

Emerging ESG and sustainability regulations

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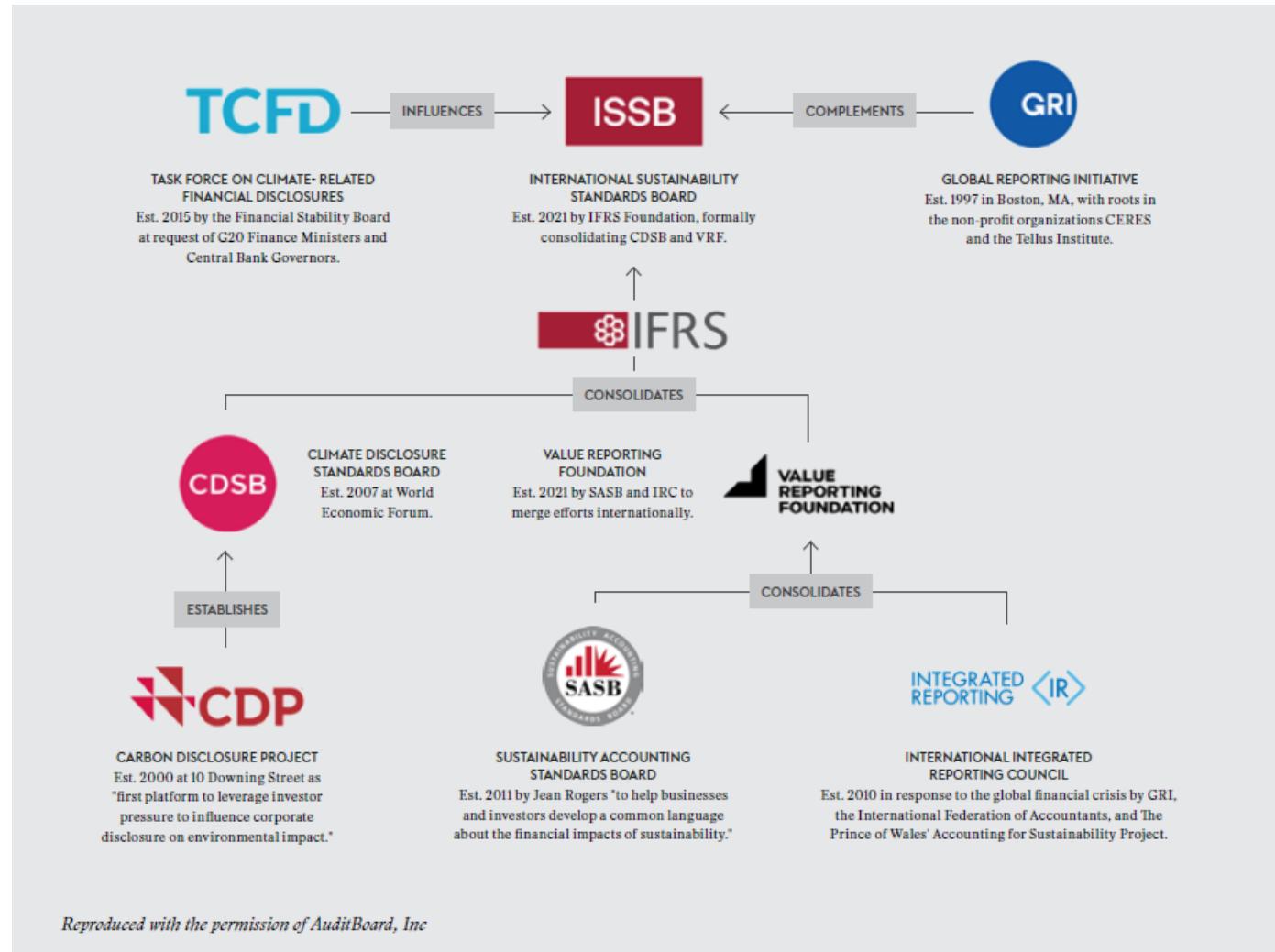


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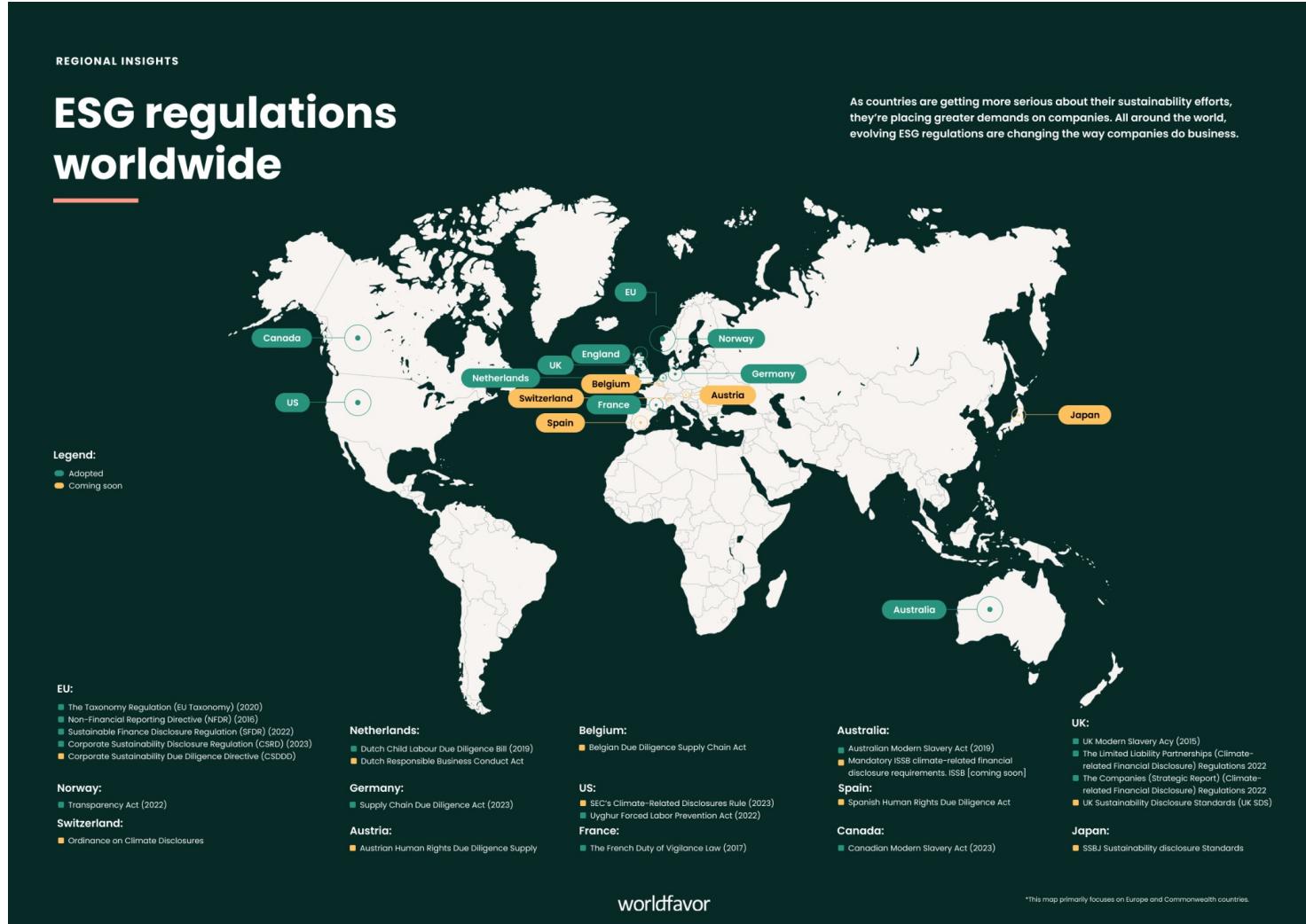
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VOLUNTARY REPORTING



- Voluntary ESG reporting evolved from the dual pressures of companies seeking to make a positive environmental and social impact, and capital markets looking for information on how companies were addressing ESG risks and opportunities.
- A concerted global effort has seen voluntary reporting mature through the consolidation of reporting standards and frameworks.
- While there are still a number of industry- and jurisdiction-specific standards and frameworks, reporting has consolidated around GRI, TCFD, SASB and now ISSB.

MANDATORY REPORTING OVERSEAS



- Mandatory ESG reporting is being implemented across the globe in response to stakeholder pressure, as well as governments seeking to both address environmental and social issues, while ensuring the resilience of their economies in a changing world.
- Mandatory reporting requirements are increasingly consistent with the consolidated voluntary standards and frameworks, particularly ISSB.

MANDATORY REPORTING AUSTRALIA – MODERN SLAVERY



Key recommendations of review of Modern Slavery Act (2018):

1. Mandatory modern slavery due diligence
2. Lower the mandatory reporting threshold
3. New mandatory reporting criteria
4. Federal Anti-Slavery Commissioner (legislation passed)
5. New penalties for non-compliance
6. Strengthen guidance for reporting entities
7. Administrative power to declare high-risk modern slavery categories

MANDATORY REPORTING AUSTRALIA - WGEA



The Australian Government is progressively implementing reforms to the Workplace Gender Equality reporting.

Date	Change
Nov 2023	Employers must share their WGEA Executive Summary and Industry Benchmark Report with their Board
Early 2024	WGEA will publish private sector employer gender pay gaps.
April 2024	Employers must provide additional information on employees including age, primary workplace location, as well as CEO, head of business and casual manager remuneration.
April 2024	Reporting on sexual harassment, harassment on the ground of sex or discrimination will be mandatory.
April 2024	Employers with 500 or more staff must have a policy or strategy for each of the six gender equality indicators.
Early 2025	WGEA will publish Commonwealth public sector gender pay gaps.

MANDATORY REPORTING AUSTRALIA - WGEA



From 2024, large organisations (500 or more employees) will be required to have policies or strategies for each of the following six gender equality indicators:

1. Gender composition of the workforce.
2. Gender composition of governing bodies.
3. Equal remuneration between men and women.
4. Availability and utility of employment terms, flexible working arrangements and supporting for family and caring responsibilities.
5. Consultation with employees on gender equality in the workplace
6. Sexual harassment, harassment on the ground of sex or discrimination.

GREENWASHING



Australian companies are increasingly being held accountable for greenwashing through existing legislation:

- The *Corporations Act 2001* (Corporations Act) and the *Australian Securities and Investments Commission Act 2001* (ASIC Act) contain general prohibitions against a person making statements (or disseminating information) that are false or misleading, or engaging in dishonest, misleading or deceptive conduct in relation to a financial product or financial service (e.g. sections 1041E, 1041G and 1041H of the Corporations Act, and sections 12DA and 12DB of the ASIC Act).
- Under the Australian Consumer Law (ACL) (Schedule 2 of the *Competition and Consumer Act 2010* (Cth)), Australian businesses have obligations to not make false or misleading representations or engage in misleading or deceptive conduct.

MANDATORY REPORTING AUSTRALIA - AASB



- On 27 March 2024, the Australian Government introduced the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill (Bill) into Parliament.
- The Bill mandates financial related climate reporting for entities required to prepare financial reports under Chapter 2M of the Corporations Act and where additional triggers are met (see next page).
- The Australian Accounting Standards Board is now finalising two standards:
 - **ASRS 1** – voluntary – will cover sustainability-related financial disclosures. Same scope as ISSB IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
 - **ASRS 2** – mandatory – will be a standalone, climate-only Standard broadly aligned with scope of ISSB IFRS S2 Climate-related Disclosures.

MANDATORY REPORTING AUSTRALIA - AASB



First annual reporting periods starting on or after	Large entities and their controlled entities meeting at least <u>two of three</u> criteria.			National Greenhouse and Energy Reporting status	Assets under management
	Consolidated revenue	EOFY consolidated gross assets	EOFY employees		
1 Jan 2025 Group 1	\$500 million or more	\$1 billion or more	500 or more	Above NGER publication threshold	N/A
1 July 2026 Group 2	\$200 million or more	\$500 million or more	250 or more	All other NGER reporters	\$5 billion assets under management or more
1 July 2027 Group 3	\$50 million or more	\$25 million or more	100 or more	N/A	N/A

Entities required to prepare financial reports under Chapter 2M of the Corporations Act will be required to report if:

- They meet two of three large entity criteria (to the left);
- Have emissions reporting obligations under the *National Greenhouse Energy Reporting Act 2007*; or
- Have funds under management of more than \$5billion.

MANDATORY REPORTING AUSTRALIA - TNFD



- Informed by its recent consultation on future priorities, the International Sustainability Standards Board (ISSB) is commencing projects to research disclosure about risks and opportunities associated with:
 - biodiversity, ecosystems and ecosystem services; and
 - human capital.

“Effective disclosure reforms will lay the foundations for better information architecture for markets. This includes stronger reporting of other sustainability-related risks, over time – consistent with the staged approach envisaged by the ISSB. In particular, we – like many of you – are closely monitoring trends in nature-related reporting.

Treasurer Dr Jim Chalmers, December 2022

MANDATORY REPORTING AUSTRALIA - TNFD



- **TCFD** (Taskforce on Climate-related Financial Disclosures) provides a framework for corporations and financial institutions to make progress on the 2015 Paris Agreement.
- Target to:
 - Limit global warming to 2 degrees, and 1.5 degrees if possible
- **TNFD** (Taskforce on Nature-related Financial Disclosures) provides a framework for the Global Biodiversity Framework agreed by 196 countries at COP15 in 2022.
- Targets to:
 - Halt and reverse nature loss by 2030
 - Live in harmony with nature by 2050

MANDATORY REPORTING AUSTRALIA – TNFD



Similarities with TCFD

- It has the same four recommendation categories:
 - Governance
 - Strategy
 - Risk and Impact Management
 - Metrics and Targets

Differences to TCFD

- 14 disclosures across four categories, compared to 11
- LEAP assessment
 - **LOCATE**
 - **EVAULATE**
 - **ASSESS**
 - **PREPARE**
- Provides a range of recommended reporting metrics across 14 disclosures

MANDATORY REPORTING AUSTRALIA – TNFD



TNFD and GRI

- Enhanced reporting alignment
 - GRI 101: Biodiversity 2024 is now fully aligned with TNFD recommendations, making it easier for companies to meet both sets of guidelines.
- New Interoperability Mapping
- Practical Implementation Support
- Commitment to Ongoing Collaboration
- Broad Adoption and Support

TNFD and ISSB

- The TNFD's recommendations have already provided consistency in the structure, approach and language used in the ISSB's existing IFRS S1 and IFRS S2 standards.
- The ISSB has agreed that in undertaking future research, it will consider how to build upon the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD) published in September 2023.

MANDATORY REPORTING AUSTRALIA - TNFD



- Federal Government partnered with EY to do pilot testing of the TNFD in 2023.
- 23 organisations and 8 industry bodies.
- Five value chains:
 1. Critical mineral mining for producing clean energy technologies
 2. Natural gas extraction for industrial manufacturing
 3. Domestically sourced fresh beef and salmon sold at a supermarket
 4. Property development and building construction
 5. Domestic cultivation of cotton for export

POLICY DIVERGENCE ON MANDATORY REPORTING

“We will wind-back Labor’s intervention and remove regulatory roadblocks which are suffocating the economy and stopping businesses from getting ahead. For example, we will not force large firms to spend more than a billion dollars a year policing the emissions of every small business they deal with – as Labor is trying to do.”

Peter Dutton, May 2024

- But, whatever happens in Australia, companies who are trade and international-investment exposed, will be impacted by mandatory reporting requirements overseas.
- This includes Australian companies who seek to supply to internationally exposed companies.



AVETTA & REGEN PARTNERSHIP

- Avetta enables suppliers to record, baseline and monitor their ESG performance, in alignment with TCFD, SASB, GRI, ISSB and the other voluntary standards and frameworks that are driving mandatory reporting requirements around the world.
- Avetta enables hirers to understand and improve the ESG performance of their supply chains.
- ReGen works with both hirers and suppliers to improve ESG performance.

