



SUSTAINABILITY AND ESG - TRENDS AND IMPLICATIONS

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Vice-Chair, Global Sustainability Standards Board, GRI

DEFINITIONS
– TO BE
REVISITED

SUSTAINABILITY AND SUSTAINABLE
DEVELOPMENT

United Nations defines it as “meeting the needs of the present without compromising the ability of future generations to meet their own needs”

ESG – ENVIRONMENT, SOCIAL AND GOVERNANCE

An investment concept of considering environmental, social and governance factors with financial factors

MAJOR SHIFTS

\$

If ESG assets have surpassed \$35 trillion, why are we still in trouble?

RATINGS AND RANKINGS

Why did ExxonMobil score better than Tesla in the S&P ESG?

REACH

How do reporting standards and frameworks in other jurisdictions impact on Australia?

PACE

Why is the pace of change accelerating and what should we expect next?

REGULATION

How are local regulators responding?

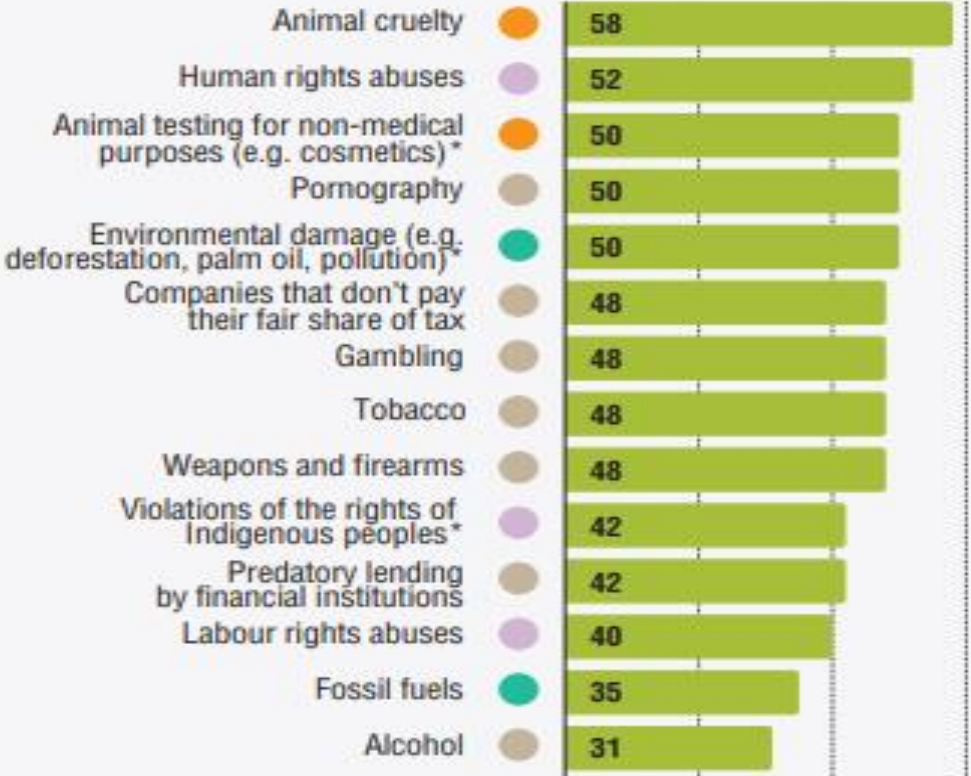


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“...the obsession with easy money-making is overriding everything”.

Paul Clements-Hunt, Blended Capital Group

FIGURE 12 Top social and environmental issues consumers want to avoid in their investments



RATINGS AND RANKINGS

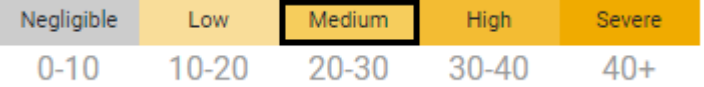
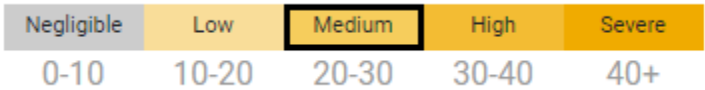


SAMPLE QUESTION: FOOD PRODUCTS SECTOR - DEFORESTATION

Does the company have:

- Commitment to adopt programmes to avoid deforestation
- Commitment to develop and implement traceability systems
- Commitment to apply deforestation due diligence or conduct risk assessments
- Commitment to apply deforestation due diligence to all company operations and direct and third-party suppliers

RATINGS AND RANKINGS



ExxonMobil

36.5



49



28.5



43.5



26.8



46.7



RATINGS AND RANKINGS

May 9, 2022
8:45 PM GMT+10
Last Updated 6 days ago

United Kingdom



REUTERS

Britain to decide this year whether to regulate ESG raters

By Huw Jones

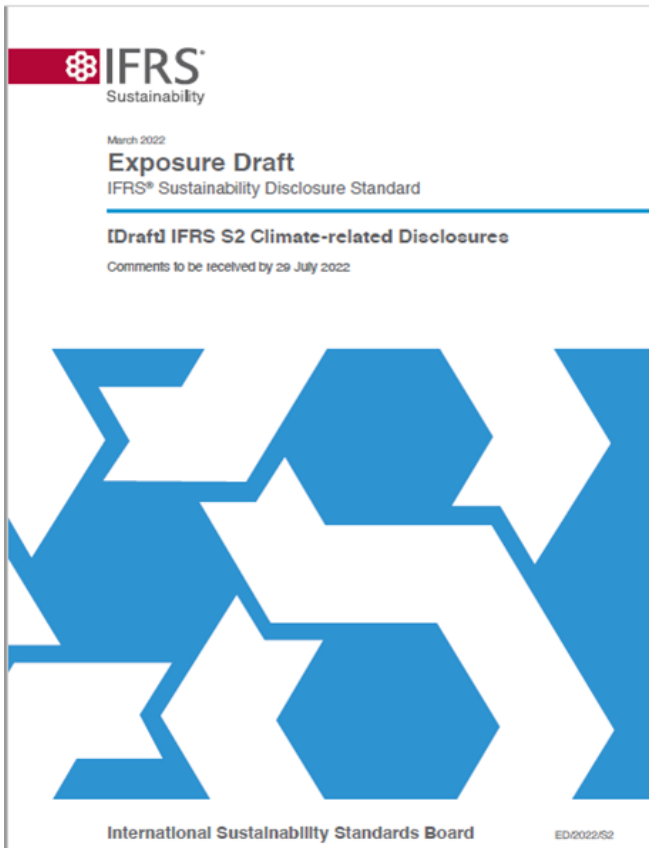
REACH



DISCLOSURE REQUIREMENT E4-2

The undertaking shall disclose its policies related to biodiversity and ecosystems and shall provide information on how the policy allows the undertaking to..... avoid its negative impacts on biodiversity and ecosystems in its operations and ***throughout the value chain.***

REACH



DISCLOSURE 21

The entity shall disclose its absolute gross greenhouse gas emissions generated during the reporting period, measured in accordance with the Greenhouse Gas Protocol Corporate Standard, expressed as metric

tonnes of CO₂ equivalent, classified as:

- (1) Scope 1 emissions
- (2) Scope 2 emissions
- (3) *Scope 3 emissions***

...an entity shall include upstream and downstream emissions in its measure of Scope 3 emissions

PACE



Two exposure drafts released- General Requirements and Climate Change – to be final in 2022-2023



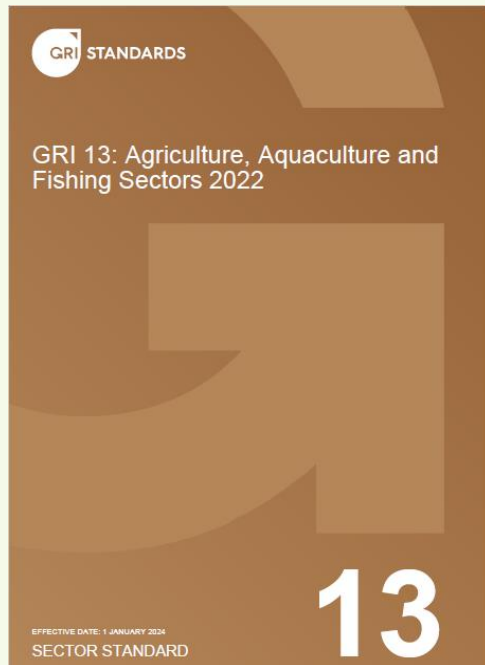
12 Exposure Draft Standards released this year.
First reports in 2025



Updated Universal Standards released and apply from 1st January 2023.

Sector Standard for Agriculture released in June 2022.

PACE



 **Climate & environment**

- 13.1 Emissions
- 13.2 Climate adaptation & resilience
- 13.4 Natural ecosystem conversion
- 13.7 Water & effluents
- 13.8 Waste

 **Farming & fishing practices**


- 13.3 Biodiversity
- 13.5 Soil health
- 13.6 Pesticides use
- 13.11 Animal health & welfare

 **Food & health**

- 13.9 Food security
- 13.10 Food safety

 **Human rights & communities**

- 13.12 Local communities
- 13.13 Land & resource rights
- 13.14 Rights of Indigenous peoples
- 13.15 Non-discrimination & equal opportunity

 **Equitable livelihoods**

- 13.21 Living income & living wage
- 13.22 Economic inclusion

 **Employment**

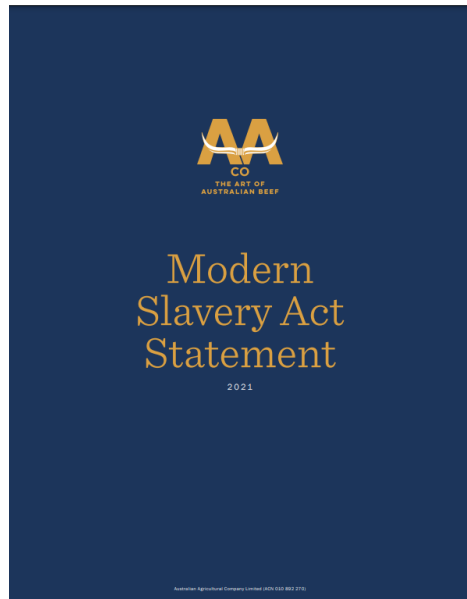
- 13.16 Forced labor
- 13.17 Child labor
- 13.18 Freedom of association
- 13.19 Occupational health & safety
- 13.20 Employment practices

 **Ethics & governance**

- 13.23 Supply chain traceability
- 13.24 Public policy
- 13.25 Anti-competitive behavior
- 13.26 Anti-corruption

REGULATION

How are regulators responding?



REGULATION

How are regulators responding?

“The ACCC will be working closely with other regulators, in particular ASIC and the Clean Energy Regulator, to identify which of us is appropriate to deal with issues. Where businesses have engaged in false, misleading or deceptive conduct, we will act.”

Source: Australian Financial Review , 3 March 2022



ASIC
Australian Securities &
Investments Commission

REGULATORY GUIDE 247

Effective disclosure in an operating and financial review




Australian Government
Australian Accounting Standards Board



SUSTAINABILITY VS ESG

**Harvard
Business
Review**

Investment Management

ESG Investing Isn't Designed to Save the Planet

by Kenneth P. Pucker and Andrew King

August 01, 2022

LIVEXchange 2022

Bloomberg
ESG ratings don't measure a company's impact on the Earth and society. In fact, they gauge the opposite: the potential impact of the world on the company and its shareholders.



**Harvard
Business
Review**

Social And Global Issues

ESG Reports Aren't a Replacement for Real Sustainability

by Tensie Whelan

July 27, 2022

ESG IS A
GROWING PAIN

“...It is past high time to get together to make things real again in sustainable finance, whatever the acronym”

Paul Clements-Hunt, LinkedIn, August
2022



WHERE
DOES THIS
LEAVE US?

KNOWING YOUR IMPACTS – BOTH DIRECTIONS

Understand how your business impacts on the environment and people and how they, in turn, impact on the business

BE ALERT TO STAKEHOLDERS

What questions are customers or investors asking? Why? Broaden the conversation - don't just tick a box.

BE PREPARED

Do your homework and provide the evidence

EXPECT CHANGE

Some rules are still under construction

QUESTIONS?