ENGAGEMENT REPORT

2022 FULL-YEAR SUMMARY

BUILDING MOMENTUM

2022 proved to be one of ACSI's busiest years on record with the addition of expanded engagement themes, such as cultural heritage and circular economy, and more intensive work on long-running priorities, thanks to the growing number of 'say on climate' votes and a dramatic shift in climate politics that has spurred corporate Australia to accelerate development of pathways to net zero.

THE YEAR IN NUMBERS

86%	158 OF OUR 191 TARGETS HAVE MADE IMPROVEMENTS
309	FORMAL ENGAGEMENT MEETINGS (incl. NGO meetings)
199	ASX300 COMPANIES MET
11	NGO BRIEFINGS HELD

KEY OUTCOMES & THEMES

MEETING THE CLIMATE CHALLENGE

25 of ACSI's expanded list of climate priorities have now set net zero targets following extensive engagement.

Major emitters respond to drive for investor advisory votes on climate plans.

Banks and finance sector respond to engagement on emissions financing policies.

ACSI expands its circular economy work.

Read more

BOARDS, REMUNERATION AND ACCOUNTABILITY

Mining industry back in the spotlight as sexual misconduct, bullying and racism uncovered.

20 companies made changes to remuneration schemes after ACSI engagement.

16 gender diversity targets improve, and appointment rate of women soars.

ACSI seeks renewal of underperforming boards.

Read more

CULTURAL HERITAGE FRAMEWORKS

10 mining and energy companies respond to ACSI's challenge to lift their game on First Nations agreements and relations.

Rio Tinto published its second Communities and Social Performance report after the 2020 Juukan Gorge tragedy.

Read more

WORKFORCE: MODERN SLAVERY, SAFETY

21 companies engaged on Modern Slavery prevention with Woolworths becoming one of the first to uncover specific incidents.

Glovemaker **Ansell**'s exposure to Malaysian manufacturers continues to hurt its reputation.

14 companies improve safety reporting including fatality and consequence disclosures, but **workplace tragedies still occurring.**

Read more

CLIMATE CHANGE

Extreme heatwaves, drought and devastating floods in Australia and globally, affecting millions and costing billions dominated news in 2022. The cost of inaction will increase with each expected degree of warming.

In 2022, ACSI saw substantial progress on climate change action in our 30 priority companies following engagements, in part driven by positive changes in Australian government policies supporting emissions reductions.

The high-level principle guiding our climate-related company engagements has been to require companies to better assess, manage and disclose climate risk. A key focus has been how entities adopt and, more importantly implement, net-zero pathways that align with the Paris Agreement.

Some of the most public examples of companies improving their climate strategy have been demonstrated through non-binding "say on climate" votes (table below).

Following Australia's first "say on climate" vote in late 2021, we saw a further eight in 2022 with more to come in 2023.

ACSI's engagement with companies on climate risk is underpinned by our Climate Change Policy which details reporting expectations of companies that face material climate-related risks and includes seven guiding principles which assess the activity of companies:

- Disclosing the approach to climate-related risks by adopting the Task Force on Climate-related Financial Disclosures (TCFD);
- Aligning corporate strategy;
- Undertaking scenario analysis;
- Setting Paris-aligned emissions targets;
- Analysing and managing physical risk;
- Aligning policy and advocacy activity; and
- Planning for just and equitable transitions.

By developing a framework against which the climate transition plans of companies can be assessed. ACSI seeks to ensure that all plans are assessed in a rigorous and consistent manner.

CASE STUDY

ORIGIN SETS NEW COURSE

As one of Australia's largest emitters, ACSI has engaged with the board and management of Origin Energy for several years seeking improvements in the company's climate transition plan.

Significant steps were made in 2022 with the announcement of a new energy transition pathway and updated Climate Transition Action Plan.

The suite of announcements in 2022 were designed to future-proof the business, starting in February with a stated aim to close its coal-fired Eraring power station by 2025, and ending in November with the exit of its direct development in the Beetaloo Basin (it retains royalty and production interests if the new owner develops the area) as part of a broader strategic review of its remaining upstream gas exploration leases.

Achieving a just transition for workers and the Newcastle-region community, affected by Eraring's wind-down remains a key engagement issue for ACSI, which will monitor the company's commitment to address investor concerns with more transparent and detailed plans in 2023.

Investors have been engaging with Origin on the risks of developing the Beetaloo Basin for many years, including the status of land-use agreements with Traditional Owners and the basic economics of any development given its capital intensiveness, stranded-asset risks, and how it aligned with Origin's 2030 and 2050 emissions-reduction targets.

The Beetaloo divestment signalled Origin's intent to build a 'future facing' portfolio of renewable and firming energy assets to replace its retiring fossil-fuelled capacity.

This led to a strong **95%** endorsement of the climate plan (and by extension broader business strategy) from investors – the highest vote yet for an ASX-listed 'Say on Climate'.

Origin's board is challenged at the 2022 AGM

SAY ON CLIMATE VOTE OUTCOMES 2022		
Company	Industry	% of votes "For"
Origin Energy	Electric Utilities	**95%**
South32	Metals & Mining	**89%**
Sims	Metals & Mining	**89%**
Rio Tinto	Metals & Mining	**84%**
APA Group	Gas Utilities	**79%**
AGL Energy	Multi-utilities	**69%**
Santos	Oil, Gas & Consumable Fuels	**63%**
Woodside Energy Group	Oil, Gas & Consumable Fuels	**51%**

The results of the first year of 'say on climate' proposals link directly with engagement outcomes. Companies that undertook a vote generally made improvements in their practices. Notwithstanding the improvements, all plans have in our view had areas where they need to be enhanced and the voting outcomes generally match the progress made in engagement. Common issues that ACSI has raised with companies include:

- The absence, or minimal ambition, of Scope 3 emissions-reduction targets,
- Poor (or no) disclosure of how climate change is impacting on capital allocation decisions,
- Patchy (or no) physical risk assessments,
- Lack of clear decarbonisation plans beyond the mid-term goals of 2030; and
- The lack of quantified impacts of climate change on asset valuations, revenue streams and/or operational costs.

ACSI continues to focus engagement on climate strategy, capital allocation decisions, emissions reduction targets, scenario analysis, physical risks, remuneration, policy and advocacy and just and equitable transitions.

With the critical interim climate goals for 2030 looming large for Australia and other economies across the globe, ACSI is acutely aware of the need for continuous improvement in climate action plans and company performance.

CASE STUDY

AGL RESPONDS TO INVESTORS

ACSI has engaged with AGL for many years on the need for it to provide a coherent strategy to reduce emissions and transition to a low-carbon economy, and was pleased to see its inaugural Climate Transition Action Plan (CTAP)and offer of a "say on climate" vote at the 2022 AGM.

AGL has increased its commitments to align goals with the Paris Agreement target of "holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels" but had not aligned targets to 1.5°C.

AGL said its targets, which are estimated to follow a 1.8°C pathway, were as ambitious as they could be because – at present – the closure of Bayswater and Loy Yang A by the end of FY30 (several years earlier than its plans) are not viable without threatening the reliability of Australia's electricity market and without large-scale storage assets in the National Electricity Market (NEM).

AGL's emissions-reduction targets and goals for Scope 1 and Scope 2 emissions are now clear and backed by disclosure of a pathway. The CTAP includes dates for the closure of specific assets and the limitations are clearly articulated alongside their impact on the level of ambition. AGL will report annually on progress made on commitments contained in the CTAP.

AGL's CTAP has some shortcomings and challenges, but the plan is evidence of a significant increase in AGL's ambitions around decarbonising the portfolio. The CTAP must evolve and be viewed as a starting point rather than the end point of AGL's climate ambition. ACSI expects the company to work towards aligning strategy to a more ambitious 1.5°C pathway.

The Big Four Banks Increasing Climate Ambition

Whilst we have not yet seen any "say on climate" votes coming from the financial sector, all of Australia's largest four banks made improvements to their climate commitments in 2022 although progress differs across the group.

Each of the big four banks plus Macquarie Group are now signatories to the UN-convened Net-Zero Banking Alliance (NZBA) with the **Commonwealth Bank** and **Westpac** having joined in 2022. Membership of the NZBA requires financial institutions to set intermediate lending and investment targets every five years from 2030 onwards. Targets are to initially cover priority sectors and be consistent with a maximum temperature rise of 1.5°C.

In October 2021 **ANZ** was the first of the big four to join the NZBA and in 2022 reported that it has set net-zero aligned pathways for six sectors including power generation, oil and gas, aluminium, cement, steel and large-scale real estate.

Consistent with its decision to join the NZBA in late 2021, **National Australia Bank** has set interim sector-specific decarbonisation targets for the four sectors that represent the majority of NAB's financed emissions (power generation, thermal coal, oil and gas and cement). Targets will be set for the remaining sectors by May 2024.

Similarly, after joining in January 2022, the **Commonwealth Bank** has set targets for reducing financed emissions from power generation, thermal coal mining, upstream oil extraction and upstream gas extraction. Rounding out the big four, **Westpac** became a signatory to the NZBA in July 2022 and has set targets for upstream oil and gas, thermal coal mining, power generation, cement production and Australian commercial real estate.

Finally, after joining the NZBA in October 2021, **Macquarie Group** has disclosed targets for coal mining, upstream oil and gas and motor vehicles in its 2022 Net Zero and Climate Risk report. It has committed to expanding this work to cover the residential mortgage and power generation sectors in 2023 which, combined with already announced sectors, will cover 75% of financed emissions.

Incremental improvements

James Hardie Industries appointed its first Chief Sustainability Officer in late 2022 and ESG has now moved to a permanent position on the group's board meeting agenda to focus on how the company will build out its global team and embed ESG more generally.

In 2022 **Beach Energy** set a new target to reduce emissions intensity by 35% by 2030. The company has an aspiration to be net zero (Scope 1 and Scope 2) by 2050.

Aurizon increased disclosure and integration of climate within its strategy in 2022, with an updated Climate Strategy and Action Plan and the execution of its OneRail acquisition – boosting its strategy to grow its bulk business to 42% whilst diversifying away from coal.

Orica's linking of executive pay to emission reduction targets has demonstrated integration within the business strategy which includes a range of abatement opportunities with the first, Kooragang going live in 2023. It has further committed to holding a Say on Climate shareholder advisory vote at its 2023 AGM.

CIRCULAR ECONOMY

The circular economy is crucial to delivering net zero commitments, reduce environmental harm and increase cost efficiency in many industries. ACSI continued to develop our circular economy engagement in 2022, extending our focus to companies across a range of sectors – both upstream and downstream across 5 key areas including food, packaging, aluminium, cement and steel.

A circular approach is a means to reduce emissions, virgin resource requirements and can serve as a business opportunity as customers seek out low emission products

ACSI's engagement for the circular economy highlighted innovative ways companies are integrating circular methods into their business strategy, for example diversified property developer **Mirvac Group** (see below).

Stockland and **Lendlease** are also embedding circular economy principles into their climate and broader business strategy, which helps generate downstream demand from construction suppliers and increases the market for 'green' concrete, zero-emissions steel and biodiesels.

After sustained engagement with investors, **Orora**, a glass and aluminium packaging company, pleasingly ratcheted up its 'eco targets' which focus on increasing use of recycled glass cullet for its glass beverage containers and waste reduction. Given Orora's product range that includes aluminium and glass, it has a large opportunity to increase use of recycled content as there are not the same technical challenges as seen with plastic, Orora backed up its targets with investment in a glass recycling plant to decrease the need for virgin materials in glass bottle manufacturing.

REDcycle bag bales in Ballarat (Pic: ABC)

Whilst the upstream and downstream construction sector is leading the pack on integrating circular principles, there have been challenges with plastic packaging recycling, including with the public demise of **REDcycle.**

ACSI will continue engagement with supermarket groups such as **Coles** and **Woolworths,** and others exposed to this area**,** over 2023.

ACSI is reviewing our circular economy approach to ensure that, as education and understanding of circular economy principles lifts, ACSI and its members help drive positive changes across companies and sectors to lift ambition in systemically adopting practices that mitigate financial risk, especially as regulation (and end-producer tax regimes) mature globally.

CASE STUDY

MIRVAC TARGETS ZERO WASTE

Property developer, **Mirvac Group** is seeking to move away from a 'linear model' that focuses on the waste diverted from landfill at construction sites and operating assets, to a more circular model, which taps into the choices it can make to avoid, reduce, reuse and recycle materials, as well as regenerate to repair harm from materials extraction. This is now happening for each major project.

Sustainability experts from Mirvac, one of ACSI's circular economy priorities, met with investors in November to explain how the developer has overhauled its approach throughout the value chain to de-risk exposure for investors.

Mirvac has now set a series of 2030 targets that tie into climate, circular economy and nature positive objectives, highlighting the interconnected environmental and financial benefits that arise from adopting circular principles:

- zero waste to landfill
- procure 25% recycled content
- halve development waste
- pursue a net gain in natural habitat

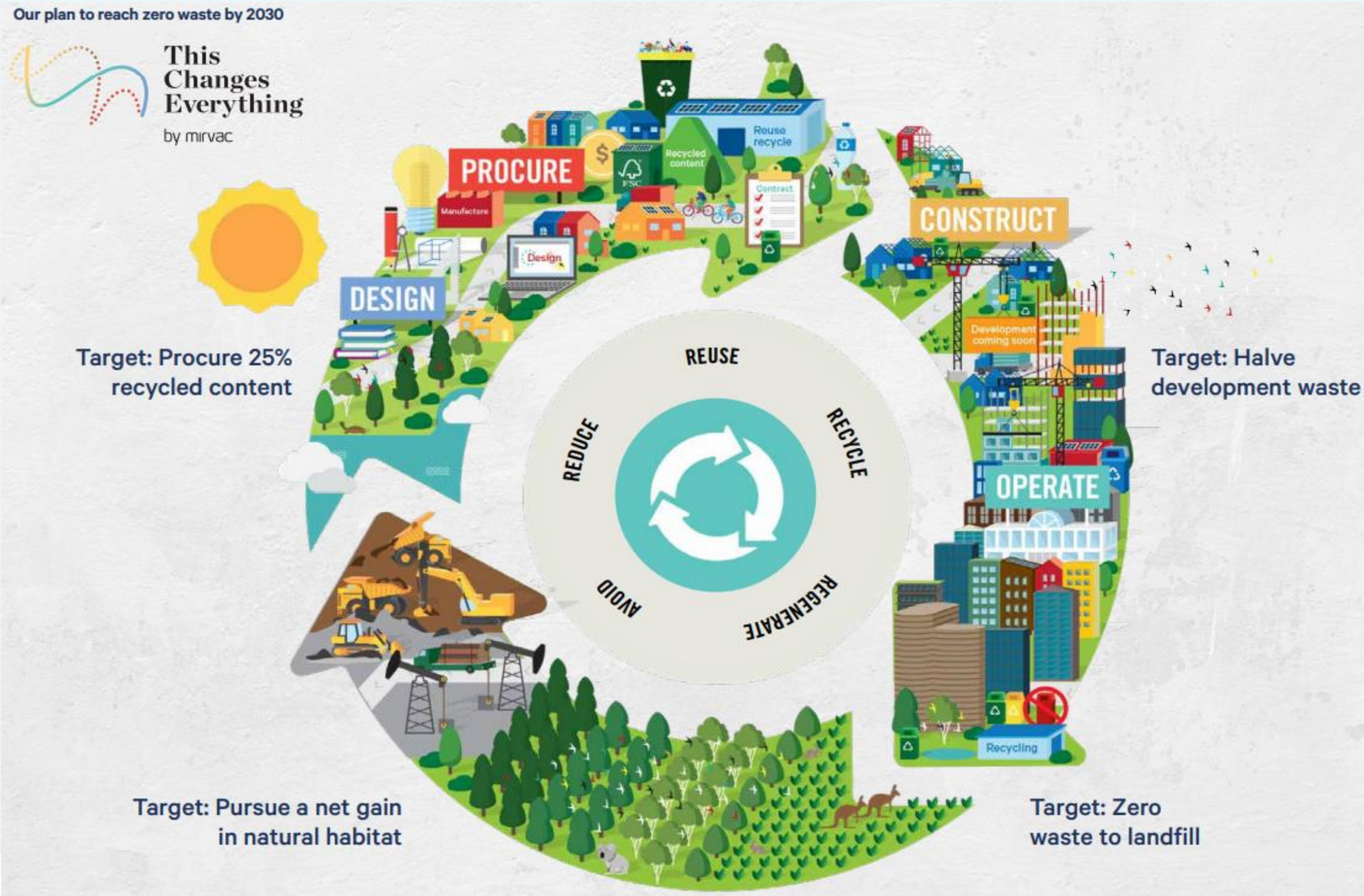
In 2014, Mirvac set a target to send zero waste to landfill by 2030. Initially, the focus was on diverting waste, predominantly through re-use and recycling. Each project now has a Building Waste Management Plan, to ensure the operations teams understand their roles and responsibilities in regard to site-specific waste generation and waste management systems, and a Building User Guide to enhance tenant engagement and education around waste.

Mirvac's, "Planet Positive: Waste & Materials", identifies the areas that it can control and the areas that it needs to influence in order to achieve those targets.

The plan currently has around 22 individual actions and Mirvac's 2022 Sustainability Report quantifies progress for waste management in terms of:

- total waste in tonnes (investment and construction)
- %/tonnage of waste: recycled, landfill, prescribed (investment and construction)

As of FY2022, Mirvac has made significant gains towards reducing the volume of materials sent to landfill, with 94 per cent of construction waste and 68 per cent of operational waste diverted from landfill.



CORPORATE GOVERNANCE

Accountability, Remuneration, Board Composition and Culture

Poor governance poses significant risk to investors. ACSI spends a significant time each year identifying and engaging on material issues in this area.

In recent years, the evolution of governance expectations on corporate culture has resulted in extensive engagement including with banks and other financial institutions on the issues exposed in the Hayne Royal Commission.

That cultural focus has expanded to include how boards are identifying and remediating poor conduct including sexual harassment, bullying and racism.

ACSI also continues to be a market leader in scrutinising pay practices and outcomes to ensure that base pay is appropriate and incentives align with the investor experience.

Above all this is a need for boards to be comprised of appropriately qualified and capable non-executive directors, who can make impartial decisions on behalf of all investors.

Sexual Harassment and Corporate Culture

In 2022, ACSI expanded its work on corporate culture to specifically include sexual harassment. This theme was added following ACSI's engagement with **Rio Tinto, BHP, Fortescue** and other mining companies in 2021 when the Western Australian Government's inquiry into sexual harassment against women in the FIFO mining documented widespread sexual harassment within the mining industry.

As previously noted (see Rio Tinto case study below), the ground-breaking *Everyday Respect Report*, produced by former discrimination commissioner Elizabeth Broderick for Rio Tinto and the broader WA Parliament FIFO inquiry, *Enough is enough* all found disturbing anecdotal evidence of behaviours and practices. The WA report included a promising pathway for ensuring workers safety in these areas, assuming all the recommendations are fully implemented.

ACSI has continued to discuss all the issues raised by both reports in almost every

Elizabeth Broderick, author of Rio's ground-breaking report.

engagement with companies in the extractives industry, trying to understand how their boards and management are assessing, measuring and managing the risks on behalf of investors.

In BHP Group's 2022 annual report, it fulfilled its commitment to consequence reporting on conduct issues, disclosing that 103 case of sexual harassment had been substantiated during the year – of which 101 resulted in either termination of employment for the perpetrators. CEO Mike Henry he was "ashamed that these behaviours still occur in BHP. We are fiercely determined to stop them from happening."

Remuneration

ACSI prioritises engagement with all companies where we have captured remuneration concerns as part of our voting research, especially where we make a negative voting recommendation on aspects of incentive schemes.

In 2022, 36 companies were on ACSI's priority list for improvement, of which 20 were resolved and eight made progress.

Director accountability

Like **Crown Resorts** before it, **Star Entertainment Group's** board discovered that poor oversight of executive behaviours in the gaming industry came with a high cost. In 2022, Star received a strike with a 30% vote against its remuneration report after the board signed off on $3.8mn in payouts to three executives who presided over a culture that risked retention of its casino licences in NSW and Queensland.

Star's board and management have now been overhauled to both rectify performance and satisfy the demands of regulators. ACSI supported the elections of three directors who are all part of the reform.

CASE STUDY - Board composition

AGL BOARD CHANGE

ACSI engaged with board-level representatives of AGL throughout 2022, including separate meetings with each of the four director nominees put forward for election at the AGM.

The past year has seen an almost complete turnover of the AGL board and C-suite amid the failure of its plan to demerge the coal assets from the energy retailer. AGL was to be rebranded as Accel Energy and hold the coal-fired power generation assets (Bayswater, Liddell and Loy Yang A) and wind farm contracts. Its retail assets (electricity and gas) were to be spun off into a separately listed company (AGL Australia).

Major shareholder Mike Cannon-Brookes, the affiliated Galipea Partnership and certain other entities hold 11.28% of AGL's ordinary shares and were vocal opponents of the demerger, arguing that splitting up the company would undermine its transition away from fossil fuels and destroy the value of AGL's vertically-integrated business model.

In May 2022, the demerger was abandoned and the Chair (Peter Botten), two board members (Jacqueline Hey and Diane Smith-Gander) and the CEO (Graeme Hunt) resigned.

Only two directors remain of the Board that was in place at the 2021 AGM – Patricia McKenzie (NED since May 2019) and Mark Bloom (NED since July 2020).

ACSI's numerous engagements in the lead-up to the 2022 AGM were designed to assess the credibility of AGL's Climate Transition Action Plan (CTAP) and to assess the skills, experience and fit of the four outside candidates: Christine Holman, Mark Twidell, Kerry Schott and John Pollaers.

ACSI listened to the director candidates put their cases for becoming directors, including outlining their relevant skills and experience – either as executives or directors of other ASX companies – and to gauge the nature of their relationship with Mike Cannon-Brookes entities to ascertain independence.

These meetings were invaluable in forming a view on which of the director candidates would add valuable experience to the board.

Ultimately, all four directors were elected at the AGM.

Diversity

Board gender diversity has been a decade-long campaign by ACSI and its members, fuelled by the belief that boards comprised of individuals with diverse work, technical and cultural experiences produce better investor outcomes.

The rate of change continues to increase with the appointment rate of women to ASX300 boards finished at 46 per cent in 2022, compared with 44 per cent previously. Pleasingly, the appointment rate in the ASX100 finished at 50.5 per cent – a record with 51 of 101 appointments being women.

All but one of ACSI's 'zero-women' board targets were effectively resolved in 2022. The clear laggard continues to be **Capricorn Metals** which, in spite of ACSI's attempts to engage, has yet to meet with us.

Briefly in 2022, every ASX200 company had at least one woman director, although new entrants to the index meant that by year's end there were four ASX200 'zeros' – **Capricorn**, **Core Lithium**, **De Grey Mining** and **Sayona Mining**.

Neither **Sayona** nor **Core Lithium** has ever had a female on the board in spite of being ASX-listed for 18 and 11 years respectively. ACSI looks forward to engaging in 2023.

At year's end there were only two ASX201-300 companies without women in their boardrooms – **Argosy Minerals**, which found two male directors in 2022 to replace a vacancy, and **Incannex Healthcare**, which in August also found a male appointee whose chief skillset was in US pharmaceutical regulatory affairs – an area where there also many women executives.

De Grey Mining lost its only woman director, Samantha Hogg, in October after just 10 months which, in engagement, the company blamed on a clash with another director. Another two directors also quit in September, indicating some boardroom instability. De Grey has said that it has a shortlist of women replacements, with an appointment likely by March 2023.

Elsewhere, a number of other boards with low levels of diversity appointed skilled women

2022 APPOINTMENTS AT PRIORITY COMPANIES	
4 Zero-women board appointments	**Centuria Office REIT** (Elizabeth McDonald) **Dubber Corporation** (Sarah Diamond) **Hansen Technologies** (Lisa Pendlebury) **PPK Group Limited** (Anne-Marie Birkill)
12 One-woman board appointments	**ARB Corporation** (Shona Fitzgerald) **Arena REIT** Helen Thornton **Chalice Mining** (Joanne Gaines) **Codan Limited** Sarah Adam-Gedge **Flight Centre Travel Group** (Kirsty Rankin) **Goodman Group** (Hilary Spann & Vanessa Liu) **IDP Education Limited** (Tracey Horton & Michelle Tredenick) **Liontown Resources** (Adrienne Parker) **National Storage REIT** (Inmaculada Beaumont) **Novonix Limited** (Zhanna Golodryga) **Telix Pharmaceuticals Ltd** (Tiffany Olson) **Waypoint REIT** (Susan MacDonald)
4 Little or no Progress	**Capricorn Metals** **Charter Hall Retail REIT** **Mesoblast** **Nickel Industries**

directors. **Goodman Group** and **IDP Education**, each added two. **ARB Corporation**, fulfilled its 2021 commitment to ACSI by appointing accomplished executive Shona Fitzgerald.

Flight Centre, which has had a horror two years thanks to the pandemic, also made good on earlier undertakings, adding loyalty-program specialist Kirsty Rankin – its first director in nearly four years.

ACSI's persistent engagement with **Waypoint REIT** has improved board composition. Ahead of its 2022 AGM, Waypoint appointed two additional directors, one a woman – addressing both gender diversity and board-size concerns.

Codan Limited appointed a second woman director in February 2023 – making it a 50-50 board in gender terms.

CASE STUDY – Corporate culture

RIO RAISES BAR ON LOW RESPECT

Rio Tinto was forced to gaze into the abyss during 2022 after the *Everyday Respect Report*, produced by former discrimination commissioner Elizabeth Broderick, found evidence of systemic sexual harassment and assault, bullying and racism across the group.

While Rio's decision to make public the report was a huge leap forward in disclosure, the scale of the problem left its senior executives foundering on a course of action.

The report found that on average 48% of surveyed employees (53% of women) had experienced bullying – with the highest rate in its iron ore business.

Some 28% of women reported sexual harassment and 12% of Rio's people reported a racism experience.

Rio drew some comfort from the fact that many of the issues existed in other companies across the mining industry, as revealed when the WA Parliament's FIFO inquiry, *Enough is enough* was tabled, but it also knew that its culture was most likely a contributor to the Juukan Gorge disaster in 2020.

Since that time, Rio has instigated a number of changes to its approach including a raft of training programs to drive home the message that managers would be held responsible for stamping out the unwanted behaviours.

Elizabeth Broderick's team has been retained to conduct another survey of employees to gauge what improvements have been made and where the most work still needs to be done.

Rio also introduced more demanding requirements in the group's incentive structure to ensure change continues.

CULTURAL HERITAGE

In 2022, ACSI and the Working Group on Rights and Cultural Heritage Risk Management developed a new engagement framework based on our policy and research on company engagement with First Nations people.

ACSI then selected and undertook engagement with 11 companies (see below), assessing them against the framework.

In this first year, our focus was mainly on information-gathering and responses to issues raised from Traditional Owners, to obtain a baseline of in-depth information on how the companies are managing the risks involved in their relationships with First Nations people. ACSI will track progress against the baseline.

ACSI had also identified some gaps in reporting which were pursued, including progress in renewing relationships, reviewing and rewriting agreements (including elimination of 'gag' clauses), and ensuring that heritage teams were both appropriately resourced and sufficiently empowered to minimize investor risk.

Engagement in 2022 focused on companies being able to demonstrate:

- Genuine ambition to build long-lasting constructive relationships with First Nations people.
- Free prior and informed consent (FPIC} built into policies and practices.
- Improving quality of disclosure.
- Policies that commit companies to respect First Nations people's rights and cultural heritage, aligned with international standards e.g. UNDRIP, UNGPs or IFC Performance Standards.
- A clear process for boards to obtain assurance that risks are appropriately identified, mitigated and managed.
- Assessment of whether agreements/consent need to be updated and do not have problematic confidentiality clauses.

ACSI has met with the boards and/or senior management of every one of 11 priority companies seeking improve practices and transparency on First Nations Engagement. ACSI held more than 20 meetings on these issues in 2022.

WORKFORCE

MODERN SLAVERY, SUPPLY CHAINS, SAFETY

The progress of Australian companies' management of their Modern Slavery risk continues to be a focus for ACSI.

In 2023 we will publish, in partnership with Pillar Two, a second round of benchmarking for ASX200 modern slavery statements released during 2022.

In 2022, ACSI engaged with 21 companies on modern slavery. One company which stood out in its reporting efforts was **Woolworths Group** which become one of the first Australian companies to disclose and discuss an actual instance of modern slavery. In addition to identifying the incident, Woolworths also reported on its remediation strategies.

ACSI notes this as a necessary step towards companies addressing modern slavery in supply chains. ACSI believes that the Woolworths report has set a new high-water mark for reporting by listed companies under the Act and we are encouraging other ASX200 companies to use it as a guide to their own reporting. We were surprised to read that many large entities reported on audit processes in high-risk sectors yet could not identify a single instance of modern slavery risk.

Modern Slavery Act review

Building on our experience in company engagement, ACSI also made written and in-person submissions to the *Modern Slavery Act 2018* review, with key ACSI executives appearing before the review's Chair, Professor John McMillan, and representatives of the Attorney-General's department.

Key take-aways from our submission included:

- Establishment of an Anti-Slavery Commissioner at the federal level (modelled after the NSW structure);
- Introduction of penalties/fines for non-compliance with current reporting requirements; and
- Introduction of an obligation on reporting entities to conduct ongoing due diligence and report findings.

ACSI is of the view that with the third round of modern slavery statements being rolled out, companies are now in a better position to report under the requirements of the Act. On this basis, ACSI believes strengthening the Act is important to improve transparency and disclosures.

Collaborative engagement

In 2022, ACSI also continued to engage separately with focus companies, in both lead and support capacities, as a participant in the investor-led Investors Against Slavery and Trafficking Asia Pacific (IAST/APAC) initiative.

This ongoing program has been positively received by the target companies, enabling them to understand the importance of modern slavery risks from a range of investors, and resulted in ongoing dialogue to improve disclosures and address concerns.

CASE STUDY – Modern slavery

CLASS ACTION AGAINST ANSELL

In August, Ansell and Kimberly-Clark Corporation were sued in a class action in the United States by a group of Bangladeshi workers who claimed the two companies 'knowingly profited' from their exploitation by purchasing products from Malaysian glovemaker Brightway.

Ansell and Kimberly, both founding members of the Responsible Glove Alliance, have rejected the claims and plan to defend them. Brightway was also the subject of a US Customs and Border Protection (USCBP) 'withhold release' order at the end of 2021 which prohibited any of its products being distributed there.

Separate from this legal matter, ACSI has engaged with Ansell over many years on workforce issues and has seen improvement in both reporting and practices by the group. Ansell's FY22 Modern Slavery Statement notes that suppliers representing 98% of its finished-goods spend in Malaysia have declared that they have completed recruitment fee reimbursement programs, repaying an astonishing US$30m-plus to more than 18,000 'guest' workers – that represents more than $1600 USD for each person.

In FY22, Ansell also commenced a program of what it calls F-11 audits (using the 11 indicators of forced labour) at Ansell facilities. Ansell now favours F-11 audits as more extensive than traditional independent audits. The company's FY22 slavery statement also notes that, in response to the labour rights issues in Malaysia, ANN intends to introduce unannounced audits from FY23.

It has also rolled out a new hotline as a replacement for mobile applications for grievance reporting (the mobile applications were determined as ineffective due to low worker engagement and inefficiencies in processing and reporting grievances due to lack of detail and visibility). The new hotline has been released in Malaysia, China and Brazil and is externally managed by ELEVATE, in partnership with the Responsible Business Alliance.

SAFETY:

ACSI member funds manage money on behalf of many employees who work at ASX300 companies – making safe work practices a priority. ACSI continued its engagement focus with companies across the ASX300 that have either poor safety performance and/or opaque reporting practices.

In engagements with companies, ACSI has consistently reinforced the importance of reporting leading safety indicators, encouraging them to go beyond the usual lagging statistical measures of injury frequency rates to report near miss and severity indicators which provide stakeholders with insights into the impact of actual events and the effectiveness of risk management activities at companies.

Our longitudinal data collection has consistently shown that a significant portion of serious safety incidents involve contractors, making it crucial for companies with material safety risks to report transparently on the safety performance of contractors.

Spotlight on Safety:

In our work with ASX200 companies, we have outlined our expectations of:

- Timely disclosures relating to fatalities of employees, contractors, or members of the public, along with the outcome of any investigations and the company's response.
- Disclosures relating to severe incidents or near misses for companies in at-risk sectors.
- Separate disclosures relating to contractor safety for companies in at-risk sectors.
- Disclosures linking executive remuneration to safety performance for companies in at-risk sectors.
- At the very least, disclosures of lagging safety indicators such as lost time injury frequency rate and total recordable injury frequency rate.
- Adopt a holistic approach to safety reporting by considering the psychosocial well-being of a company's workforce: both physical and mental health.

Australian Council of Superannuation Investors
Level 23
150 Lonsdale Street
Melbourne VIC 3000
Australia

P: +61 8677 3890
E: info@acsi.org.au
W: www.acsi.org.au