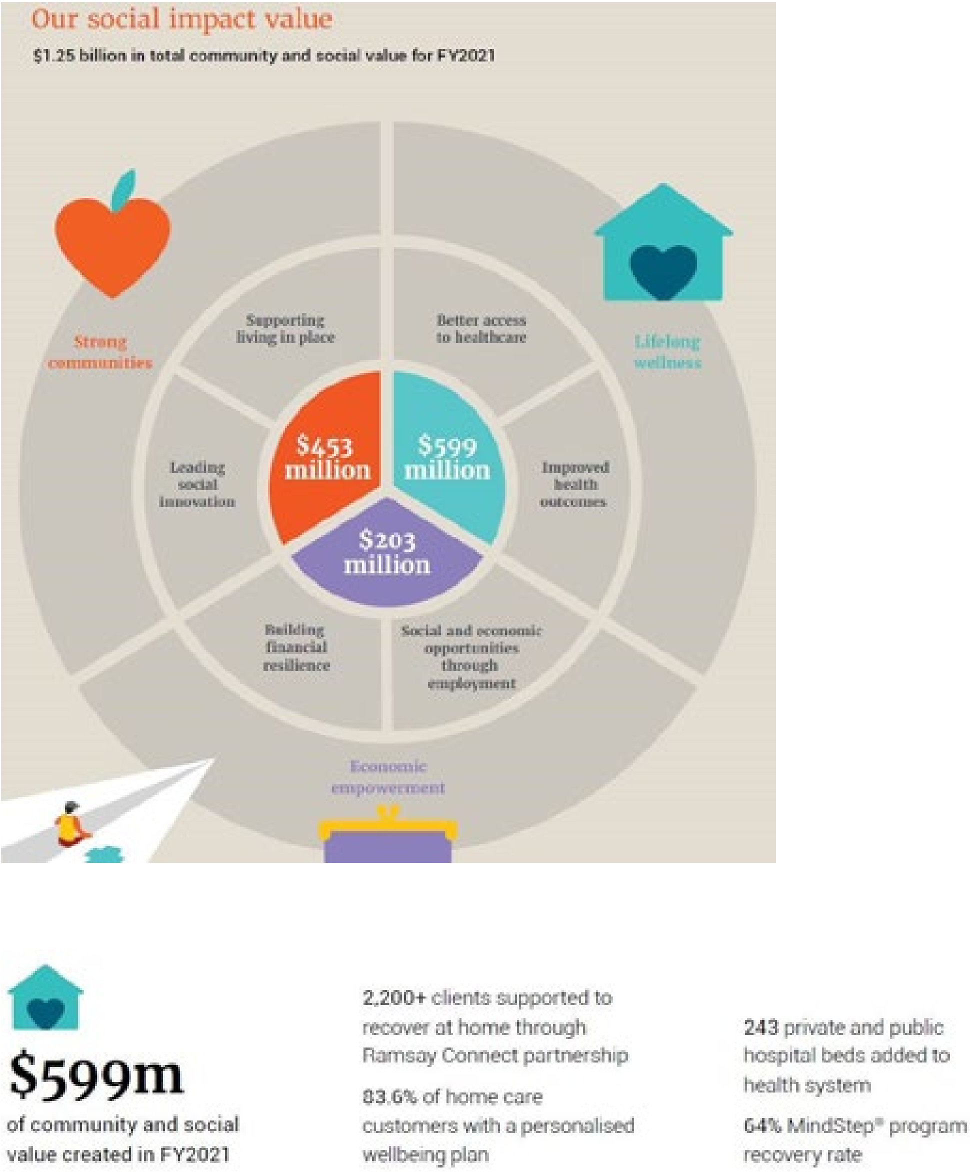


Figure 32: Australian Unity, [Our Impact 2021 Report](#) page 27

Lendlease Group (S&P/ASX 200)

Lendlease Group describes impact and value created across five areas of focus and outlines how impact/value created is measured across each focus area.

Figure 33: Lendlease Annual Report 2021 page 32-33

IAG (S&P/ASX 200)

IAG Annual Report 2021 outlines four strategic pillars which "provide focus, inform IAG's operating model and underpin IAG's three to five year strategy. IAG's strategy balances strengthening the fundamentals of insurance while evolving to be a digital leader. It will ensure IAG is a stronger, more resilient organisation with increased customer reach".

Figure 34: IAG Annual Report 2021 page 21-22

Commonwealth Bank of Australia (S&P/ASX 200)

In its *2021 Annual Report*[79],the Commonwealth Bank of Australia (CBA) refers to its 'Next Chapter' initiative, which aims to provide support to people who are the victims of financial abuse. CBA outlines a clear vision for their role in addressing financial abuse and defines the areas of impact in which it intends to make a positive change. In relation to these areas of impact, CBA clearly quantifies the impact that they intend to make. By doing so, intentionality of impact is demonstrated, a key element of best practice impact reporting. While CBA has not yet reported its actual impact attributable to the 'Next Chapter' program, the evidence of targeted intentionality means that when impact is reported, it can clearly be attributed to the existence of the 'Next Chapter' program.

Future considerations for impact reporting

Currently best practice in impact reporting focuses on written descriptions of stakeholders and context, which are important in conveying the nuance of the problem being addressed and the solution being provided. As valuable as this qualitative information may be, investors also need consistent, structured quantitative information in order to make timely, data-driven decisions.

In the same way we are currently seeing greater standardisation of environmental and social disclosures through the harmonisation efforts of the ISSB, the extension of impact reporting will likely see similar efforts to standardise impact reporting information to the extent possible.

Going forward we expect to see increasing development of impact reporting benchmarks and frameworks that provide methodologies to help businesses understand and communicate their impact in a consistent way. The Future-fit Business Benchmark, for example, seeks to enable entities to make and measure their progress towards a clearly defined environmental and social 'break-even' point (at which the business has successfully eliminated any negative impacts it causes to people or the environment). It also allows entities to credibly communicate the ways in which they help to move the broader society towards a sustainable future.

Benefits of reporting on environmental and social exposures

In addition to regulatory compliance, research shows several benefits of reporting on environmental and social issues:

- **Transparency enhances trust:** Transparency is increasingly being valued by company stakeholders, including customers, employees, investors and regulators. Balanced and focused reporting signals company commitment to performance improvement as stakeholders can compare performance across industry and hold entities accountable for progress towards goals. It is also a way of focusing on material environmental and social impacts, allowing entities to maintain focus amongst the chaos.
- **Become more attractive to investors:** Investors are setting environmental and social goals and targets and are demanding the same from their investees. Investors are looking for opportunities to transition their portfolios towards environmentally and socially sustainable outcomes, as suggested by a Harvard Business Review's study[80] of senior executives across 43 global institutional investment firms. Transparent reporting helps investors access decision-useful information and demonstrates entities are managing long-terms risks and taking advantage of opportunities, thus making them attractive to investors.
- **Become more attractive to customers:** Consumer tastes are shifting strongly towards sustainability and consumers are choosing to support customers with strong environmental and social credentials. A report commissioned by the World Wildlife Fund[81] shows a 71 percent increase in online searches for sustainable goods globally over the past five years. Transparency helps entities connect with customers and boosts customer loyalty.
- **Attract talent and build employee pride and loyalty:** It's not just consumers who prefer sustainable businesses. Environmental and social issues are of growing importance to employees, especially millennials, who are more likely to work for a company with strong environmental and social policies, as found by The Cone Communications Millennial Employee Study[82]. Transparency helps entities connect with their existing and prospective employees, attracting talent and boosting employee pride and loyalty.

Location of environmental and social risk disclosures

SECTION 4:

Location of environmental and social risk disclosures

Of the population of entities that have stated that they have followed Recommendation 7.4 in full for the whole reporting period (95 percent or 538 entities), disclosure of material exposure to environmental and social risks was located in:

- corporate governance statements only – 49 percent (264) of the sampled entities
- corporate governance statements with a cross-reference to another report – a further 31 percent (167) of the sampled entities
- another report (annual or sustainability report) but not their corporate governance statement – a further 19 percent (107).

271 sampled entities cross referenced their annual and/or sustainability reports.

Reports referenced in Appendix 4G per ASX grouping

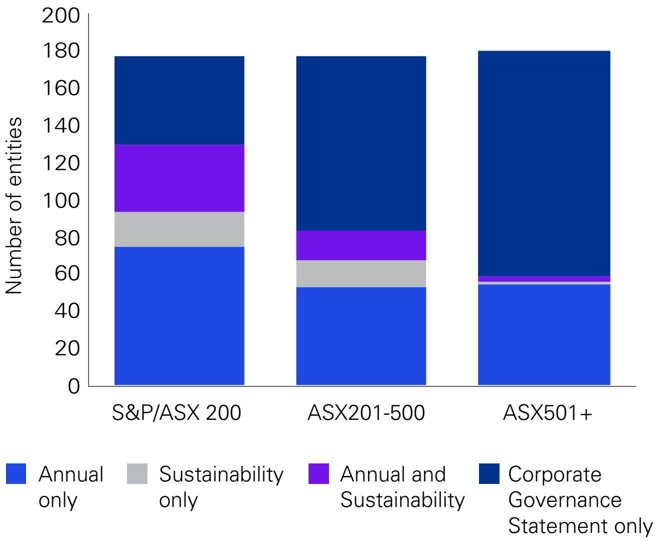


Figure 35: What reports are referenced in Appendix 4G

Recommendation 7.4 commentary specifies that listed entities are not required to publish an 'integrated report' or 'sustainability report'. However, an entity that does publish an integrated report in accordance with the Value Reporting Foundation's *International Integrated Reporting <IR> Framework* or a sustainability report in accordance with a recognised international standard (such as the GRI Standards, SASB standards, or the Climate Disclosure Standards Boards' (CDSB) *Framework for reporting environmental and natural capital*), may meet this Recommendation by cross-referring to that report.[83]

Good practice disclosures that were presented by the sampled entities across multiple reports were connected and cross-referenced in a way that was logical and that avoided duplication.

Examples below illustrate alignment of environmental and social information across multiple reports demonstrating connectivity.

Good practice examples

Lendlease (S&P/ASX 200)

Lendlease produces an Annual Integrated Report in accordance with the <IR> Framework, which is focused on material matters and how the entity manages risk and makes investment decisions. Lendlease describes its broader reporting suite at the beginning of their annual integrated report, indicating what supplementary reports exist and where supplementary information is located.

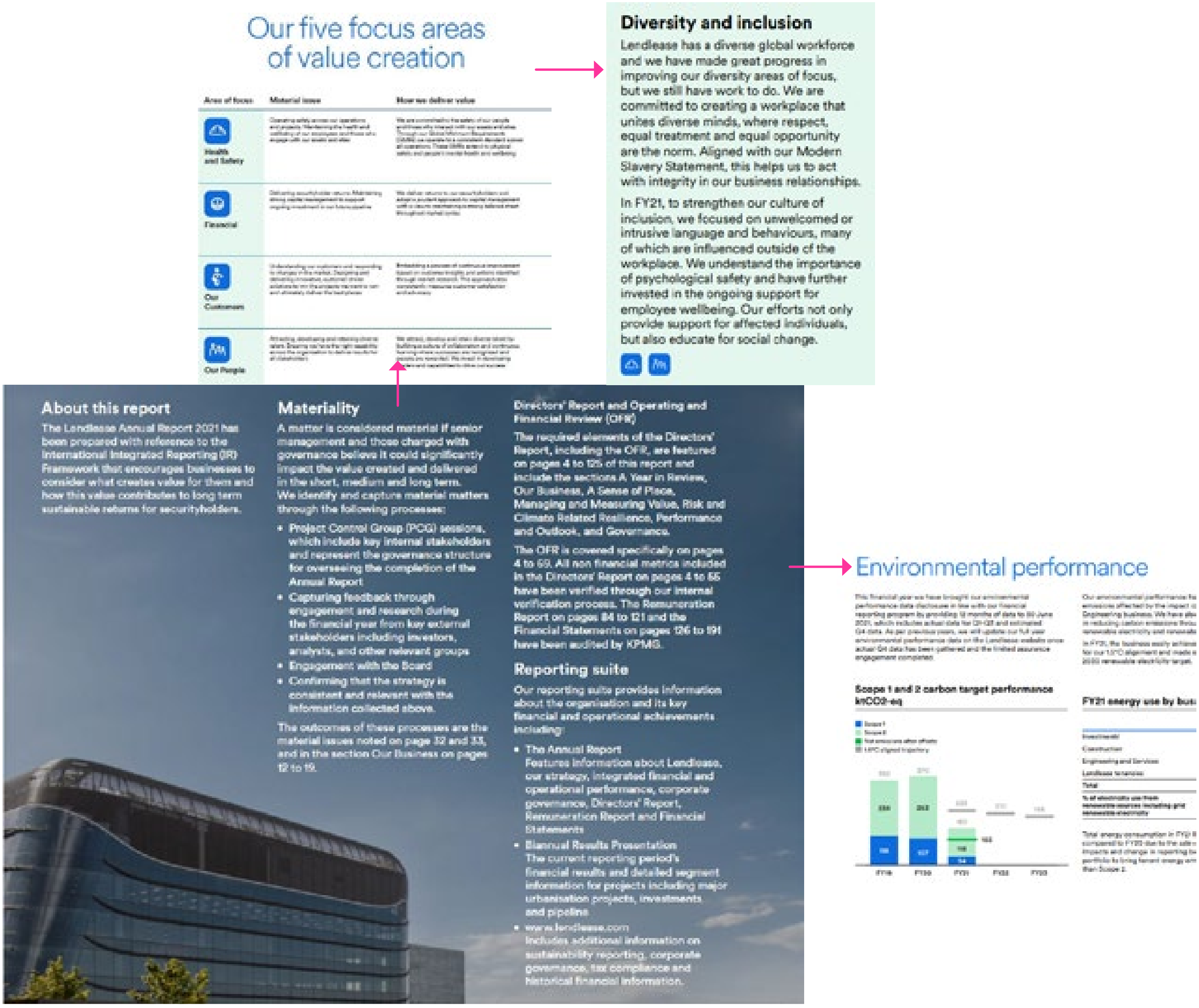


Figure 36 [*Lendlease Annual Integrated Report 2021*](#) *page 2.*

Furthermore, Lendlease use visual signposts (or icons) to connect their focus areas throughout the Annual Integrated Report. The use of signposting helps the reader navigate linkages between material topics, demonstrating how each report section is related to the others.

Perseus Mining (S&P/ASX 200)

Perseus Mining has integrated the TCFD Recommendations into its broader annual reporting suite. Its *Sustainable Development Report 2021* provides a table that references the location of relevant disclosures for each of the TCFD Recommendations, including topics and page numbers.

SUSTAINABILITY DATA TABLES

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

Training and education		
Governance	Describe the board's oversight of climate-related risks and opportunities.	Sustainable Development Report 2021 - Governance (Page 22) - Energy and Climate Change: Task Force on Climate-Related Financial Disclosures Report (Pages 79 - 80)
	Describe management's role in assessing and managing climate-related risks and opportunities.	Sustainable Development Report 2021 - Governance (Page 22) - Risk and Opportunity Management (Page 32) - Energy and Climate Change: Task Force on Climate-Related Financial Disclosures Report (Pages 79 - 82)
Strategy	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Sustainable Development Report 2021 - Energy and Climate Change: Task Force on Climate-Related Financial Disclosures Report (Page 82)
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Sustainable Development Report 2021 - Energy and Climate Change: Task Force on Climate-Related Financial Disclosures Report (Pages 79 - 87)
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Sustainable Development Report 2021 - Energy and Climate Change: Task Force on Climate-Related Financial Disclosures Report (Pages 79 - 87) Scenario analysis does not represent effective utilisation of resources for us at this stage.
Risk Management	Describe the organisation's processes for identifying and assessing climate-related risks.	Sustainable Development Report 2021 - Risk and Opportunity Management (Page 32) - Energy and Climate Change: Task Force on Climate-Related Financial Disclosures Report (Pages 79 - 84)
	Describe the organisation's processes for managing climate-related risks.	Sustainable Development Report 2021 - Energy and Climate Change: Task Force on Climate-Related Financial Disclosures Report (Pages 79 - 84)
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Sustainable Development Report 2021 - Risk and Opportunity Management (Page 32) - Energy and Climate Change: Task Force on Climate-Related Financial Disclosures Report (Pages 79 - 84)
Metrics and Targets	Disclose the metrics used by the organisation to assess climate-related	Sustainable Development Report 2021 - Our Performance (Page 12)

Figure 37: Perseus Mining Sustainable Development Report 2021 page 124

Governance considerations

SECTION 5:

Governance considerations

5.1 Who is responsible?

Of the sampled entities, 43 percent (240) report that the board is ultimately accountable for material environmental and social exposures and reporting on them.

A number of the sampled entities have a dedicated ESG committee of the board. Names of such dedicated committees vary (e.g. Sustainability Committee; Audit, Risk Management and Sustainability Committee; Safety, Health, Environment, Community and Security Committee; Risk and Responsible Business Committee). Other board committees accountable for environmental and social exposures included Risk and/or Audit Committees.

Management accountability for environmental and social exposures was specifically called out by 31 percent of the sampled entities, in addition to identifying accountability at board level.

Examples of management-level accountability included:

- Cross-functional ESG Steering Committee or Executive Sustainability Committee or ESG Management Council
- Chief Executive Officer
- Chief Sustainability Officer
- General Manager Supply Chain, Facilities & Sustainability
- Managing Director
- Corporate Sustainability Manager
- Chief Financial Officer
- Health, Safety, Environment and Quality General Manager

Of the sampled entities, 7 percent report to have a position of Chief Sustainability Officer (CSO), with the majority of these entities from the S&P/ASX 200. This finding highlights the emergence of the CSO position within listed entities, indicating the growing importance that listed entities are placing on sustainability issues, by creating a sustainability-specific role within their C-suites.

Clarity of reporting on accountabilities at board and management level varied significantly and was often difficult to ascertain, resulting in a higher number of entities marked in this research as not disclosed. Even when accountabilities were called out, it was unclear what specifically was considered by board/board committee or those accountable at senior management level during the reporting year.

This finding has been reiterated by the Investor Group on Climate Change (IGCC), which recognises that investors have limited information on the level of climate change competency and focus on climate change by company boards, based on publicly available information. In the IGCC Report *A Changing Climate: What investors expect of company directors on climate risk*,[84] the IGCC articulate Australian investors' expectations with respect to climate governance. We encourage listed entities to reference this report as relevant. While specific to climate change, this guidance could be applied more broadly to governance of environmental and social exposures.

Good practice examples

Woolworth Group (S&P/ASX 200)

Woolworths Group's *2021 Annual Report* clearly articulates board and management level accountabilities across three lines of defence and their *2021 Sustainability Report* sets out governance over climate change at board and executive and senior management levels.

Figure 38: [Woolworths Group 2021 Annual Report] page 37

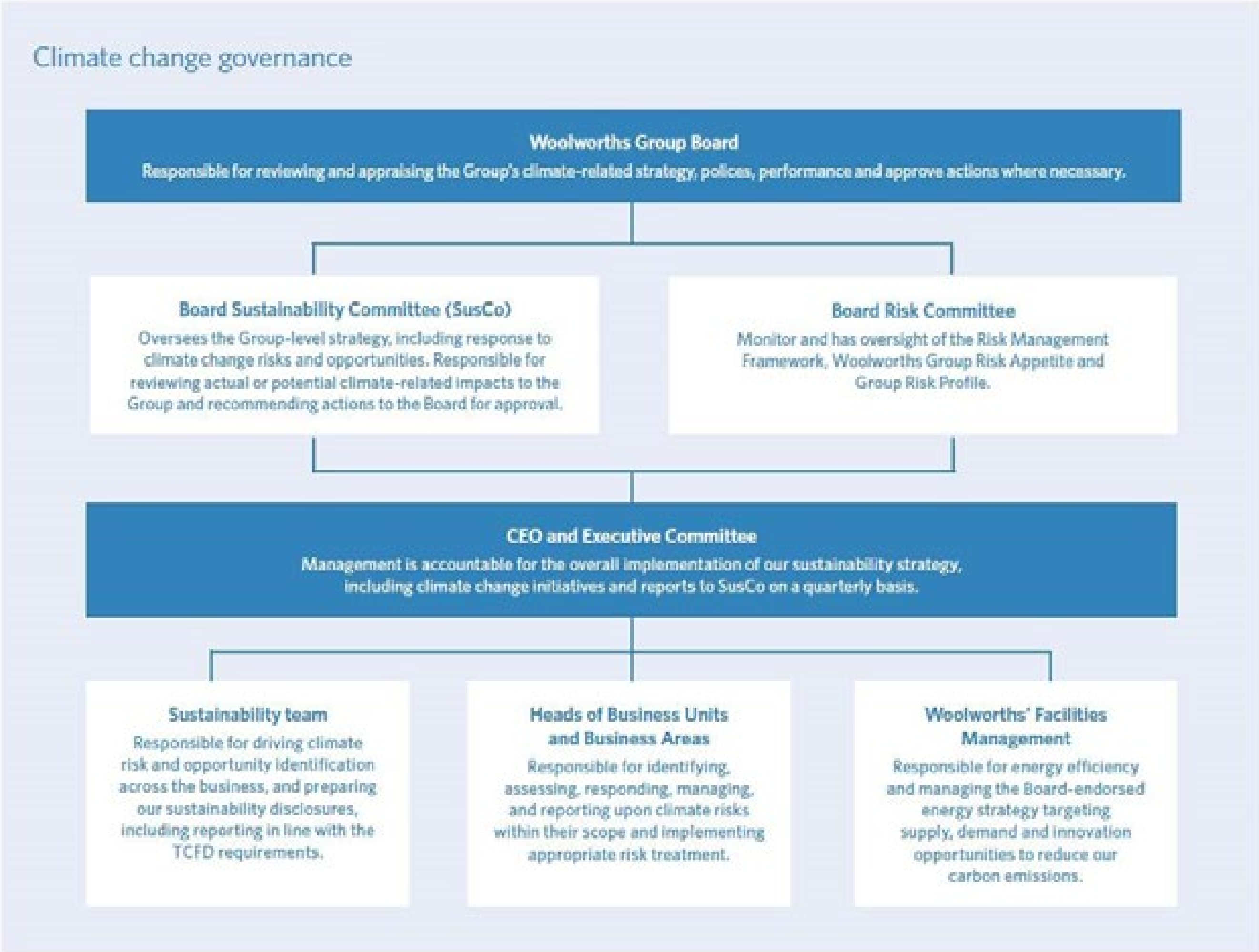
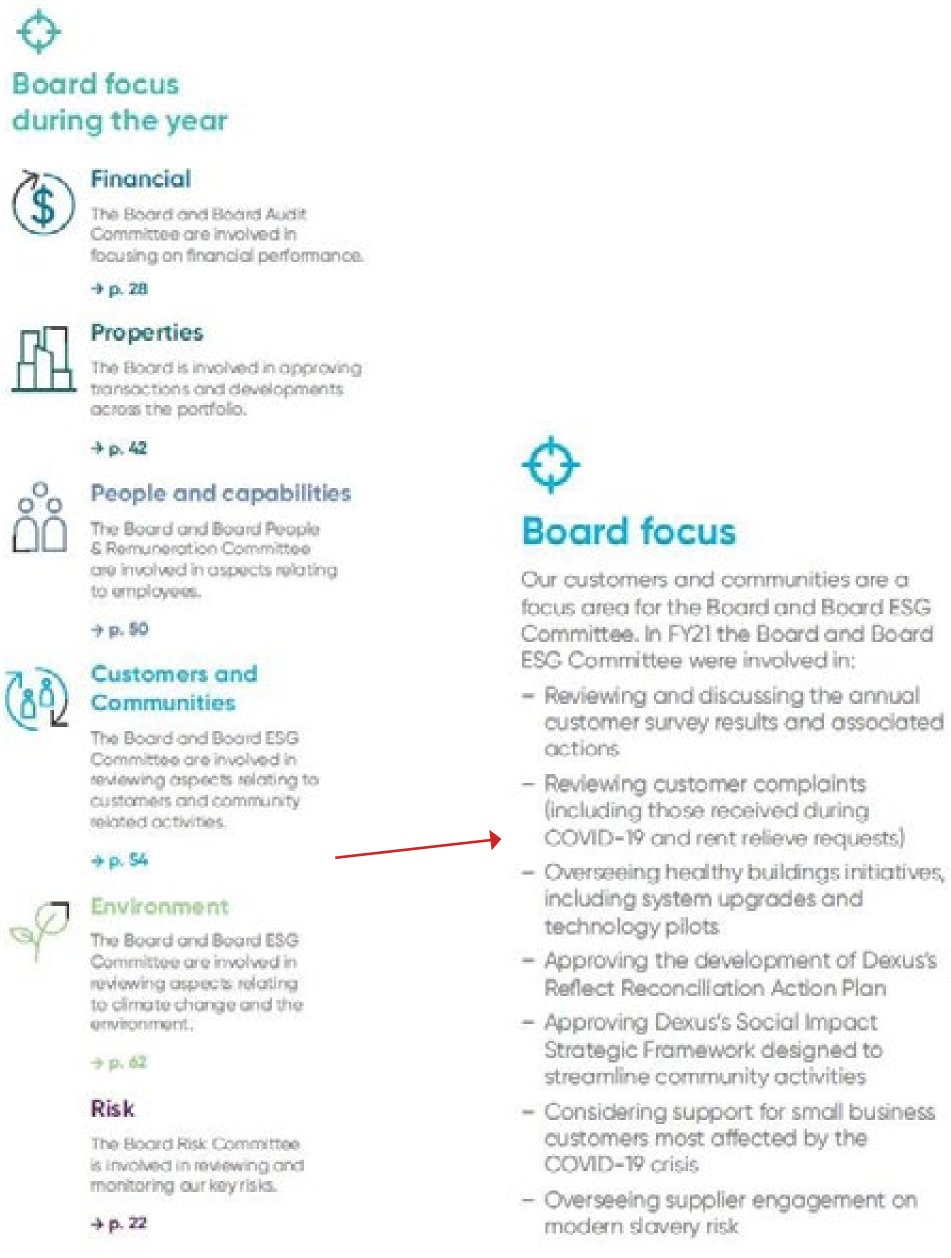


Figure 39: [Woolworths Group 2021 Sustainability Report] page 24

Dexus (S&P/ASX 200)

Dexus release a standalone corporate governance statement, supported by an 'Active Governance' section within their annual report. Dexus indicates the areas of board focus throughout the year and provides page references to specific actions undertaken by the board. This is a concise and impactful way to communicate key information related to governance, including the board's role in overseeing management implementation of strategy and management of risk, as well as areas where they have 'directed' management to undertake certain actions.



Board focus during the year

Financial

The Board and Board Audit Committee are involved in focusing on financial performance.

→ p. 28

Properties

The Board is involved in approving transactions and developments across the portfolio.

→ p. 42

People and capabilities

The Board and Board People & Remuneration Committee are involved in aspects relating to employees.

→ p. 50

Customers and Communities

The Board and Board ESG Committee are involved in reviewing aspects relating to customers and community related activities.

→ p. 54

Environment

The Board and Board ESG Committee are involved in reviewing aspects relating to climate change and the environment.

→ p. 62

Risk

The Board Risk Committee is involved in reviewing and monitoring our key risks.

→ p. 22

Board focus

Our customers and communities are a focus area for the Board and Board ESG Committee. In FY21 the Board and Board ESG Committee were involved in:

- Reviewing and discussing the annual customer survey results and associated actions
- Reviewing customer complaints (including those received during COVID-19 and rent relieve requests)
- Overseeing healthy buildings initiatives, including system upgrades and technology pilots
- Approving the development of Dexus's Reflect Reconciliation Action Plan
- Approving Dexus's Social Impact Strategic Framework designed to streamline community activities
- Considering support for small business customers most affected by the COVID-19 crisis
- Overseeing supplier engagement on modern slavery risk

Figure 40: [Dexus 2021 Annual Report](#) page 74

5.2 Remuneration linkages

Entities that were advanced in their approach to sustainability governance linked environmental and/or social KPIs to executive remuneration. Of the sampled entities, 19 percent disclosed the link between environmental and/or social KPIs and executive remuneration. This research area was difficult to determine, with disclosures often brief or generic without specifying the nature of the KPIs, targets or percentage of remuneration tied to.

Sampled entities linking Remuneration to E & S KPIs

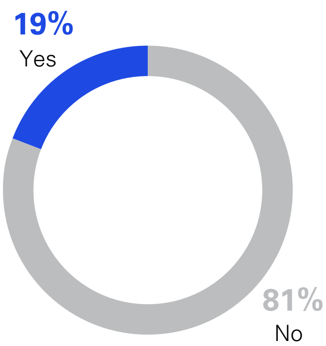


Figure 41: Entities linking remuneration to ESG KPIs

Linking ESG performance to pay can help hold executive management to account for the delivery of sustainable business goals. Executive pay should be aligned with performance and long-term strategy to protect and create value. However, existing remuneration plans often do not promote sustainable value creation, which is in the interest of both entities and their investors. This lack of alignment is of concern for long-term investors and presents opportunities for engagement to promote the consideration of ESG issues when setting pay.[85]

Within the United Nations Principles for Responsible Investment (UN PRI), the United Nations believes that ESG-linked pay can be an important tool to drive value and improved sustainability performance. This was demonstrated by a 2021 UN PRI Review that outlined how ESG-linked pay can be value-enhancing for entities.[86] For instance, if structured appropriately and implemented effectively, ESG-linked pay could:

- increase firm value
- rebalance the excessive emphasis on short-term performance targets in typical remuneration packages, which run contrary to long-term financial and sustainability objectives
- create better accountability on sustainability-related performance across management.[87]

The UN PRI has released guidance for linking ESG and remuneration.[88]

Good practice examples

QBE (S&P/ASX 200)

QBE has linked executive short-term incentive pay to four categories: performance, customer focus, modernisation, talent and culture. Sustainability and climate commitment is captured under performance and links a portion of executive short-term incentive to delivery of the company's net zero commitment and performance against QBE's Environment and Risk Framework.

How we performed: **2021 priorities**

The progress made against our strategic priorities through 2021 is summarised below. The executive KMP objectives are aligned with these and a portion of their STI outcomes are tied to their delivery.

Performance

Evolve and reinvigorate cell reviews and Brilliant Basics+ to further enhance performance discipline and drive portfolio optimisation. Targeted, sustainable, profitable growth, maximising the favourable rate environment. Deliver against our sustainability and climate commitments. Continued focus on shareholder returns.

▸ **Cell reviews**

A redesign of the format of cell reviews and reporting metrics provided for a more streamlined process and performance focus. Greater emphasis on underwriting actions (cell performance) and new lenses to focus on growth and claims provided a step-change in our ability to proactively address issues.

▸ **Sustainability and climate commitment**

Ongoing integration of sustainability considerations saw QBE set a new net-zero commitment across its global operations by 2030 and complete a new Environment & Social Risk Framework which came into effect on 1 January 2022. QBE celebrated the 10th anniversary of the QBE Foundation, won Green Insurer of the Year, launched our first syndicated sustainability linked loan and made progress towards our $2 billion impact investment target.

▸ **Robust growth and shareholder returns**

Performance discipline focused on maximising the favourable rate environment. GWP growth was driven by strong rate momentum and improved new business volumes in targeted growth areas. Launched a project to assess how we optimise natural catastrophe business.

Customer focus

Deliver value and exceed customer expectations through Customer@QBE. Better understanding of our customers' industries and needs. Embed a culture of proactive, insightful customer engagement. Fully embed the use of Salesforce and related analytical tools across the business, central to all our customer activity.

▸ **Customer@QBE**

Developed the customer engagement framework to drive consistent discovery around our customers; how we articulate value to our customers and partners and increase visibility of customer metrics. Global awareness and education targeted to enhance customer mindset and shape our customer-focused culture.

▸ **Customer insights**

Increased global visibility of core customer and industry data in one place supported the sharing of global customer research with business leaders. Customer-focused panels allowed sharing of insights and best practice. Consistency in measurement allows for trend analysis and interconnections between customer experience, our people, brand and results.

▸ **Salesforce**

Sales enablement tools embedded with greater visibility of new business pipeline and opportunities to cross sell. Related analytical tools expanded along with consistent increase in usage across all divisions.

Figure 42: QBE Group 2021 Annual Report page 61

NAB (S&P/ASX 200)

National Australia Bank is explicit in disclosing linkages between short-term incentive for its CEO and group executives. NAB outlined a metric of bolstering their ability to "work with customers on climate risk and transition pathways" into its, global change, short-term incentive structure and contributing a weighting of 15 percent within their Customer category of the short-term incentive.

Goal, objective and assessment	Weighting	Rating
Customers: *Deliver a great customer experience and grow customer advocacy*	15%	Achieved
• Strategic NPS up 5 points from August 2020 to -6 in August 2021, with NAB ranked first of the Australian major banks. This was slightly below the 6 point target increase. • Supporting customers with 280 remote working and regional/rural roles combined with 134 new regional small business bankers. • Extending support to SME customers impacted by COVID-19 with the NAB Business Support Loan and helping customers impacted by flooding in NSW and the WA cyclone with emergency grants. • Provided ~$2.2bn in deferrals during COVID-19. • Bolstering our ability to work with customers on climate risk and transition pathways by building a team highly qualified climate bankers. • Reducing 'time to yes'.		

Figure 43: NAB 2021 Annual Financial Report

South32 (S&P/ASX 200)

In their *2021 Annual Report* (p.6)[89], South32 outline the introduction of a discretionary assessment of performance against their decarbonisation strategy from FY22. This metric will account for up to 10 percent of the long-term incentive calculation each year and will be disclosed annually in South32's remuneration report. The long-term incentive is paid based on a range of metrics including progress towards targets of reducing operational carbon emissions by 50 percent for Scope 1 and 2 emissions by 2035.

AGL (S&P/ASX 200)

AGL Energy has three decarbonisation sub-categories in their long-term incentive remuneration structure. Key management personnel are assessed on AGL's progress towards FY25 targets on controlled intensity, controlled renewable and storage capacity, and green and carbon neutral products and services.

Carbon transition vesting schedules

Controlled intensity in FY24	Vesting of award	% Controlled renewable & storage capacity at 30 June 2024	Vesting of award	Green & carbon neutral products & services in FY24	Vesting of award
More than 0.895	0%	Less than 28%	0%	Less than 15.5%	0%
0.895 to 0.845	Straight-line vesting between 50% and 100%	28% to 34%	Straight-line vesting between 50% and 100%	15.5% to 20%	Straight-line vesting between 50% and 100%
Less than 0.845	100%	More than 34%	100%	More than 20%	100%

Figure 44: AGL Annual Report 2021 page 78

5.3 External assurance

Obtaining external assurance over material reported matters, including ESG metrics, provides additional confidence to boards and external stakeholders that information subject to assurance can withstand scrutiny.

Systems, processes and controls to support ESG and other intangible disclosures are not as mature as those operating over financial performance. Broader ESG disclosures will be considered more credible by investors if they are subject to targeted external assurance, and the board clearly explains the entity's approach to 'verifying the integrity' of reported information not subject to independent assurance, (as per Recommendation 4.3 of the Principles and Recommendations).[90]

From a reporting perspective, one of the key changes in the Fourth Edition is Recommendation 4.3, which requires listed entities to disclose the process to verify the integrity of any periodic corporate report released to the market that is not audited or reviewed by an external auditor.

The definition of 'periodic corporate report' includes an entity's annual directors' report, annual and half yearly financial statements, quarterly activity report, quarterly cash flow report, integrated report, sustainability report, or similar periodic report prepare for the benefit of investors.[91]

Where a 'periodic corporate report' of this type is not subject to audit or review by an external auditor, it is important that investors understand the process by which the entity has satisfied itself that the report is materially accurate and balanced, and that it provides investors with appropriate information to make informed investment decisions. This can be disclosed in the report itself or more generally in the entity's governance disclosures in its annual report or on its website.[92]

Overall, around a quarter of the sampled entities obtained external assurance over environmental and social exposure disclosures, majority within the S&P/ASX 200 at 49 percent. The majority of the entities that obtained external assurance over environmental and/or social disclosures, procured the services of one of the Big4 consultancies (EY, KPMG, PwC and Deloitte). Limited assurance was common.

External assurance good practice examples

Assurance over selected metrics

Gold Road Resources (ASX 201-500)

Information Subject to Assurance

The Information Subject to Assurance comprised:

- the following sections in the SR (except for Case Studies and information relating to the Gruyere site) available on Gold Road's website at https://goldroad.com.au/company-reports/:
  - Health, Safety and Wellbeing;
  - Diversity and Inclusion;
  - Employment;
  - Our Community;
- the following sections in the SR Data Tables (except for the information relating to the Gruyere site) available on Gold Road's website at https://goldroad.com.au/company-reports/:
  - Community Investment in the "Economic Contributions" tab;
  - "Safety" tab;
  - "People" tab; and
  - "Community & Human Rights" tab.

Source: *Sustainability Report 2021* page 88

Australian Unity (ASX 201-500)

Selected subject matter

The scope of our work was limited to assurance over the selected subject matter within the Australian Unity Our Impact 2021 Report set out within the table below. Our assurance does not extend to information in respect of earlier periods or to any other information included in the Australian Unity Our Impact 2021 Report.

Social impact area	*Social impact value created by Australian Unity during the year ended 30 June 2021*
Lifelong wellness	$596m
Economic empowerment	$203m
Strong communities	$453m

Source: *Our Impact 2021 Report* page 58

Dexus Limited (S&P/ASX 200)

Selected Subject Matter

The Subject Matter included within the scope of our engagement comprised the following performance metrics contained within the 2021 Sustainability Report and 2021 Annual Report presented at: www.dexus.com/2021-sustainability-report; and www.dexus.com/2021-dexus-annual-report.

- Total net energy consumption **566,745 GJ**
- Total Scope 1, 2 and 3 location-based greenhouse gas (GHG) emissions **135,296 tCO2-e**
- Total Scope 1, 2 and 3 market-based GHG emissions **121,291 tCO2-e**
- Total Scope 1, 2 and 3 net GHG emissions **118,791 tCO2-e**
- Total water usage **1,069,700 kL**
- Total waste to landfill and recycling **8,043 t**
- Percentage of female employees (FTE) **54%**
- Percentage of females in senior management (headcount) **35%**
- Percentage of female Non-Executive Directors **42.9%**
- Absentee rate **2.4**
- Lost time injury frequency rate **2.1**
- Fatalities **0**

Source: *Dexus Sustainability Report 2021* page 199

Brickworks Limited (S&P/ASX 200)

Engagement Subject Matter

The Subject Matter for our limited assurance engagement included selected sustainability performance data, limited to those aspects listed below, for the year ended 31 July 2021:

Australian Operations

- Total Scope 1 greenhouse gas (GHG) emissions (in tonnes of carbon dioxide equivalent (tCO_2-e)) *
- Total Scope 2 GHG emissions (tCO_2-e) *
- Total energy consumed (in petajoules (PJ)) *
- Total number and cost (in Australian dollars (AUD$)) of significant environmental fines and penalties
- Lost Time Injury Frequency Rate (LTIFR)
- Total Recordable Injury Frequency Rate (TRIFR)

*Reported for the year ended 30 June 2021, to align with the reporting period for the *National Greenhouse and Energy Reporting (NGER)* scheme.

US Operations

- Total natural gas consumed (in petajoules (PJ)) *
- Total electricity consumed (in MWh) *
- Total number and cost (in US dollars (US$)) of significant environmental fines and penalties
- Lost Time Injury Frequency Rate (LTIFR) ^
- Total Recordable Injury Frequency Rate (TRIFR) ^

*Reported for the year ended 30 June 2021, to align with Australian Operations.

^ US safety data (LTIFR & TRIFR) was also re-audited for FY19 & FY20.

The Subject Matter is historical information and does not include Management's forward-looking statements.

Source: *Brickworks Sustainability Report 2021* page 52

Whole report assurance

South32 Limited (S&P/ASX 200)

Assured Sustainability Information

The Assured Sustainability Information comprised the following data and statements:

- Sustainable Development Report (except for Our People and Case Studies) available on South32 Limited's (South32's) website at https://www.south32.net/investors-media/investor-centre/annual-reporting-suite;
- The Sustainability Databook (except for tabs "Inclusion and diversity", "Attract, develop, retain talent" and "Modern Slavery Metrics") available on South32's website at https://www.south32.net/investors-media/investor-centre/annual-reporting-suite;
- The following sections in the Annual Report available on South32's website at https://www.south32.net/investors-media/investor-centre/annual-reporting-suite:
  - *Total Recordable Injury Frequency, FY21 Scope 1 greenhouse gas emissions below FY15 baseline, Community Investment* and *Payment of taxes and royalties* in "Year in Review";
  - The following sections under "Progress against our strategy":
    - "Working safely";
    - *Scope 1 and 2 emissions* and *community initiatives and activities* in "Stable and predictable performance while minimising impact";
    - "Technology and innovation unlock value";
    - "Create enduring social, environmental and economic value"; and
  - "Our contribution".

Figure 45: Sustainability Databook 2021 Assurance tab 7.4

5.4 Shareholder engagement where climate is a material issue

An emerging active sustainability governance trend noted was entities participating in a 'Say on Climate' initiative, by putting their Climate Transition Action Plans to shareholder votes at their annual general meetings. While voluntary and non-binding, this is a useful mechanism to gather investor feedback and signal entities' strong commitment to active shareholder engagement and being held accountable to actions committed to.

Several Australian listed entities have adopted a 'Say on Climate' initiative, predominantly within the utilities, materials and energy sectors, including AGL, BHP, IPL, Origin Energy, Rio Tinto, Santos, South32 and Woodside.

Appendices

Appendix One

Recommendation 7.4

Recommendation 7.4 has been detailed below, including commentary and corresponding endnotes as provided by the Council.

Recommendation 7.4

A listed entity should disclose whether it has any material exposure to environmental[93] or social risks[94] and, if it does, how it manages or intends to manage those risks.

Commentary

How an entity manages environmental and social risks can affect its ability to create long-term value for securityholders. Accordingly, investors increasingly are calling for greater transparency on the environmental and social risks faced by listed entities,[95] so that they in turn can properly assess the risk of investing in those entities.

To make the disclosures called for under this Recommendation does not require a listed entity to publish an 'integrated report' or 'sustainability report'. However, an entity that does publish an integrated report in accordance with the International Integrated Reporting Council's *International <IR> Framework*,[96] or a sustainability report in accordance with a recognised international standard,[97] may meet this Recommendation simply by cross-referring to that report.

The Council would encourage entities that believe they do not have any material exposure to environmental or social risks to consider carefully their basis for that belief and to benchmark their disclosures in this regard against those made by their peers.

One particular source of environmental risk relates to climate change.[98] This includes:

- risks related to the transition to a lower-carbon economy, including policy and legal risks, technology risk, market risk and reputation risk; and
- physical risks, such as changes in water availability, sourcing, and quality; food security; and extreme temperature changes affecting an organisation's premises, operations, supply chains, transport needs, and employee safety.

Many listed entities will be exposed to these types of risks, even where they are not directly involved in mining or consuming fossil fuels.

The Council would encourage entities to consider whether they have a material exposure to climate change risk by reference to the Recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD)[99] and, if they do, to consider making the disclosures recommended by the TCFD.

Appendix Two

Methodology

The ASX Corporate Governance Council (the Council) was convened by the ASX in 2002 and brings together various business, shareholders and industry organisations. Since that time, the Council has issued four editions of *Corporate Governance Principles and Recommendations* for ASX listed entities.

ASX Listing Rule 4.10.3 requires Australian listed entities to include in their annual report either a corporate governance statement that meets the requirements of that rule, or the URL of the page on its website where such a statement is located.

The corporate governance statement must disclose the extent to which the entity has followed the Recommendations set by the Council during the reporting period. If the entity has not followed a Recommendation for any part of the reporting period, its corporate governance statement must separately identify that Recommendation and the period during which it was not followed and state its reasons for not following the Recommendation and what (if any) alternative governance practices it adopted in lieu of the Recommendation during that period why (known as 'if not, why not' or 'comply or explain' reporting).

Listed entities are also required to lodge an Appendix 4G with their annual report to the ASX. This explains where their corporate governance statement can be found and serves to assist readers in locating governance disclosures made under Listing Rule 4.10.3 by acting as a key.

Hence the Listing Rules effectively encourages listed entities to adopt the ASX Council's recommended practices but does not mandate them to do so. The Rule gives a listed entity the flexibility to adopt alternative corporate governance practices, if its board considers those to be more suitable to its particular circumstances, subject to the requirement for the board to explain its reasons for adopting those alternative practices.

Listed entities were first required to report their compliance with the fourth edition following the end of their first full financial year commencing on or after 1 January 2020, meaning that the vast majority of Australian listed entities will have reported against the fourth edition during the 2021 calendar year.

The ASX monitors compliance with the Listing Rule requirement to report against the Recommendations and takes enforcement action where required. Most often this is by requiring supplementary disclosure by listed entities.

Methodology

This report provides an analysis of the corporate governance disclosures made by a selection of sampled listed entities.

Where 'if not, why not' responses were analysed in this report, the review went further than the Appendix 4G, also reviewing the corporate governance statement and annual reports to confirm. Where there was not an 'if not, why not' reason given within these reports, entities were treated as not having addressed the Recommendation at all.

Public reports subject to review

The report examined the corporate governance Statements, Annual Reports and Appendix 4G (where available) of each selected entity to determine how the entity had responded to the Recommendation 7.4. Any examples included in this Report have been extracted directly from the relevant entity's Annual Report, Corporate Governance Statement, Sustainability Report or relevant publicly available policies referenced in Appendix 4G.

Samples

The ASX official list (as at 24 March 2022) was divided into three categories based on entity market capitalisation. Within each category, 200 entities were originally selected, with foreign exempt entities and newly listed entities not yet required to lodge an Appendix 4G then excluded, resulting in the sample size below.

37 (of the 600) sampled entities were either foreign exempt or newly listed, and thus were not required to follow the Recommendation, and have been excluded from the analysis as referenced in the report.

A sample from each category was selected using the methodology described below.

Stratum of ASX	Sample size
S&P/ASX 200 (ASX 200)	179 entities
ASX 201-500 by market capitalisation	189 entities
ASX 501+ by market capitalisation	195 entities

i. **S&P/ASX 200**
All entities in the S&P/ASX 200 as at 24 March 2022 were selected for analysis, as entities within this category generally set the benchmark for corporate governance good and leading practice.

However, in the process of our review it became apparent that 20 entities are ASX Foreign Exempt and are not required to adopt the fourth edition for the purpose of their Appendix 4G, corporate governance statement or annual report. One entity was newly listed to the ASX and not yet required to adopt the fourth edition. As such, we have excluded these 21 entities from the S&P/ASX 200.

ii. **ASX 201-500 sample (ASX 201-500)**

Two hundred out of the next 300 entities that were ranked 201 to 500 by market capitalisation (as at 24 March 2022) were randomly selected using a statistical sample generator to avoid bias.

The report found 11 entities in this category are ASX Foreign Exempt, and therefore did not lodge an Appendix 4G with their annual report for the most recent financial period. As such, we have excluded these from the ASX 201-500.

iii. **ASX 501 and over sample (ASX 501+)**

Two hundred entities, outside of the top 500 (i.e. entities that were ranked 501+ by market capitalisation), were randomly selected using a statistical sample generator to avoid bias.

The report found that 5 entities were newly listed to the ASX and not yet required to adopt the Fourth Edition. As such, we have excluded these from the ASX 501+.

A list of entities included in each of the three categories can be found in Appendix Three.

Appendix Three

Listed entities analysed in this research

Company name	GICS industry group	Selection category
1. ABACUS PROPERTY GROUP	Real Estate	ASX1-200
2. ADBRI LIMITED	Materials	ASX1-200
3. AGL ENERGY LIMITED.	Utilities	ASX1-200
4. ALLKEM LIMITED	Materials	ASX1-200
5. ALS LIMITED	Commercial & Professional Services	ASX1-200
6. ALTIUM LIMITED	Software & Services	ASX1-200
7. ALUMINA LIMITED	Materials	ASX1-200
8. AMCOR PLC	Materials	ASX1-200
9. AMP LIMITED	Diversified Financials	ASX1-200
10. AMPOL LIMITED	Energy	ASX1-200
11. ANEKA TAMBANG (PERSERO) TBK (PT)	Materials	ASX1-200
12. ANGLOGOLD ASHANTI LIMITED	Materials	ASX1-200
13. ANSELL LIMITED	Health Care Equipment & Services	ASX1-200
14. APA GROUP	Utilities	ASX1-200
15. APM HUMAN SERVICES INTERNATIONAL LIMITED	Commercial & Professional Services	ASX1-200
16. ARB CORPORATION LIMITED.	Automobiles & Components	ASX1-200
17. ARGO INVESTMENTS LIMITED	GICS code not specified	ASX1-200
18. ARISTOCRAT LEISURE LIMITED	Consumer Services	ASX1-200
19. ASX LIMITED	Diversified Financials	ASX1-200
20. ATLAS ARTERIA	Transportation	ASX1-200
21. AUCKLAND INTERNATIONAL AIRPORT LIMITED	Transportation	ASX1-200
22. AURIZON HOLDINGS LIMITED	Transportation	ASX1-200
23. AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	GICS code not specified	ASX1-200
24. AVZ MINERALS LIMITED	Materials	ASX1-200
25. BANK OF QUEENSLAND LIMITED.	Banks	ASX1-200
26. BAPCOR LIMITED	Retailing	ASX1-200
27. BEACH ENERGY LIMITED	Energy	ASX1-200
28. BENDIGO AND ADELAIDE BANK LIMITED	Banks	ASX1-200
29. BHP GROUP LIMITED	Materials	ASX1-200
30. BLOCK INC.	Software & Services	ASX1-200
31. BLUESCOPE STEEL LIMITED	Materials	ASX1-200
32. BORAL LIMITED.	Materials	ASX1-200
33. BRAMBLES LIMITED	Commercial & Professional Services	ASX1-200
34. BREVILLE GROUP LIMITED	Consumer Durables & Apparel	ASX1-200
35. BRICKWORKS LIMITED	Materials	ASX1-200

Company name	GICS industry group	Selection category
36. BSP FINANCIAL GROUP LIMITED	Banks	ASX1-200
37. BWP TRUST	Real Estate	ASX1-200
38. CARSALES.COM LIMITED.	Media & Entertainment	ASX1-200
39. CENTURIA CAPITAL GROUP	Real Estate	ASX1-200
40. CENTURIA INDUSTRIAL REIT	Real Estate	ASX1-200
41. CHALICE MINING LIMITED	Materials	ASX1-200
42. CHALLENGER LIMITED	Diversified Financials	ASX1-200
43. CHAMPION IRON LIMITED	Materials	ASX1-200
44. CHARTER HALL GROUP	Real Estate	ASX1-200
45. CHARTER HALL LONG WALE REIT	Real Estate	ASX1-200
46. CHARTER HALL RETAIL REIT	Real Estate	ASX1-200
47. CHORUS LIMITED	Telecommunication Services	ASX1-200
48. CIMIC GROUP LIMITED	Capital Goods	ASX1-200
49. CLEANAWAY WASTE MANAGEMENT LIMITED	Commercial & Professional Services	ASX1-200
50. COCHLEAR LIMITED	Health Care Equipment & Services	ASX1-200
51. COLES GROUP LIMITED.	Food & Staples Retailing	ASX1-200
52. COMPUTERSHARE LIMITED.	Software & Services	ASX1-200
53. CONTACT ENERGY LIMITED	Utilities	ASX1-200
54. CORE LITHIUM LTD	Materials	ASX1-200
55. CORONADO GLOBAL RESOURCES INC.	Materials	ASX1-200
56. CORPORATE TRAVEL MANAGEMENT LIMITED	Consumer Services	ASX1-200
57. CREDIT CORP GROUP LIMITED	Diversified Financials	ASX1-200
58. CROMWELL PROPERTY GROUP	Real Estate	ASX1-200
59. CROWN RESORTS LIMITED	Consumer Services	ASX1-200
60. CSL LIMITED	Pharmaceuticals, Biotechnology & Life Sciences	ASX1-200
61. CSR LIMITED	Materials	ASX1-200
62. DETERRA ROYALTIES LIMITED	Materials	ASX1-200
63. DEXUS	Real Estate	ASX1-200
64. DICKER DATA LIMITED	Technology Hardware & Equipment	ASX1-200
65. DOMAIN HOLDINGS AUSTRALIA LIMITED.	Media & Entertainment	ASX1-200
66. DOMINO'S PIZZA ENTERPRISES LIMITED	Consumer Services	ASX1-200
67. DOWNER EDI LIMITED	Commercial & Professional Services	ASX1-200
68. EAGERS AUTOMOTIVE LIMITED	Retailing	ASX1-200
69. EBOS GROUP LIMITED	Health Care Equipment & Services	ASX1-200
70. ELDERS LIMITED	Food, Beverage & Tobacco	ASX1-200
71. ENDEAVOUR GROUP LIMITED	Food & Staples Retailing	ASX1-200
72. EVENT HOSPITALITY AND ENTERTAINMENT LTD	Media & Entertainment	ASX1-200
73. EVOLUTION MINING LIMITED	Materials	ASX1-200
74. FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED	Health Care Equipment & Services	ASX1-200
75. FLETCHER BUILDING LIMITED	Materials	ASX1-200
76. FLIGHT CENTRE TRAVEL GROUP LIMITED	Consumer Services	ASX1-200
77. FORTESCUE METALS GROUP LTD	Materials	ASX1-200

Company name	GICS industry group	Selection category
78. GENESIS ENERGY LIMITED	Utilities	ASX1-200
79. GOODMAN GROUP	Real Estate	ASX1-200
80. GPT GROUP	Real Estate	ASX1-200
81. GQG PARTNERS INC.	Diversified Financials	ASX1-200
82. GRAINCORP LIMITED	Food & Staples Retailing	ASX1-200
83. GROWTHPOINT PROPERTIES AUSTRALIA	Real Estate	ASX1-200
84. HARVEY NORMAN HOLDINGS LIMITED	Retailing	ASX1-200
85. HEALIUS LIMITED	Health Care Equipment & Services	ASX1-200
86. HOME CONSORTIUM LIMITED	Real Estate	ASX1-200
87. HOMECO DAILY NEEDS REIT	Real Estate	ASX1-200
88. HUB24 LIMITED	Diversified Financials	ASX1-200
89. IDP EDUCATION LIMITED	Consumer Services	ASX1-200
90. IGO LIMITED	Materials	ASX1-200
91. ILUKA RESOURCES LIMITED	Materials	ASX1-200
92. INCITEC PIVOT LIMITED	Materials	ASX1-200
93. INFRATIL LIMITED.	Utilities	ASX1-200
94. INGENIA COMMUNITIES GROUP	Real Estate	ASX1-200
95. INSIGNIA FINANCIAL LTD	Diversified Financials	ASX1-200
96. INSURANCE AUSTRALIA GROUP LIMITED	Insurance	ASX1-200
97. IRESS LIMITED	Software & Services	ASX1-200
98. JAMES HARDIE INDUSTRIES PLC	Materials	ASX1-200
99. JANUS HENDERSON GROUP PLC	Diversified Financials	ASX1-200
100. JB HI-FI LIMITED	Retailing	ASX1-200
101. JOHNS LYNG GROUP LIMITED	Capital Goods	ASX1-200
102. JUDO CAPITAL HOLDINGS LIMITED	Banks	ASX1-200
103. LAKE RESOURCES N.L.	Materials	ASX1-200
104. LENDLEASE GROUP	Real Estate	ASX1-200
105. LINK ADMINISTRATION HOLDINGS LIMITED	Software & Services	ASX1-200
106. LIONTOWN RESOURCES LIMITED	Materials	ASX1-200
107. LOVISA HOLDINGS LIMITED	Retailing	ASX1-200
108. LYNAS RARE EARTHS LIMITED	Materials	ASX1-200
109. MACQUARIE GROUP LIMITED	Diversified Financials	ASX1-200
110. MAGELLAN FINANCIAL GROUP LIMITED	Diversified Financials	ASX1-200
111. MAGELLAN GLOBAL FUND.	GICS code not specified	ASX1-200
112. MEDIBANK PRIVATE LIMITED	Insurance	ASX1-200
113. MEGAPORT LIMITED	Software & Services	ASX1-200
114. MERCURY NZ LIMITED	Utilities	ASX1-200
115. MERIDIAN ENERGY LIMITED	Utilities	ASX1-200
116. METCASH LIMITED	Food & Staples Retailing	ASX1-200
117. MINERAL RESOURCES LIMITED	Materials	ASX1-200
118. MIRVAC GROUP	Real Estate	ASX1-200

Company name	GICS industry group	Selection category
119. NATIONAL AUSTRALIA BANK LIMITED	Banks	ASX1-200
120. NATIONAL STORAGE REIT	Real Estate	ASX1-200
121. NETWEALTH GROUP LIMITED	Diversified Financials	ASX1-200
122. NEW HOPE CORPORATION LIMITED	Energy	ASX1-200
123. NEWCREST MINING LIMITED	Materials	ASX1-200
124. NEWS CORPORATION	Media & Entertainment	ASX1-200
125. NEWS CORPORATION	Media & Entertainment	ASX1-200
126. NEXGEN ENERGY (CANADA) LTD	Energy	ASX1-200
127. NEXTDC LIMITED	Software & Services	ASX1-200
128. NIB HOLDINGS LIMITED	Insurance	ASX1-200
129. NICKEL MINES LIMITED	Materials	ASX1-200
130. NINE ENTERTAINMENT CO. HOLDINGS LIMITED	Media & Entertainment	ASX1-200
131. NORTHERN STAR RESOURCES LTD	Materials	ASX1-200
132. NOVONIX LIMITED	Technology Hardware & Equipment	ASX1-200
133. NUFARM LIMITED	Materials	ASX1-200
134. OCEANAGOLD CORPORATION	Materials	ASX1-200
135. ORICA LIMITED	Utilities	ASX1-200
136. ORIGIN ENERGY LIMITED	Energy	ASX1-200
137. ORORA LIMITED	Materials	ASX1-200
138. OZ MINERALS LIMITED	Materials	ASX1-200
139. PALADIN ENERGY LTD	Energy	ASX1-200
140. PERPETUAL LIMITED	Diversified Financials	ASX1-200
141. PERSEUS MINING LIMITED	Materials	ASX1-200
142. PEXA GROUP LIMITED	Real Estate	ASX1-200
143. PILBARA MINERALS LIMITED	Materials	ASX1-200
144. PINNACLE INVESTMENT MANAGEMENT GROUP LIMITED	Diversified Financials	ASX1-200
145. PREMIER INVESTMENTS LIMITED	Retailing	ASX1-200
146. PRO MEDICUS LIMITED	Health Care Equipment & Services	ASX1-200
147. QANTAS AIRWAYS LIMITED	Transportation	ASX1-200
148. QBE INSURANCE GROUP LIMITED	Insurance	ASX1-200
149. QUBE HOLDINGS LIMITED	Transportation	ASX1-200
150. RAMSAY HEALTH CARE LIMITED	Health Care Equipment & Services	ASX1-200
151. REA GROUP LTD	Media & Entertainment	ASX1-200
152. REECE LIMITED	Capital Goods	ASX1-200
153. RELIANCE WORLDWIDE CORPORATION LIMITED	Capital Goods	ASX1-200
154. RESMED INC	Health Care Equipment & Services	ASX1-200
155. RIO TINTO LIMITED	Materials	ASX1-200
156. SANDFIRE RESOURCES LIMITED	Materials	ASX1-200
157. SANTOS LIMITED	Energy	ASX1-200
158. SCENTRE GROUP	Real Estate	ASX1-200
159. SEEK LIMITED	Media & Entertainment	ASX1-200
160. SEVEN GROUP HOLDINGS LIMITED	Capital Goods	ASX1-200

Company name	GICS industry group	Selection category
161. SHOPPING CENTRES AUSTRALASIA PROPERTY GROUP	Real Estate	ASX1-200
162. SILVER LAKE RESOURCES LIMITED	Materials	ASX1-200
163. SIMS LIMITED	Materials	ASX1-200
164. SKYCITY ENTERTAINMENT GROUP LIMITED	Consumer Services	ASX1-200
165. SONIC HEALTHCARE LIMITED	Health Care Equipment & Services	ASX1-200
166. SOUTH32 LIMITED	Materials	ASX1-200
167. SPARK NEW ZEALAND LIMITED	Telecommunication Services	ASX1-200
168. SSR MINING INC.	Materials	ASX1-200
169. STEADFAST GROUP LIMITED	Insurance	ASX1-200
170. STOCKLAND	Real Estate	ASX1-200
171. SUMMERSET GROUP HOLDINGS LIMITED	Health Care Equipment & Services	ASX1-200
172. SUNCORP GROUP LIMITED	Insurance	ASX1-200
173. SUPER RETAIL GROUP LIMITED	Retailing	ASX1-200
174. TABCORP HOLDINGS LIMITED	Consumer Services	ASX1-200
175. TECHNOLOGY ONE LIMITED	Software & Services	ASX1-200
176. TELSTRA CORPORATION LIMITED.	Telecommunication Services	ASX1-200
177. THE A2 MILK COMPANY LIMITED	Food, Beverage & Tobacco	ASX1-200
178. THE STAR ENTERTAINMENT GROUP LIMITED	Consumer Services	ASX1-200
179. TPG TELECOM LIMITED.	Telecommunication Services	ASX1-200
180. TRANSURBAN GROUP	Transportation	ASX1-200
181. TREASURY WINE ESTATES LIMITED	Food, Beverage & Tobacco	ASX1-200
182. UNIBAIL-RODAMCO-WESTFIELD	Real Estate	ASX1-200
183. UNITI GROUP LIMITED	Telecommunication Services	ASX1-200
184. VENTIA SERVICES GROUP LIMITED	Capital Goods	ASX1-200
185. VICINITY CENTRES	Real Estate	ASX1-200
186. VIRGIN MONEY UK PLC	Banks	ASX1-200
187. VIVA ENERGY GROUP LIMITED	Energy	ASX1-200
188. WAM CAPITAL LIMITED	GICS code not specified	ASX1-200
189. WASHINGTON H SOUL PATTINSON & COMPANY LIMITED	Energy	ASX1-200
190. WEBJET LIMITED	Retailing	ASX1-200
191. WESFARMERS LIMITED	Retailing	ASX1-200
192. WESTPAC BANKING CORPORATION	Banks	ASX1-200
193. WHITEHAVEN COAL LIMITED	Energy	ASX1-200
194. WISETECH GLOBAL LIMITED	Software & Services	ASX1-200
195. WOODSIDE PETROLEUM LTD	Energy	ASX1-200
196. WOOLWORTHS GROUP LIMITED	Food & Staples Retailing	ASX1-200
197. WORLEY LIMITED	Energy	ASX1-200
198. XERO LIMITED	Software & Services	ASX1-200
199. YANCOAL AUSTRALIA LIMITED	Energy	ASX1-200
200. ZIMPLATS HOLDINGS LIMITED	Materials	ASX1-200
201. 29METALS LIMITED	Materials	ASX201-500
202. 3P LEARNING LIMITED	Consumer Services	ASX201-500

Company name	GICS industry group	Selection category
203. ACCENT GROUP LIMITED	Retailing	ASX201-500
204. AINSWORTH GAME TECHNOLOGY LIMITED	Consumer Services	ASX201-500
205. ALKANE RESOURCES LIMITED	Materials	ASX201-500
206. ALLIANCE AVIATION SERVICES LIMITED	Transportation	ASX201-500
207. ALPHA HPA LIMITED	Materials	ASX201-500
208. AMA GROUP LIMITED	Commercial & Professional Services	ASX201-500
209. ARDENT LEISURE GROUP LIMITED	Consumer Services	ASX201-500
210. ARENA REIT.	Real Estate	ASX201-500
211. ARGO GLOBAL LISTED INFRASTRUCTURE LIMITED	GICS code not specified	ASX201-500
212. ARGOSY MINERALS LIMITED	Materials	ASX201-500
213. AUB GROUP LIMITED	Insurance	ASX201-500
214. AUDINATE GROUP LIMITED	Technology Hardware & Equipment	ASX201-500
215. AUDIO PIXELS HOLDINGS LIMITED	Consumer Durables & Apparel	ASX201-500
216. AURELIA METALS LIMITED	Materials	ASX201-500
217. AUSSIE BROADBAND LIMITED	Telecommunication Services	ASX201-500
218. AUSTAL LIMITED	Capital Goods	ASX201-500
219. AUSTRALIAN AGRICULTURAL COMPANY LIMITED.	Food, Beverage & Tobacco	ASX201-500
220. AUSTRALIAN CLINICAL LABS LIMITED	Health Care Equipment & Services	ASX201-500
221. AUSTRALIAN ETHICAL INVESTMENT LIMITED	Diversified Financials	ASX201-500
222. AUSTRALIAN FINANCE GROUP LTD	Banks	ASX201-500
223. AUSTRALIAN STRATEGIC MATERIALS LIMITED	Materials	ASX201-500
224. AUSTRALIAN UNITY OFFICE FUND	Real Estate	ASX201-500
225. AUTOSPORTS GROUP LIMITED.	Retailing	ASX201-500
226. BABY BUNTING GROUP LIMITED	Retailing	ASX201-500
227. BASE RESOURCES LIMITED	Materials	ASX201-500
228. BEGA CHEESE LIMITED	Food, Beverage & Tobacco	ASX201-500
229. BEST & LESS GROUP HOLDINGS LTD	Retailing	ASX201-500
230. BIGTINCAN HOLDINGS LIMITED	Software & Services	ASX201-500
231. BKI INVESTMENT COMPANY LIMITED	GICS code not specified	ASX201-500
232. BLACKMORES LIMITED	Household & Personal Products	ASX201-500
233. BOSS ENERGY LTD	Materials	ASX201-500
234. BOWEN COKING COAL LIMITED	Materials	ASX201-500
235. BRAINCHIP HOLDINGS LTD	Software & Services	ASX201-500
236. BRAVURA SOLUTIONS LIMITED.	Software & Services	ASX201-500
237. BROCKMAN MINING LIMITED	Materials	ASX201-500
238. CALIDUS RESOURCES LIMITED	Materials	ASX201-500
239. CAPITOL HEALTH LIMITED	Health Care Equipment & Services	ASX201-500
240. CAPRICORN METALS LTD	Materials	ASX201-500
241. CARLTON INVESTMENTS LIMITED	GICS code not specified	ASX201-500
242. CARNARVON ENERGY LIMITED	Energy	ASX201-500
243. CEDAR WOODS PROPERTIES LIMITED	Real Estate	ASX201-500
244. CENTAURUS METALS LIMITED	Materials	ASX201-500

Company name	GICS industry group	Selection category
245. CENTURIA OFFICE REIT	Real Estate	ASX201-500
246. CETTIRE LIMITED	Retailing	ASX201-500
247. CITY CHIC COLLECTIVE LIMITED	Retailing	ASX201-500
248. CLEARVIEW WEALTH LIMITED	Diversified Financials	ASX201-500
249. COGSTATE LTD	Health Care Equipment & Services	ASX201-500
250. COOPER ENERGY LIMITED	Energy	ASX201-500
251. COPPER MOUNTAIN MINING CORPORATION	Materials	ASX201-500
252. DALRYMPLE BAY INFRASTRUCTURE LIMITED	Transportation	ASX201-500
253. DDH1 LIMITED	Materials	ASX201-500
254. DE GREY MINING LIMITED	Materials	ASX201-500
255. DEVELOP GLOBAL LIMITED	Materials	ASX201-500
256. DEXUS CONVENIENCE RETAIL REIT	Real Estate	ASX201-500
257. DEXUS INDUSTRIA REIT.	Real Estate	ASX201-500
258. DGL GROUP LIMITED	Materials	ASX201-500
259. DJERRIWARRH INVESTMENTS LIMITED	GICS code not specified	ASX201-500
260. ECLIPX GROUP LIMITED	Diversified Financials	ASX201-500
261. ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED	Capital Goods	ASX201-500
262. EMERALD RESOURCES NL	Materials	ASX201-500
263. EML PAYMENTS LIMITED	Software & Services	ASX201-500
264. EQT HOLDINGS LIMITED	Diversified Financials	ASX201-500
265. EROAD LIMITED	Technology Hardware & Equipment	ASX201-500
266. FONTERRA SHAREHOLDERS' FUND	Food, Beverage & Tobacco	ASX201-500
267. FRONTIER DIGITAL VENTURES LIMITED	Media & Entertainment	ASX201-500
268. FUTURE GENERATION GLOBAL INVESTMENT COMPANY LIMITED	GICS code not specified	ASX201-500
269. FUTURE GENERATION INVESTMENT COMPANY LIMITED	GICS code not specified	ASX201-500
270. G.U.D. HOLDINGS LIMITED	Automobiles & Components	ASX201-500
271. G8 EDUCATION LIMITED	Consumer Services	ASX201-500
272. GARDA PROPERTY GROUP	Real Estate	ASX201-500
273. GDI PROPERTY GROUP	Real Estate	ASX201-500
274. GENESIS MINERALS LIMITED	Materials	ASX201-500
275. GENWORTH MORTGAGE INSURANCE AUSTRALIA LIMITED	Banks	ASX201-500
276. GLOBAL LITHIUM RESOURCES LIMITED	Materials	ASX201-500
277. GOLD ROAD RESOURCES LIMITED	Materials	ASX201-500
278. GRANGE RESOURCES LIMITED.	Materials	ASX201-500
279. GRYPHON CAPITAL INCOME TRUST	GICS code not specified	ASX201-500
280. GWA GROUP LIMITED.	Capital Goods	ASX201-500
281. HANSEN TECHNOLOGIES LIMITED	Software & Services	ASX201-500
282. HASTINGS TECHNOLOGY METALS LTD	Materials	ASX201-500
283. HEARTLAND GROUP HOLDINGS LIMITED	Banks	ASX201-500
284. HEARTS AND MINDS INVESTMENTS LIMITED	GICS code not specified	ASX201-500
285. HELLOWORLD TRAVEL LIMITED	Consumer Services	ASX201-500

Company name	GICS industry group	Selection category
286. HOTEL PROPERTY INVESTMENTS	Real Estate	ASX201-500
287. HT&E LIMITED	Media & Entertainment	ASX201-500
288. HUMM GROUP LIMITED	Diversified Financials	ASX201-500
289. HUTCHISON TELECOMMUNICATIONS (AUSTRALIA) LIMITED	Telecommunication Services	ASX201-500
290. IMDEX LIMITED	Materials	ASX201-500
291. IMMUTEP LIMITED	Pharmaceuticals, Biotechnology & Life Sciences	ASX201-500
292. INCANNEX HEALTHCARE LIMITED	Pharmaceuticals, Biotechnology & Life Sciences	ASX201-500
293. INFOMEDIA LTD	Software & Services	ASX201-500
294. INGHAMS GROUP LIMITED	Food, Beverage & Tobacco	ASX201-500
295. INVOCARE LIMITED	Consumer Services	ASX201-500
296. IONEER LTD	Materials	ASX201-500
297. JUPITER MINES LIMITED.	Materials	ASX201-500
298. KAROON ENERGY LTD	Energy	ASX201-500
299. KELSIAN GROUP LIMITED	Consumer Services	ASX201-500
300. KKR CREDIT INCOME FUND	GICS code not specified	ASX201-500
301. KMD BRANDS LIMITED	Retailing	ASX201-500
302. L1 LONG SHORT FUND LIMITED	GICS code not specified	ASX201-500
303. LATITUDE GROUP HOLDINGS LIMITED	Diversified Financials	ASX201-500
304. LIFESTYLE COMMUNITIES LIMITED	Real Estate	ASX201-500
305. LI-S ENERGY LIMITED	Capital Goods	ASX201-500
306. MA FINANCIAL GROUP LIMITED	Diversified Financials	ASX201-500
307. MAAS GROUP HOLDINGS LIMITED	Capital Goods	ASX201-500
308. MACMAHON HOLDINGS LIMITED	Materials	ASX201-500
309. MADER GROUP LIMITED	Commercial & Professional Services	ASX201-500
310. MAGNIS ENERGY TECHNOLOGIES LTD	Materials	ASX201-500
311. MCMILLAN SHAKESPEARE LIMITED	Commercial & Professional Services	ASX201-500
312. MESOBLAST LIMITED	Pharmaceuticals, Biotechnology & Life Sciences	ASX201-500
313. METRICS INCOME OPPORTUNITIES TRUST	GICS code not specified	ASX201-500
314. METRICS MASTER INCOME TRUST	GICS code not specified	ASX201-500
315. MFF CAPITAL INVESTMENTS LIMITED	GICS code not specified	ASX201-500
316. MICHAEL HILL INTERNATIONAL LIMITED	Retailing	ASX201-500
317. MINCOR RESOURCES NL	Materials	ASX201-500
318. MONEYME LIMITED	Diversified Financials	ASX201-500
319. MYER HOLDINGS LIMITED	Retailing	ASX201-500
320. MYSTATE LIMITED	Banks	ASX201-500
321. NANOSONICS LIMITED	Health Care Equipment & Services	ASX201-500
322. NB GLOBAL CORPORATE INCOME TRUST	GICS code not specified	ASX201-500
323. NEARMAP LTD	Software & Services	ASX201-500
324. NEOMETALS LTD	Materials	ASX201-500
325. NEUREN PHARMACEUTICALS LIMITED	Pharmaceuticals, Biotechnology & Life Sciences	ASX201-500
326. NICK SCALI LIMITED	Retailing	ASX201-500

Company name	GICS industry group	Selection category
327. NRW HOLDINGS LIMITED	Capital Goods	ASX201-500
328. OCEANIA HEALTHCARE LIMITED	Health Care Equipment & Services	ASX201-500
329. OFX GROUP LIMITED	Diversified Financials	ASX201-500
330. OM HOLDINGS LIMITED	Materials	ASX201-500
331. OMNI BRIDGEWAY LIMITED	Diversified Financials	ASX201-500
332. OOH!MEDIA LIMITED	Media & Entertainment	ASX201-500
333. OPHIR HIGH CONVICTION FUND	GICS code not specified	ASX201-500
334. OPTHEA LIMITED	Pharmaceuticals, Biotechnology & Life Sciences	ASX201-500
335. PACIFIC CURRENT GROUP LIMITED	Diversified Financials	ASX201-500
336. PACIFIC EDGE LIMITED	Pharmaceuticals, Biotechnology & Life Sciences	ASX201-500
337. PACIFIC SMILES GROUP LIMITED	Health Care Equipment & Services	ASX201-500
338. PACT GROUP HOLDINGS LTD	Materials	ASX201-500
339. PANTORO LIMITED	Materials	ASX201-500
340. PARTNERS GROUP GLOBAL INCOME FUND	GICS code not specified	ASX201-500
341. PEET LIMITED	Real Estate	ASX201-500
342. PEOPLEIN LIMITED	Commercial & Professional Services	ASX201-500
343. PERENTI GLOBAL LIMITED	Materials	ASX201-500
344. PERPETUAL CREDIT INCOME TRUST	GICS code not specified	ASX201-500
345. PIEDMONT LITHIUM INC.	Materials	ASX201-500
346. PLATINUM ASIA INVESTMENTS LIMITED	GICS code not specified	ASX201-500
347. PLATINUM ASSET MANAGEMENT LIMITED	Diversified Financials	ASX201-500
348. PLATINUM CAPITAL LIMITED	GICS code not specified	ASX201-500
349. PLAYSIDE STUDIOS LIMITED	Media & Entertainment	ASX201-500
350. POLYNOVO LIMITED	Health Care Equipment & Services	ASX201-500
351. PPK GROUP LIMITED	Capital Goods	ASX201-500
352. PROSPECT RESOURCES LIMITED	Materials	ASX201-500
353. PSC INSURANCE GROUP LIMITED	Insurance	ASX201-500
354. PUSHPAY HOLDINGS LIMITED	Software & Services	ASX201-500
355. PWR HOLDINGS LIMITED	Automobiles & Components	ASX201-500
356. QUALITAS LIMITED	Diversified Financials	ASX201-500
357. RAM ESSENTIAL SERVICES PROPERTY FUND	Real Estate	ASX201-500
358. RED 5 LIMITED	Materials	ASX201-500
359. REGAL INVESTMENT FUND	GICS code not specified	ASX201-500
360. REGIS HEALTHCARE LIMITED	Health Care Equipment & Services	ASX201-500
361. REGIS RESOURCES LIMITED	Materials	ASX201-500
362. RENERGEN LIMITED	Energy	ASX201-500
363. RESIMAC GROUP LTD	Banks	ASX201-500
364. RESOLUTE MINING LIMITED	Materials	ASX201-500
365. RURAL FUNDS GROUP	Real Estate	ASX201-500
366. SAYONA MINING LIMITED	Materials	ASX201-500
367. SERKO LIMITED	Software & Services	ASX201-500

Company name	GICS industry group	Selection category
368. SERVCORP LIMITED	Real Estate	ASX201-500
369. SERVICE STREAM LIMITED	Capital Goods	ASX201-500
370. SIGMA HEALTHCARE LIMITED	Health Care Equipment & Services	ASX201-500
371. SITEMINDER LIMITED	Consumer Services	ASX201-500
372. SMARTGROUP CORPORATION LTD	Commercial & Professional Services	ASX201-500
373. SOUTHERN CROSS MEDIA GROUP LIMITED	Media & Entertainment	ASX201-500
374. STANMORE RESOURCES LIMITED	Energy	ASX201-500
375. STARPHARMA HOLDINGS LIMITED	Pharmaceuticals, Biotechnology & Life Sciences	ASX201-500
376. STRANDLINE RESOURCES LIMITED	Materials	ASX201-500
377. SUNLAND GROUP LIMITED	Real Estate	ASX201-500
378. SUPERLOOP LIMITED	Telecommunication Services	ASX201-500
379. SUPPLY NETWORK LIMITED	Retailing	ASX201-500
380. SYMBIO HOLDINGS LIMITED	Telecommunication Services	ASX201-500
381. SYNLAIT MILK LIMITED	Food, Beverage & Tobacco	ASX201-500
382. SYRAH RESOURCES LIMITED	Materials	ASX201-500
383. TALGA GROUP LTD	Materials	ASX201-500
384. TASSAL GROUP LIMITED	Food, Beverage & Tobacco	ASX201-500
385. TERRACOM LIMITED	Energy	ASX201-500
386. TRAJAN GROUP HOLDINGS LIMITED	Pharmaceuticals, Biotechnology & Life Sciences	ASX201-500
387. TUAS LIMITED	Telecommunication Services	ASX201-500
388. TYRO PAYMENTS LIMITED	Software & Services	ASX201-500
389. UNITED MALT GROUP LIMITED	Food, Beverage & Tobacco	ASX201-500
390. UNITED OVERSEAS AUSTRALIA LIMITED	Real Estate	ASX201-500
391. VISTA GROUP INTERNATIONAL LIMITED.	Software & Services	ASX201-500
392. VULCAN ENERGY RESOURCES LIMITED	Materials	ASX201-500
393. WAM LEADERS LIMITED	GICS code not specified	ASX201-500
394. WAM MICROCAP LIMITED	GICS code not specified	ASX201-500
395. WEEBIT NANO LTD	Technology Hardware & Equipment	ASX201-500
396. WEST AFRICAN RESOURCES LIMITED	Materials	ASX201-500
397. WESTERN AREAS LIMITED	Materials	ASX201-500
398. WHITEFIELD LIMITED	GICS code not specified	ASX201-500
399. WINTON LAND LIMITED	Real Estate	ASX201-500
400. ZIP CO LIMITED.	Diversified Financials	ASX201-500
401. 1ST GROUP LIMITED	Health Care Equipment & Services	ASX501+
402. 8I HOLDINGS LTD	Diversified Financials	ASX501+
403. A2B AUSTRALIA LIMITED	Transportation	ASX501+
404. ACTINOGEN MEDICAL LIMITED	Pharmaceuticals, Biotechnology & Life Sciences	ASX501+
405. ACTIVEX LIMITED	Materials	ASX501+
406. AEON METALS LIMITED.	Materials	ASX501+
407. AGRICULTURAL LAND TRUST	Real Estate	ASX501+
408. AI-MEDIA TECHNOLOGIES LIMITED	Commercial & Professional Services	ASX501+

Company name	GICS industry group	Selection category
409. ALCIDION GROUP LIMITED	Health Care Equipment & Services	ASX501+
410. ALDORO RESOURCES LIMITED	Materials	ASX501+
411. ALEXIUM INTERNATIONAL GROUP LIMITED	Materials	ASX501+
412. ALTERNATIVE INVESTMENT TRUST	GICS code not specified	ASX501+
413. ALTHEA GROUP HOLDINGS LIMITED	Pharmaceuticals, Biotechnology & Life Sciences	ASX501+
414. AMAERO INTERNATIONAL LTD	Capital Goods	ASX501+
415. AMANI GOLD LIMITED	Materials	ASX501+
416. AML3D LIMITED	Capital Goods	ASX501+
417. ANAX METALS LIMITED	Materials	ASX501+
418. APIAM ANIMAL HEALTH LIMITED	Health Care Equipment & Services	ASX501+
419. ARCADIA MINERALS LIMITED	Materials	ASX501+
420. ARK MINES LIMITED	Materials	ASX501+
421. ARTEMIS RESOURCES LIMITED	Materials	ASX501+
422. ASF GROUP LIMITED	Diversified Financials	ASX501+
423. AUKING MINING LIMITED	Materials	ASX501+
424. AURIS MINERALS LIMITED	Materials	ASX501+
425. AUROCH MINERALS LTD	Materials	ASX501+
426. AUSGOLD LIMITED	Materials	ASX501+
427. AUSQUEST LIMITED	Materials	ASX501+
428. AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	Banks	ASX501+
429. AUSTRALIA UNITED MINING LIMITED	Materials	ASX501+
430. AVA RISK GROUP LIMITED	Technology Hardware & Equipment	ASX501+
431. AVIRA RESOURCES LTD	Materials	ASX501+
432. AVITA MEDICAL INC.	Pharmaceuticals, Biotechnology & Life Sciences	ASX501+
433. BBX MINERALS LIMITED	Materials	ASX501+
434. BCAL DIAGNOSTICS LIMITED	Pharmaceuticals, Biotechnology & Life Sciences	ASX501+
435. BESTON GLOBAL FOOD COMPANY LIMITED	Food, Beverage & Tobacco	ASX501+
436. BIO-GENE TECHNOLOGY LTD	Materials	ASX501+
437. BIOXYNE LIMITED	Household & Personal Products	ASX501+
438. BIRDDOG TECHNOLOGY LIMITED	Technology Hardware & Equipment	ASX501+
439. BLUECHIIP LIMITED	Technology Hardware & Equipment	ASX501+
440. BNK BANKING CORPORATION LIMITED	Banks	ASX501+
441. BOD AUSTRALIA LIMITED.	Retailing	ASX501+
442. BOUNTY OIL & GAS NL	Energy	ASX501+
443. BROOKSIDE ENERGY LIMITED	Energy	ASX501+
444. BURGUNDY DIAMOND MINES LIMITED	Materials	ASX501+
445. BURLEY MINERALS LTD	Materials	ASX501+
446. CAPRICE RESOURCES LTD	Materials	ASX501+
447. CD PRIVATE EQUITY FUND II	GICS code not specified	ASX501+
448. CELSIUS RESOURCES LIMITED.	Materials	ASX501+
449. CITIGOLD CORPORATION LIMITED	Materials	ASX501+

Company name	GICS industry group	Selection category
450. CLEAN SEAS SEAFOOD LIMITED	Food, Beverage & Tobacco	ASX501+
451. COBRE LIMITED	Materials	ASX501+
452. COKAL LIMITED	Materials	ASX501+
453. CONSOLIDATED ZINC LIMITED	Materials	ASX501+
454. COPPER SEARCH LIMITED	Materials	ASX501+
455. COUNTY INTERNATIONAL LIMITED	Energy	ASX501+
456. CRADLE RESOURCES LIMITED	Materials	ASX501+
457. CV CHECK LTD	Software & Services	ASX501+
458. CVC LIMITED	Diversified Financials	ASX501+
459. DC TWO LIMITED	Software & Services	ASX501+
460. DELECTA LIMITED	Retailing	ASX501+
461. DESANE GROUP HOLDINGS LIMITED	Real Estate	ASX501+
462. DESERT METALS LIMITED	Materials	ASX501+
463. DESIGN MILK CO LIMITED	Retailing	ASX501+
464. DREADNOUGHT RESOURCES LTD	Materials	ASX501+
465. E&P FINANCIAL GROUP LIMITED	Diversified Financials	ASX501+
466. E2 METALS LIMITED	Materials	ASX501+
467. E79 GOLD MINES LIMITED	Materials	ASX501+
468. EARLYPAY LTD	Diversified Financials	ASX501+
469. ELEVATE URANIUM LTD	Energy	ASX501+
470. ELSIGHT LIMITED	Technology Hardware & Equipment	ASX501+
471. EMPEROR ENERGY LIMITED	Energy	ASX501+
472. EMPIRE ENERGY GROUP LIMITED	Energy	ASX501+
473. ENERGY ACTION LIMITED	Commercial & Professional Services	ASX501+
474. ERRAWARRA RESOURCES LTD	Materials	ASX501+
475. ESTRELLA RESOURCES LIMITED	Materials	ASX501+
476. EXCELSIOR CAPITAL LTD	Capital Goods	ASX501+
477. FALCON METALS LTD	Materials	ASX501+
478. FAR LIMITED	Energy	ASX501+
479. FARMAFORCE LIMITED	Health Care Equipment & Services	ASX501+
480. FATFISH GROUP LIMITED	Diversified Financials	ASX501+
481. FIJI KAVA LIMITED	Household & Personal Products	ASX501+
482. FINEXIA FINANCIAL GROUP LIMITED	Diversified Financials	ASX501+
483. FIREBIRD METALS LIMITED	Materials	ASX501+
484. FIRST GRAPHENE LIMITED	Materials	ASX501+
485. FLYNN GOLD LIMITED	Materials	ASX501+
486. FORAGER AUSTRALIAN SHARES FUND	GICS code not specified	ASX501+
487. FORRESTANIA RESOURCES LIMITED	Materials	ASX501+
488. FREEHILL MINING LIMITED.	Materials	ASX501+
489. FRONTIER RESOURCES LIMITED	Materials	ASX501+
490. GATEWAY MINING LIMITED	Materials	ASX501+

Company name	GICS industry group	Selection category
491. GENEX POWER LIMITED	Utilities	ASX501+
492. GLOBE INTERNATIONAL LIMITED	Consumer Durables & Apparel	ASX501+
493. GOLDEN MILE RESOURCES LTD	Materials	ASX501+
494. GREAT WESTERN EXPLORATION LIMITED.	Materials	ASX501+
495. GREEN TECHNOLOGY METALS LIMITED	Materials	ASX501+
496. HAEMOKINESIS LIMITED	Health Care Equipment & Services	ASX501+
497. HAPPY VALLEY NUTRITION LIMITED	Food, Beverage & Tobacco	ASX501+
498. HAVILAH RESOURCES LIMITED	Materials	ASX501+
499. HEXAGON ENERGY MATERIALS LIMITED	Materials	ASX501+
500. HORSESHOE METALS LIMITED	Materials	ASX501+
501. IDENTITII LIMITED	Software & Services	ASX501+
502. INDIANA RESOURCES LIMITED	Materials	ASX501+
503. INHALERX LIMITED	Health Care Equipment & Services	ASX501+
504. INOVIQ LTD	Health Care Equipment & Services	ASX501+
505. IODM LIMITED	Software & Services	ASX501+
506. IRIS METALS LIMITED	Materials	ASX501+
507. IRONBARK CAPITAL LIMITED	GICS code not specified	ASX501+
508. IVE GROUP LIMITED	Media & Entertainment	ASX501+
509. K2 ASSET MANAGEMENT HOLDINGS LTD	Diversified Financials	ASX501+
510. KATANA CAPITAL LIMITED	GICS code not specified	ASX501+
511. KLEOS SPACE S.A	Commercial & Professional Services	ASX501+
512. KOONENBERRY GOLD LIMITED	Materials	ASX501+
513. LAND & HOMES GROUP LIMITED	Real Estate	ASX501+
514. LARVOTTO RESOURCES LIMITED	Materials	ASX501+
515. LASERBOND LIMITED	Capital Goods	ASX501+
516. LEGEND MINING LIMITED	Materials	ASX501+
517. LIVEHIRE LIMITED	Software & Services	ASX501+
518. LIVING CELL TECHNOLOGIES LIMITED	Pharmaceuticals, Biotechnology & Life Sciences	ASX501+
519. MATRIX COMPOSITES & ENGINEERING LIMITED	Energy	ASX501+
520. MGC PHARMACEUTICALS LTD	Pharmaceuticals, Biotechnology & Life Sciences	ASX501+
521. MICROBA LIFE SCIENCES LIMITED	Health Care Equipment & Services	ASX501+
522. MICROEQUITIES ASSET MANAGEMENT GROUP LIMITED	Diversified Financials	ASX501+
523. MIDWAY LIMITED	Materials	ASX501+
524. MINREX RESOURCES LIMITED	Materials	ASX501+
525. MRG METALS LIMITED	Materials	ASX501+
526. MUSGRAVE MINERALS LIMITED	Materials	ASX501+
527. NGE CAPITAL LIMITED	GICS code not specified	ASX501+
528. NIMY RESOURCES LIMITED	Materials	ASX501+
529. NORTH STAWELL MINERALS LTD	Materials	ASX501+
530. NORWEST MINERALS LIMITED	Materials	ASX501+
531. OILEX LTD	Energy	ASX501+
532. OKAPI RESOURCES LIMITED	Materials	ASX501+

Company name	GICS industry group	Selection category
533. OPENN NEGOTIATION LIMITED	Commercial & Professional Services	ASX501+
534. OPENPAY GROUP LTD	Diversified Financials	ASX501+
535. OPTISCAN IMAGING LIMITED	Health Care Equipment & Services	ASX501+
536. ORA GOLD LIMITED	Materials	ASX501+
537. ORCODA LIMITED	Software & Services	ASX501+
538. ORTHOCELL LIMITED	Pharmaceuticals, Biotechnology & Life Sciences	ASX501+
539. OTTO ENERGY LIMITED	Energy	ASX501+
540. PALLA PHARMA LIMITED	Pharmaceuticals, Biotechnology & Life Sciences	ASX501+
541. PAYRIGHT LIMITED	Diversified Financials	ASX501+
542. PENTAL LIMITED	Household & Personal Products	ASX501+
543. PEPPERMINT INNOVATION LIMITED	Software & Services	ASX501+
544. PETRATHERM LTD	Materials	ASX501+
545. PETSEC ENERGY LIMITED	Energy	ASX501+
546. PIONEER CREDIT LIMITED	Diversified Financials	ASX501+
547. PM CAPITAL ASIAN OPPORTUNITIES FUND LIMITED	GICS code not specified	ASX501+
548. PROPELL HOLDINGS LIMITED	Diversified Financials	ASX501+
549. PROPTECH GROUP LIMITED	Software & Services	ASX501+
550. PURE FOODS TASMANIA LIMITED	Food, Beverage & Tobacco	ASX501+
551. PURE HYDROGEN CORPORATION LIMITED	Energy	ASX501+
552. QANTM INTELLECTUAL PROPERTY LIMITED	Commercial & Professional Services	ASX501+
553. REDBANK COPPER LIMITED	Materials	ASX501+
554. REDFLOW LIMITED	Capital Goods	ASX501+
555. RENEGADE EXPLORATION LIMITED	Materials	ASX501+
556. RESOURCE BASE LIMITED.	Materials	ASX501+
557. RESOURCES & ENERGY GROUP LIMITED	Materials	ASX501+
558. RMA ENERGY LIMITED	Materials	ASX501+
559. ROTO-GRO INTERNATIONAL LIMITED	Capital Goods	ASX501+
560. RTG MINING INC.	Materials	ASX501+
561. SAGALIO ENERGY LIMITED	Energy	ASX501+
562. SANTA FE MINERALS LTD	Materials	ASX501+
563. SARYTOGAN GRAPHITE LIMITED	Materials	ASX501+
564. SCHROLE GROUP LTD	Software & Services	ASX501+
565. SENSORE LTD.	Materials	ASX501+
566. SEQUOIA FINANCIAL GROUP LTD	Diversified Financials	ASX501+
567. SHRIRO HOLDINGS LIMITED	Consumer Durables & Apparel	ASX501+
568. SINGULAR HEALTH GROUP LTD	Health Care Equipment & Services	ASX501+
569. SIREN GOLD LIMITED	Materials	ASX501+
570. SITE GROUP INTERNATIONAL LIMITED	Consumer Services	ASX501+
571. SKS TECHNOLOGIES GROUP LIMITED	Capital Goods	ASX501+
572. SOLIS MINERALS LTD.	Materials	ASX501+
573. SOMNOMED LIMITED	Health Care Equipment & Services	ASX501+

Company name	GICS industry group	Selection category
574. SRG GLOBAL LIMITED	Capital Goods	ASX501+
575. STRIKE RESOURCES LIMITED	Materials	ASX501+
576. STRUCTURAL MONITORING SYSTEMS PLC	Technology Hardware & Equipment	ASX501+
577. SUVO STRATEGIC MINERALS LIMITED	Materials	ASX501+
578. SWIFT NETWORKS GROUP LIMITED	Media & Entertainment	ASX501+
579. TARUGA MINERALS LIMITED	Materials	ASX501+
580. TEMPEST MINERALS LIMITED	Materials	ASX501+
581. TENNANT MINERALS LIMITED	Materials	ASX501+
582. TERRAMIN AUSTRALIA LIMITED.	Materials	ASX501+
583. TESSERENT LIMITED	Software & Services	ASX501+
584. THE GO2 PEOPLE LTD	Commercial & Professional Services	ASX501+
585. THOR MINING PLC	Materials	ASX501+
586. THORNEY TECHNOLOGIES LTD	GICS code not specified	ASX501+
587. TITAN MINERALS LIMITED	Materials	ASX501+
588. TODD RIVER RESOURCES LIMITED	Materials	ASX501+
589. TOUCH VENTURES LIMITED	Diversified Financials	ASX501+
590. TPC CONSOLIDATED LIMITED	Utilities	ASX501+
591. TYMLEZ GROUP LIMITED	Software & Services	ASX501+
592. TYRANNA RESOURCES LIMITED	Materials	ASX501+
593. VDM GROUP LIMITED	Capital Goods	ASX501+
594. VIKING MINES LIMITED	Materials	ASX501+
595. WAGNERS HOLDING COMPANY LIMITED	Materials	ASX501+
596. WAM STRATEGIC VALUE LIMITED	GICS code not specified	ASX501+
597. WIDE OPEN AGRICULTURE LTD	Food, Beverage & Tobacco	ASX501+
598. WINGARA AG LTD	Food, Beverage & Tobacco	ASX501+
599. WISEWAY GROUP LIMITED	Transportation	ASX501+
600. AUSTIN METALS LIMITED	Materials	ASX501+

Appendix Four

Number of surveyed entities within each GICS sector group

Row Labels	Count of GICS industry group
Automobiles & Components	3
Banks	11
Capital Goods	23
Commercial & Professional Services	16
Consumer Durables & Apparel	4
Consumer Services	17
Diversified Financials	42
Energy	31
Food & Staples Retailing	5
Food, Beverage & Tobacco	14
Health Care Equipment & Services	24
Household & Personal Products	4
Insurance	8
Materials	171
Media & Entertainment	14
Pharmaceuticals, Biotechnology & Life Sciences	15
Real Estate	43
Retailing	22
Software & Services	28
Technology Hardware & Equipment	9
Telecommunication Services	9
Transportation	9
Utilities	5
GICS code not specified	36
Grand Total	**563**

Endnotes

Endnotes

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Disclaimer

Inherent Limitations

This report has been prepared as agreed in KPMG Australia's (KPMG) terms of engagement with ASX. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board, and consequently, no opinions or conclusions intended to convey assurance have been expressed.

KPMG compiled an assessment framework which assisted in consolidating all entities Appendix 4G responses under the *Corporate Governance Principles and Recommendations Fourth Edition*.

The findings in this report are based on a qualitative study of the ASX 600 publicly reported diversity disclosures, and the reported results reflect a perception of KPMG, but only to the extent of the sample surveyed, being a selection of ASX listed entities.

KPMG has indicated the sources of the information provided within this reported. We have not sought to independently verify those sources unless otherwise noted within the report.

KPMG is under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form.

The findings in this report have been formed on the above basis.

Third party reliance

This report has been prepared at the request of ASX Operations Pty Ltd. (ASX) in accordance with the terms of KPMGs engagement letter dated 4 April 2022. Other than our responsibility to ASX, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party on this report. Any reliance placed is that party's sole responsibility.

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