ENGAGEMENT REPORT

2021 FULL-YEAR SUMMARY

ENGAGEMENT HITS RECORD HIGH

ACSI's engagement team had its busiest year on record, meeting with representatives of more than 200 companies in the ASX300 and NGO groups in 330 formal engagements. Importantly, ACSI was able to identify improvement on each of our priority themes. The team also enhanced its engagement with additional 'deep dive' research projects on modern slavery, workforce indicators, ESG reporting, safety and the circular economy.

THE YEAR IN NUMBERS

78%	IMPROVEMENTS ON 138 OF 176 ISSUES RAISED WITH COMPANIES
319	FORMAL ENGAGEMENTS (excl. NGO meetings)
204	ASX300 COMPANIES MET
11	NGO BRIEFINGS HELD

KEY OUTCOMES & THEMES

MEETING THE CLIMATE CHALLENGE

Seventeen of ACSI's 23 Climate Priorities set net-zero targets following extensive engagement.

A major step in 2021 was that companies **provided detailed short, medium and long-term targets** to support net zero commitments.

Across the ASX200, **93 companies have set either a net zero or carbon neutrality target**.

ACSI stepped up its circular economy work.

Read more

BOARDS, REMUNERATION AND ACCOUNTABILITY

Crown made wholesale change after damning public inquiries and investor engagements, while **Boral's** board reforms accelerated under new owner, Kerry Stokes' Seven Group.

17 priority companies made material changes to their remuneration practices.

13 gender diversity targets appointed skilled candidates during the year as future focus shifts to executive ranks.

Read more

FIRST NATIONS AND SOCIAL RISK

Rio Tinto published its first report on repairing First Nations relationships.

ACSI **engaged with a further 24 mining, oil & gas companies** on their approach to cultural heritage.

First Nations research sets 2022 agenda.

Woolworths recognised failures in community engagement, abandoning its controversial Darwin Dan Murphy's store.

Read more

WORKFORCE: MODERN SLAVERY, SAFETY

ACSI discussed **modern slavery** issues in **109 engagements with 92 companies**.

ACSI's inaugural Modern Slavery research attracted 108 companies to hear ACSI's views on how modern slavery reporting can improve.

Remediation of underpayments at major companies continued.

Read more

CLIMATE CHANGE

World, and Australia, change tack

Glasgow's pandemic-delayed COP26 in November may not have yielded the unity on a global approach to climate that many had hoped –but it did provide focus on Australia's role in a carbon-constrained future.

Most companies do not operate in an Australian-based vacuum, with their suppliers, customers and investors all exposed to global climate change approaches and expectations.

ACSI has heard many times that the longer Australian lawmakers delay policy changes, the more difficult it becomes to adapt, and the fewer choices and chances there are for just transitions of affected workers.

Whilst ACSI's climate change priority theme is focused on those ASX200 companies with the highest exposure to carbon and transition risk, we have had engagement with companies from all industries in on the issue.

This has been an important feature of ACSI's climate change work, given the low-carbon transition is a system-wide risk that will result in one of the biggest economic and structural changes in modern times.

In engagement, ACSI has sought clarity from companies across all industries about how they are assessing the risks and opportunities and preparing their businesses for the shift.

That drive by ACSI to have companies better communicate their positions to investors has meant that, as at 31 December 2021, 93 companies had either a net zero or carbon neutrality target (73 are specifically net zero).

Even more significantly, those targets cover 73% of the ASX200 collective market capitalization – this is roughly $1.6 trillion dollars being covered by an ambition aligned to the Paris Agreement.

Say on Climate – shaping climate transition

ACSI has been a leading supporter for adoption of a 'Say on Climate', working with a broad range of investors to secure commitments from companies to hold votes at their next AGMs.

For the first time, and earlier than expected, the BHP Group proposed a 'Say on Climate' resolution. ACSI established a detailed framework for assessing companies' climate change transition plans.

ACSI's framework, which builds on TCFD and ISSB Climate Prototype Transition Plan guidance, is designed to both help investors assess companies' climate transition plans and an important tool for communicating to companies the factors that investors are considering when assessing how robust and Paris-aligned those transition plans are.

The Say on Climate framework structure is built on ACSI's seven key principles, communicated in our climate change policy.

Key features that ACSI looks for in assessing companies' climate transition plans include:

- **The setting of science-based quantitative short, medium and long-term targets** that prioritise structural abatement over neutralisation, are sector specific and show demonstrated action to reduce emissions
- **Disclosure of a decarbonisation pathway** and key levers that will be used by the company
- **Integration of climate change into the company's strategy.**

CASE STUDY

THE OIL AND GAS DILEMMA

One challenge facing long-term investors in energy companies is the role, price impacts and timeframes that the climate transition may have on oil and gas, with many investors asking what are acceptable climate change transition plans for the industry?

ACSI's engagement has highlighted the clear division in the approach by Australia's upstream oil and gas producers – which are sticking to LNG expansion alongside future fuels and Carbon Capture and Storage (CCS) opportunities – and their international peers – which are undertaking broader diversification into renewables, biofuels, behind-the-meter solutions and other lower risk and volatility revenue streams.

These challenges are compounded by relatively nascent and small-scale investment in key areas of their future fuels strategies, and an very high reliance on nature-based offsets.

The challenge for investors is assessing the many divergent assumptions used in establishing the demand profile for oil and gas, and why a particular company is better placed than peers in holding market share in a contracting market.

It is safe to say that development of new oil and gas is now more controversial. The central challenge being what does a 'robust and Paris-aligned' climate change strategy for companies operating in this sector and what role will commodities like hydrogen and green ammonia play in these companies' future.

	Origin	Woodside	Santos	Beach Energy
Current Developments	Progressing with Beetaloo	FID on Scarborough and Pluto Train 2 (long asset life), alongside acquisition of BHP Petroleum	Progressing with Barossa, Dorado and Narrabri and inclusion of Oil Search	Continuing LNG growth with Waitsia and Otway Basin
Targets	Science based Scope 1, 2 & 3 for Energy markets business only. Targets and scenario analysis do not consider APLNG.	Majority of 2030 targets based on offsets (incl BHP Petroleum acquisition).	Majority of emissions reduction through CCS, with reasonable portion based on offsets. Scope 3 targets dependent on customer demand.	2025 Scope 1&2 based on energy efficiency. Remainder addressed through Moomba CCS.

Key oil and gas issues on ACSI's 2022 agenda

- What work has been done to inform the business that maintaining a heavy exposure to oil and gas and future fuels is a better low-carbon strategy than broader diversification?
- Why is it appropriate to have a high reliance on offsets to meet 2030 targets? What is the cost to the business and how does the return on these investments stack up against renewable investments? What reliance is there on offsets between 2030 and 2050?
- Where CCS and hydrogen are being pursued, can the company demonstrate how investments and assets are viable?
- What are the demand assumptions being used? What gives the company a competitive advantage to retain market share in a contracting market? How do these assets compete against low-cost operators like Qatar?
- What makes their transition plan robust given the lack of science-based accreditation?

'Say on Climate' in 2022

During 2021, it was heartening to see positive corporate responses to engagement on developing strategies and analyses that enable ACSI members to assess the related risks and opportunities between now and 2050. Almost all of the priority companies we engaged with have now completed and disclosed scenario testing which stress tests company assets against a below-2-degree decarbonisation pathway.

These will be among the issues assessed at the upcoming round of 'say on climate' votes. The adoption of these resolutions is advisory, rather than mandatory, but from engagement we know that the following companies have either already offered a vote, or will in 2022 – AGL, Aurizon, BHP (vote held 2021), Incitec Pivot, Origin, Rio Tinto, Santos, Sims Metal, South32 and Woodside.

ACSI has already begun extensive engagement with companies on the likely content and approach of their advisory votes on climate, ahead of providing our detailed analysis and advice to members.

In all cases, ACSI has stressed investor preference for companies to give investors a non-binding vote annually, rather than the three-year cycle for which many have opted.

Seeking shareholder affirmation more regularly will not necessarily require annual overhauls of climate transition plans but will ensure more comprehensive feedback to investors on progress and, where appropriate, changes.

Given the pace of activity in the climate space over the past 12 months, ACSI believes that a three-year voting cycle would leave too large a gap and provide fewer opportunities to endorse strategies between now and the critical 2030 medium-term target.

At a time of hyper-awareness of extreme weather events – whether they are floods, fires, heatwaves or storms – there is increasing urgency in capital markets for investors to have greater insight into how companies are identifying and addressing relevant risks.

Banks increase climate focus

Australia's 'Big 4' banks stepped up their discussions and disclosure on Paris-aligned and climate approaches to lending, in a year where they all generally received shareholder resolutions attacking their lending to the energy industry.

ACSI discussed both 'Say on Climate' attitudes and climate-linked lending in engagements with all the major banks and insurers during 2021.

At **Commonwealth Bank**'s AGM in November, chair Catherine Livingstone made a commitment to consider offering investors a 'Say on Climate' at the 2022 shareholder meeting. Climate-related issues dominated CBA's 2021 meeting (and at most bank AGMs), mostly due to the shareholder resolutions proposed by NGO Market Forces.

From 2022….

We are seeking to develop Paris-aligned financing strategies and portfolio targets, particularly for sectors representing the majority of our financed emissions. We will work with customers and industry experts and provide annual updates on progress that will include consideration of

- APRA's Climate Vulnerability Assessment
- the IEA Net Zero by 2050 Report
- the IPCC Sixth Assessment Report
- the UNEPFI Net Zero Banking Alliance framework
- post COP26 policy settings and outlook
- the impact on the bank and customers, including in hard-to-abate sectors

Extract from Westpac's 2021 ESG update

Ms Livingstone said in November that "I can also confirm to shareholders that the board will give consideration to a non-binding vote on our climate change report at the next AGM".

In presenting its results for the six months to December 31, 2021, CBA also announced that it had signed up to the Net Zero Banking Alliance. That makes it the fourth Australian bank to do so – with **ANZ**, **NAB** and **Macquarie** also members. In its ESG market update last September, Westpac's senior executives said that membership of the NZBA was one of several climate-related matters on its 2022 'to do' list.

CASE STUDY

CONCRETE STEPS

The cement manufacturing sector, like many other hard-to-abate industries, is faced with a giant technology challenge to align to a low carbon future.

Unlike other industries, which have a clear pathway to reduce their Scope 1 & 2 emissions, cement's trajectory is reliant on commercial scale development of negative carbon technology and the introduction of lower-carbon fuels such as hydrogen.

Despite the challenges of a sector not having that pathway to net zero, **Boral** became one of the first in the hard-to-abate industry to define its 'net zero' pathway and how it would operate in a low-carbon economy.

This began with a re-shaping of the portfolio and the company strategy. At the investor day in 2021, Boral emphasised the role low carbon and sustainable products will play in the company strategy.

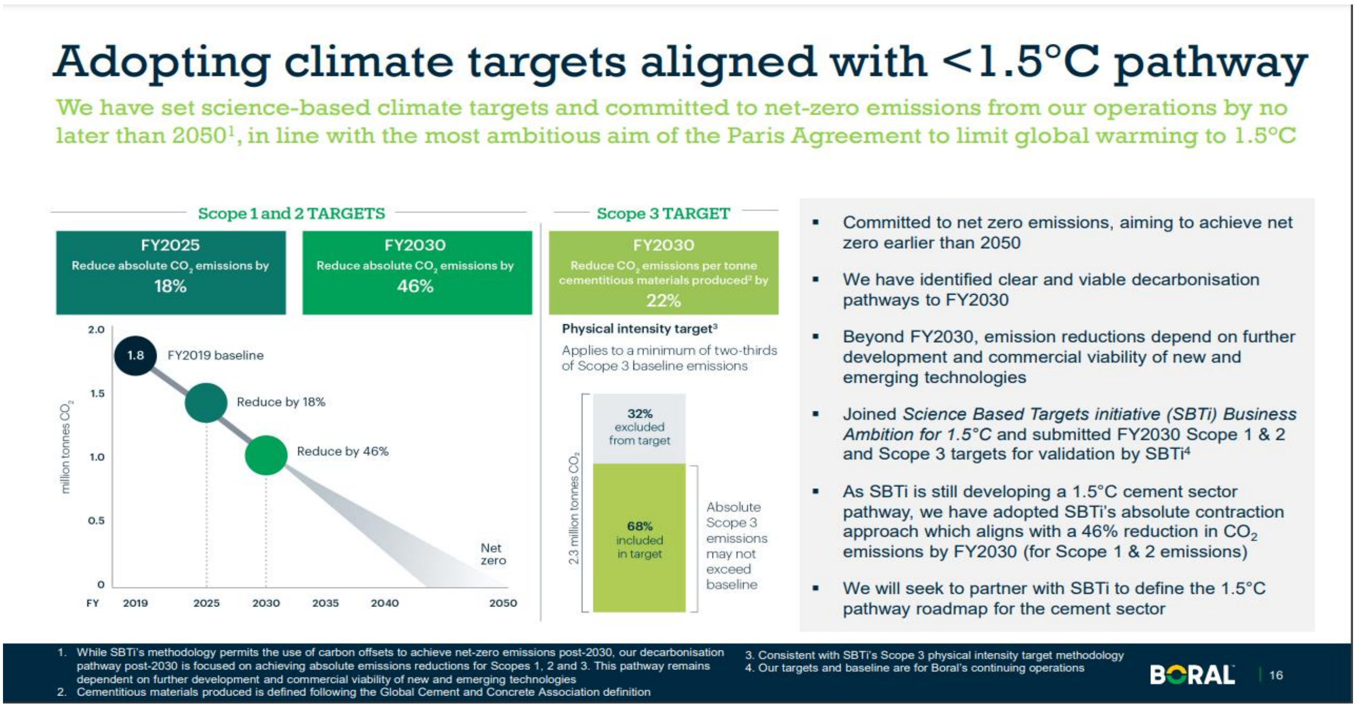
Boral highlighted the opportunities arising from the circular economy, with low carbon and other recycled products becoming a source of advantage rather than "nice to have" products.

Boral told investors it would be seeking growth adjacencies in these areas and that this would complement the business as they decarbonised.

Significantly, Boral is the first Australian company in a hard-to-abate sector to set science-based Scope 1, 2 and 3 medium term science-based targets alongside a net zero by 2050 ambition. These reductions are underpinned by plans to improve energy efficiency, cementitious material, transport, and sourcing, with CCUS driving the change between 2030 and 2050.

Earlier in 2021, competitor **ADBRI**, took significant steps forward by publicly stating an ambition to reach net zero by 2050 and, importantly, expressed a keenness to work with investors on setting more rigorous short and medium-term targets with the view this would inform a decarbonisation roadmap.

ADBRI's progress demonstrates the benefit of persistent engagement to explain why and how long-term investors view net-zero targets and public commitments as important, even in the absence of a medium-term pathway.



CIRCULAR ECONOMY

In 2021, ACSI continued to engage with ASX-listed companies on the risks and opportunities of the circular economy through a deep-dive into the subject and finalisation of a briefing paper, *"The circular economy opportunity",* for members. The paper outlines the opportunities generated by adopting circular practices and defines several focus sectors for further engagement.

Our engagement to date has focused on companies exposed to plastic waste across the value chain, to gauge their understanding of the issue, their exposure and the risks presented to their business, as well as how they are navigating opportunities to adopt circular practices in their supply and production chains.

Positively, almost all priority companies have now set short-term targets by signing up as members of the Australian Packaging Covenant (APCO) or signing onto the ANZPAC plastic pact, committing to reducing the volume and impact of plastic in their packaging.

Overall, our engagement has highlighted the largely nascent approach to the circular economy with participants and investors still working to recognise the full potential, instead of focusing only on reducing waste and increasing recycling.

Amcor Plc, as a global packaging manufacturer was a notable exception, recognising its role in packaging re-design and the need to meet European and North American regulations and expectations, however, its efforts continue to be limited in scale.

The focus by Australian companies on recycling and reducing landfill is a good start, although it fails to capture the business opportunities of implementing closed-loop strategies to reduce net consumption of materials.

The opportunities of the circular economy, including its potential to intersect with broader environmental risks as a solution to conserving natural capital and assisting with GHG emissions reduction strategies, has yet to be recognised by most of our priority companies.

ACSI will now build on our research paper, broadening our engagement focus to a cross-sectoral approach. In setting new priorities for 2022, ACSI will seek to broaden the number of priority companies across five key sectors – steel, cement, food, aluminium and plastics.

These sectors have the largest potential for circular practices to drive GHG emissions reductions.

Given the early stages of the circular economy as an engagement theme, we will first establish the baseline of each company's current practice including identified risks and opportunities to the business, circular initiatives, understanding of the circular economy and targets.

As more companies and investors set net zero targets and emission reduction strategies, companies which recognise the potential for the circular economy to assist them in reaching net zero or the transition risks that affect their business from traditional linear models, will be better placed to mitigate these financial risks.

Whilst the circular economy is still at an early stage for companies and investors alike, global progress and EU regulations highlight transition risks as governments and companies understand the opportunities in moving to a circular model and the risks faced where they continue to base their medium and long-term strategies on presumptions of business-as-usual and a linear take/make/waste model.

CORPORATE GOVERNANCE

ACSI continued to follow its priority governance themes of board accountability, remuneration, culture and board composition in 2021.

Persistent engagement with the companies that in 2020 either received remuneration 'strikes' or large stakeholder protest votes drove significant improvements in the remuneration practices of 17 priority companies and helped improve board composition.

Increasingly, boards are proactively seeking input from the ACSI team on proposed board changes or changes to remuneration structures ahead of implementation – which has led to better outcomes across the market.

As usual, there were few instances where ACSI had to recommend against a remuneration report for two, or more, successive years, thanks to positive response to our engagement on behalf of investors.

Remuneration changes

Three quarters of ACSI's engagement priorities made positive changes to remuneration practices during 2021, taking steps such as raising performance hurdles, increasing transparency or removing retention payments to senior executives.

Prominent among these was **Rio Tinto** which compounded its failings in the wake of the Juukan caves destruction by classifying departing senior executives as 'good leavers' and allowing them to walk away with millions in retained stock.

Investors were so incensed by that outcome that the company's remuneration reports received outright defeats at the 2021 AGM, with votes against of more than 60%.

After engagement with investors, Rio has changed the presumption that, on departure, executive LTI automatically vests. In future, there will be no vesting unless the remuneration committee thinks it appropriate. That means applying the consequence management framework to prevent a repeat of the issue.

BOARD AND CULTURE

Stokes brings Boral home and away

Boral has been on ACSI's governance watchlist for a number of years due to long-term underperformance for investors. Board renewal began at the end of 2020 with a number of board retirements and Chair Kathryn Fagg announcing her intention to hand over the role at the 2021 AGM, but was accelerated by Seven Group's acquiring control.

After Seven's offer closed in July, it moved swiftly to place Ryan Stokes as Chair. Two others directors left at the October AGM. Seven nominee Richard Richards, kept out of the Boral boardroom in 2020 due to investor opposition, was officially elected and two other promised independents, Mark Johnson and Jacqueline Chow, were appointed post-AGM in December

The Stokes interests did fulfil on a commitment to appoint a lead independent at Boral, giving that role to Rob Sindel, a former CEO of building products group CSR.

Woolies pulls back from controversial development

One of the clearest examples of a company recognising it had not addressed a social risk was seen in mid-2021 with **Woolworths** abandoning its six-year ambition for a Dan Murphy's in Darwin.

Alcohol abuse is one of the Northern Territory's biggest social issues and Woolies' planned outlet was not only larger than any other liquor store in Darwin but in walking range of three vulnerable Aboriginal communities. NT lawmakers even tried to facilitate the store through changes to legislation.

Conscious of the potential damage to its community reputation and market value, Woolworths commissioned an independent review panel, headed by respected lawyer Danny Gilbert.

ACSI and members, who had met with the company, affected-community representatives, and other civil society groups from early 2020, also met with Gilbert's panel during the review – which ultimately recommended not to proceed.

Woolworths' board and management endorsed that view, along with a wholesale review of how it should conduct future community engagement.

While the outcome does not mean that a Dan Murphy's store will never open in Darwin, it does mean that any new plan will be preceded by more careful consideration of community impact, and the impact on the group's social licence.

CASE STUDY

CROWN'S LOSING STREAK

Crown Resorts has been an ACSI governance concern for many years due to its lack of board independence, as well as the high fixed costs of its management team.

Inquiries and Royal Commissions in three states have now forensically unpicked Crown's business model and found it severely wanting – although the $8.9 billion privatisation scheme from private equity group Blackstone will enable it to restructure its business with less public glare.

Even so, evidence given to the various inquiries over the past two years has underlined the risks for investors where there is a lack of independent oversight in the boardroom – and at companies where a dominant shareholder wields significant influence.

The 2020 Bergin inquiry in NSW, which focused on Crown's suitability to hold the licence for a casino at Barangaroo, focused on the 2016 arrests of Crown staff in China who were breaching China's gambling and money control laws.

Evidence emerged of Crown's association with junket operators linked to organized crime, and James Packer's ability to exert undue influence on management – supported by a formal controlling shareholder agreement that gave Packer's private interests access to non-public financial information. Damning evidence was also heard regarding breaches of anti-money laundering laws, ongoing risk management failings, and poor governance by 'independent' directors.

In February 2021, Bergin's final report found against Crown holding the licence, forcing out CEO Ken Barton.

The Victorian Royal Commission tested not only whether Crown was suitable to hold the licence to the lucrative Melbourne casino, but whether it was actually in the public interest if it did.

Eight weeks of public hearings placed both in question, with Commissioner Ray Finkelstein finding Crown to be unsuitable to hold its Melbourne casino licence. Finkelstein described conduct by Crown management as "in a word, disgraceful… this is a convenient shorthand for describing conduct that was variously illegal, dishonest, unethical and exploitative," the former Federal Court judge wrote.

After recognising the likely community impact given the number of people employed at the Melbourne complex, he "somewhat reluctantly" decided not to take away Crown's licence, instead nominating a special manager, who will be granted extraordinary powers to oversee Crown for the next two years. The Victorian Government nominated, Stephen O'Bryan, QC to the novel role, effectively that of a 'super director'.

Renewal of Crown's board and management had begun well before the final report, with former Lendlease CEO, Steve McCann, becoming CEO, and two former gambling industry executives, Nigel Morrison and Bruce Carter, appointed as directors. Ziggy Switkowski took the chair role in December, replacing Jane Halton who had stood in while Switkowski waited on regulatory approvals.

The Blackstone proposal may mean, though, that the new Chair's time in the role is short lived.

BOARD GENDER DIVERSITY

The rate of women appointments in the ASX300 hit a record high of 44.5% in 2021, slightly higher than the ASX200's 43.2% – reflecting the significant effect of 'catch up' appointments of women at smaller companies that recognised having an all-male board is an anachronism.

Intriguingly, the rate of women appointments in Australia's largest companies - the ASX20 - was the highest of any category at 10 of 21 appointments or 47.6%. More broadly, women now hold on average almost 35% of board seats in the ASX200, and more than 33% in the ASX300.

Unfortunately, women are still lagging significantly when it comes to CEO appointments. Of 31 CEOs appointed in 2021 (Northern Star was two of those as it transitioned from an executive chair), only three were women – Alexis George at AMP, Meg O'Neill at Woodside and Cathy O'Connor at oOh!Media.

In addition to work on non-executive directorships, ACSI has been working with the 40:40 Vision initiative, which is seeking to have ASX200 companies commit to a target level of women in their senior executive ranks by 2030. Already, a solid number of companies have signed on to the initiative, and we expect to see significant gains in the coming year.

On the non-executive front, by late January 2022, only seven boards, all of them in the ASX201-300, lacked a woman director. Two of those, **Centuria Office** and **Hansen Technologies**, lost their only women directors.

Hansen director Jennifer Douglas will step down from the end of February after five years on that board. As we head into 2022, only three companies across the entire ASX300 – **Dubbers Corporation, Mount Gibson Iron** and **PPK Group** – have zero gender diversity.

2021 APPOINTMENTS AT PRIORITY COMPANIES	
5 Zero-women board appointments	**Centuria Office REIT** (Nicole Green) **De Grey Mining** (Samantha Hogg) **Kogan.com** (Janine Allis) **Rural Funds Group** (Andrea Lemmon) **Silver Lake Resources** (Rebecca Prain)
8 One-woman board appointments	**Centuria Industrial REIT** (Jennifer Cook) **Charter Hall Long Wale REIT** (Carmel Hourigan) **Graincorp Ltd** (Nicki Anderson) **Megaport Limited** (Glo Gordon) **Perseus Mining Ltd** (Amber Banfield) **Pro Medicus Limited** (Alice Williams) **Ramelius Resources Limited** (Fiona Murdoch) **Spark Infrastructure** (Lianne Buck)

Progress was fleeting at Centuria Office which appointed lawyer and infrastructure specialist Nicole Green in July, only to have her resign at the end of 2021 to become group general counsel at Transurban.

Betmakers Technology Group also made its first appointment of a woman with prominent lawyer Rebekah Giles joining in early February 2022.

FIRST NATIONS ENGAGEMENT

Rio Tinto's Juukan Gorge disaster in 2020 has led to a significant shift in how companies, and investors, deal with First Nations people.

ACSI has been proud to play a leading role on these issues with support from our members. The ACSI team have worked hard to drive and monitor change at Rio Tinto, as well as participate in a re-evaluation of interactions with indigenous peoples by extractives-sector companies globally.

In 2021, ACSI's research and advocacy team finalised a groundbreaking policy framework for dealing with First Nations peoples as an outworking of its research paper into existing practices and relations.

That research drew on ACSI's already strong relationships with listed companies, many of which generously participated in and reviewed the work, as well as a range of Aboriginal representative organisations who gave us insight into their expectations of how land-use and economic agreements should operate.

The Joint Standing Committee on Northern Australia inquiry into Juukan also delivered its final report *A Way Forward* in October 2021, which argued that there was a need for an overarching Commonwealth legislative framework, to be developed through a process of co-design with Aboriginal and Torres Strait Islander peoples, and a review of the existing Native Title law.

The Federal Government responded indirectly in November in establishing a partnership with the First Nations Heritage Protection Alliance designed to "develop options to improve the laws, policies and processes that promote and protect our unique indigenous heritage".

Rio Tinto – the rebuild

ACSI, its members, and international investors have engaged extensively with **Rio Tinto** since Juukan to ensure that investors, and the community at large, receive regular and detailed reporting of progress on its work with Juukan's traditional owners including the **Puutu Kunti Kurrama and Pinikura peoples (PKKP).**

Following this engagement, Rio's first Communities and Social Performance report, published in September, showed how large the gap between the company and its indigenous partners had become with both direct and frank feedback – and indirect feedback in the number of Aboriginal groups that declined to respond to Rio's survey.

Rio's commitment to positive change has been led by the company's new CEO, Jakob Stausholm, who made several visits to the Pilbara region during 2021 in spite of the pandemic-induced logistical difficulties.

Rio also made a key strategic appointment in elevating to its board Western Australia's former Treasurer and Indigenous Affairs Minister Ben Wyatt, who is also of Yamatji heritage in the Pilbara.

Wyatt championed the introduction of WA's amended cultural heritage legislation (passed in late 2021) which, although received with mixed feelings by First Nations peoples because of its inherent state veto powers, represents a significant improvement on the previous laws in terms of giving Aboriginal people a greater voice.

Improving industry practices

Following Juukan, ACSI identified 25 ASX-listed companies for priority engagement to understand how they consider and manage such risks, including:

- Approach to relationships with First Nations and Indigenous stakeholders.
- Governance frameworks.
- Action taken to identify and manage risks.
- Company stance on regulatory or legislative changes.

From that, we learned that one of the early responses by the extractives sector, particularly Rio, was to expand their cultural heritage teams – which, due to pandemic constraints on border crossings, led to shortages of appropriately skilled people and significantly higher salaries being offered in the competitive market for talent.

Another positive was explosives manufacturer **Orica's** public declaration in May 2021 that it had empowered workers to stop laying charges on mine sites if they have any concerns about indigenous heritage impacts. Orica provided the explosives used at Juukan.

WORKFORCE

MODERN SLAVERY, SUPPLY CHAINS, SAFETY

As the COVID-19 pandemic persisted into a second year during 2021, the social dimensions of corporate sustainability were once again raised to prominence by investors and the wider community. Several major themes were identified which affected workforce and supply chain issues as businesses continued to adapt to the policy environment and practical effects of pandemic-risk management,

'War for talent'

In ACSI's discussions with company directors and executives, we noted an elevated level of competition for skilled labour. While there remains an ongoing debate at a macro level regarding the extent to which Australian businesses have been exposed to the movement known as "the great resignation", competition for talent was a major workforce theme discussed in engagement.

ACSI's engagement with company directors across all sectors indicated a renewed focus on attracting and, perhaps more crucially, retaining valued employees during the pandemic. This focus was accentuated by stricter border controls that limited domestic and international migration and created skilled labour shortages.

During 2021, ACSI released our initial research report for members on workforce indicator disclosures at ASX50 companies. ACSI is using this research to develop future engagement objectives to improve investor understanding of performance for workforce-related issues.

Modern slavery in the spotlight

The pandemic exposed frictions in global supply chains and workforce availability which ACSI views as presenting an opportunity for companies to undertake enhanced risk assessments concerning modern slavery.
With mandatory modern slavery reporting, ACSI expects companies to detail their efforts in guarding against modern slavery practices in their supply chains. ACSI's research into modern slavery reporting (above) for ASX200 companies provided a new foundation for engagement on modern slavery and human rights issues, highlighting that even the strongest reporters had significant scope for improvement.

In 2021, **ACSI discussed modern slavery issues at 109 engagements with 92 individual companies across 11 sectors,** communicating investor expectations on the quality of modern slavery statements.

In December, ACSI held a webinar specifically tailored for company representatives to unpack the findings of our research and clarify investor expectations. The webinar was attended by an extraordinary 174 participants representing 108 companies.

Pleasingly, participation included a broad cross-section of functions with directors, executives, legal and risk practitioners and ESG specialists each taking the opportunity to enhance their understanding of investor expectations on addressing modern slavery risks.

SAFETY

Through our annual ESG data gathering, ACSI now has significantly greater insight into what is best practice – and what is not – when it comes to safety reporting.

That has enabled greater focus in our engagements with companies across the ASX300, resulting in aspects of safety being on the agenda in almost every meeting.

Principally, ACSI has been engaging to drive companies to produce more granular reporting on safety behaviours and outcomes, to provide investors with information and perspectives that go beyond the usual 'lagging' statistical measures of lost-time and total recorded injury frequency rates.

ACSI has secured commitments from a number of companies that their next round of reporting will include enhanced safety disclosures – for some, it will be their first disclosures. We will review that reporting and determine whether priority aims for our members have been met.

Raising the safety bar

Our [latest safety report](), released in August, outlines our expectations of**:**

- Timely public disclosures of serious or fatal incidents involving employees, contractors, or members of the public, and outcomes of investigations and the company's response.
- Disclosure of high-potential incidents or near misses for companies in at-risk sectors.
- Separate disclosures of safety statistics for employees and contractors.
- Detailed disclosures of outcomes where executive remuneration is linked to safety performance.
- At the very least, disclosures of lagging safety indicators such as Lost-time injury frequency rate (LTIFR) and Total-recordable injury frequency rate (TRIFR) by less at-risk companies.

Information on severe incidents or injuries (and near misses) provides investors with a better indication of the effectiveness of safety management at a company.

Multiple severe incidents are more likely to indicate a material regulatory, reputational and investment risk. While LTIFR and TRIFR measure overall productivity loss rates due to incidents, they do not give insight into the seriousness of individual injuries or illnesses.

Contractor safety data allows investors to identify any disconnect between the safety practices and culture of companies' own workforces, and those of their contractors.

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