

ESG Reporting for Small and Mid-Cap Companies

Speakers



Giri Tenneti
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Listed company services
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Roland Hill
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FYI Resources Limited



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Head of Sustainable Investing
Australia
Fidelity International



Robyn Parkin
Head of Sustainability
Ethical Partners



Dr. Tim Siegenbeek van Heukelom
Chief Impact Officer
Socialsuite

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Roland Hill
Managing Director, CEO.
FYI Resources Limited

Roland holds a Bachelor of Science and Bachelor of Commerce from Curtin University. He was appointed to the position of Managing Director of FYI on 1 July 2014. Roland has extensive resource industry and investment, finance and funds management experience. He has been directly associated with the mining and exploration sector for over 25 years in contracting roles and with Western Mining Corporation and Normandy Poseidon and a 7 year role as Managing Director and Chairman of an ASX listed gold producer with production of ~100,000oz pa. Previously Roland was employed by several Australian national and international stockbroking firms and investment banks in equity capital markets and as a senior mining analyst before taking a senior role as a Portfolio Manager.



Daniela Jaramillo
Head of Sustainable Investing Australia
Fidelity International

Daniela joined Fidelity in August 2021. Prior to that she was a Senior Responsible Investment Adviser at HESTA, one of Australia's largest pension funds. While at HESTA, Daniela set up and was the Chair of the investor group of 40:40 Vision, an initiative to achieve gender balance in executive leadership. Daniela has held roles in responsible investment across the UK (Legal and General) and US (Wespath Benefits and Investments) before settling in Australia. She is a non-executive director at RIAA (Responsible Investment Association Australasia) and was a member of the PRI Stewardship Advisory Committee between 2017 and 2021. Originally from Ecuador, her career began as one of the founding members of a not for profit focusing on improving education and health outcomes in the region. Daniela holds an MSc. in Environment and Development from London School of Economics and a B.A in Journalism from Universidad San Francisco de Quito.



Robyn Parkin
Head of Sustainability
Ethical Partners

Robyn is the Head of Sustainability at Ethical Partners Funds Management, a boutique responsible investment ASX listed equities fund manager. Robyn coordinates Ethical Partners proprietary in-house ESG research, working directly with the investment team to integrate this analysis into the investment decisions and portfolio construction, as well coordinating Ethical Partners extensive program of engagements with Australian companies on ESG.



Dr. Tim Siegenbeek van Heukelom
Chief Impact Officer
Socialsuite

Tim is an ESG specialist, passionate about aligning organisations' overall purpose with delivering day-to-day social good while on the path to profit. He has global experience working with small to large-cap companies to help them close the gap between corporate prosperity and sustainable development outcomes by identifying shared value opportunities.



ESG Reporting For Small And Mid-Cap Companies Webinar



ESG Assets May Hit \$53 Trillion By 2025



ESG - News, Research & Analysis



ESG Investors To Focus On Resilience In 2023



Ethical, Sustainable ETFs Top \$9bn: Betashares



ESG Misconceptions Of Small Cap Executives



Sustainability Considerations A Factor For Nine-Out-Of-Ten Real Assets Investors

Key Findings – RIAA Responsible Investment Benchmark Report 2022



Australia's responsible investment market reached **\$1.54 trillion** in 2021, up from \$1.28 trillion in 2020. These assets under management of leading practice responsible investors now position responsible investment with a **43%** share of the total market (up from 40% in 2020).



The industry continues to innovate and expand their responsible investment activities by launching **new types of responsible investment products**, including several types of sustainability-linked loans and green bonds. A key trend is the growing engagement in stewardship and active ownership practices, demonstrated by many investors publishing inaugural stewardship, responsible investment, and impact reports.



Responsible investment products continue to outperform the overall market in the multi-asset category on all timeframes as well as the domestic equity category. For the first time, average performance of RIAA certified products has been reported which shows superior performance in the multi-asset category on all timeframes as well as domestic and international equities over 3, 5, and 10 years, in some cases double or triple the performance of the market over the long term.



Investment managers continue to increase the amount of assets that are managed with responsible investment approaches, which grew by \$616 billion since last year. The top three responsible investment approaches are **ESG integration** (\$752 billion), **corporate engagement and shareholder action** (\$726 billion) and **negative/exclusionary screening** (\$705 billion).



In 2021, a record **74 organisations were identified as Responsible Investment Leaders** out of 140, including 17 new investment managers, indicating growing engagement of the Australian market in leading responsible investment practices.



Corporate engagement and shareholder action saw the greatest dollar value increase with an additional \$255 billion AUM in 2021. Forty-five percent of investment managers are now reporting on both their corporate engagement activities and the outcomes achieved. AUM in **sustainability-themed investing more than doubled** to \$161 billion (from \$76 billion) and now includes \$19 billion in sustainability-linked loans.



Climate continues to be a strong theme for both positive and negative screening. An emerging positive screen topic in 2021 was **gender diversity and women's empowerment** which jumped in priority from 10th place in 2020 to 6th in 2021.

ESG Threshold Questions and Actions

Starting your ESG journey – top matters to consider/action

- 1. Is ESG for me right now?** It may not be the right time for your organisation to start reporting on ESG but it should be on the agenda as a matter to remain under review – it may become a requirement in the near future so it would be good to at least understand what ESG reporting might entail for your organisation
- 2. Materiality:** What are my most material risks and my most material impact? For example changing policy, regulation, investor and customer demand, reputation, physical risks, transition risks. Focus here first to mitigate most immediate investor concerns. You can use this to identify which ESG metrics are material for your business then start the process to report on them
- 3. Opportunities:** What are my biggest ESG opportunities? For example customer concerns, investor analysis, changing landscape, new innovations. Think of ESG as a positive business strategy, not a burden. Look beyond risk mitigation to new opportunities to create value.
- 4. Leverage existing state.** Set a baseline. Where are you today? What do you already have that you can leverage? What am I already most advanced on – what can I showcase? Where can I position myself as a leader?
- 5. Seek help:** Who can I go to for help? Can I leverage my shareholders/customers/experts/industry groups/collaborations?
- 6. Communication:** Use a recognized ESG framework. How can I communicate my progress on the journey in a genuine, credible and transparent way, and how can I bring my stakeholders along on that journey? Report frequently. You should be able to show progress quarterly. Disclose annually. Release standardised ESG reports every year.
- 7. Build internal capacity and embed ESG.** Share knowledge and ensure everyone in your organisation feels empowered to deliver on your ESG agenda. Embed ESG across the business.

Important Links

Listed Company Services Education Page:

<https://www2.asx.com.au/listings/why-list-on-asx/listed-company-services/education>

Future ASX Educational Webinars:

[Subscribe Here](#)

Home - Responsible Investment Association Australasia (RIAA):

<https://responsibleinvestment.org/>

Socialsuite – Technology For Impact And ESG Reporting:

<https://www.socialsuitehq.com/>

FYI Resources Limited - Innovation for a Sustainable Future:

<https://fyiresources.com.au/>

Ethical Partners Funds Management:

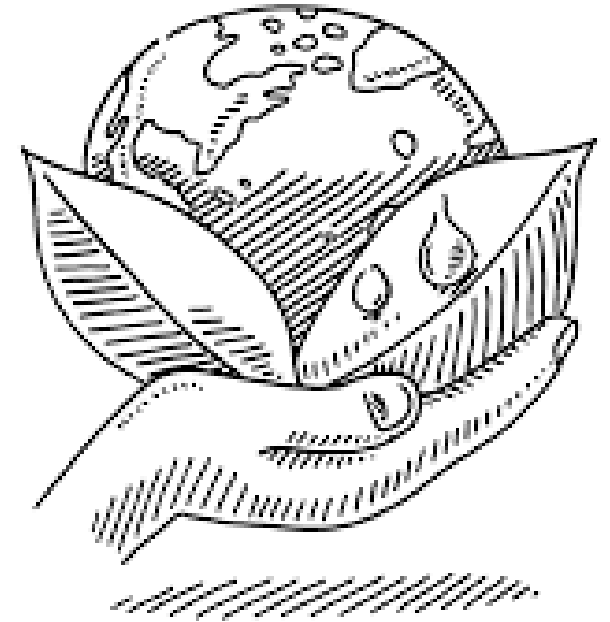
<https://www.ethicalpartners.com.au/>

Fidelity Investments:

<https://www.fidelity.com/>

Treasury consultation on climate-related financial disclosure:

https://treasury.gov.au/sites/default/files/2022-12/c2022-314397_0.pdf



ESG – (Environmental, Social, and Governance)

A framework designed to be embedded into an organisation's strategy that considers the needs and ways in which to generate value for all organisational stakeholders. ESG has spawned a host of acronyms and defined terms – some of which are set out below.

* Denotes a term defined elsewhere in the list.

Double Materiality:

The concept of double materiality describes how corporate information can be important both for its implications about a firm's financial value, and about a firm's impact on the world at large, particularly with regard to climate change and other environmental impacts.

B Corp Certification

B Corp Certification is a designation that an organisation is meeting the high standards of verified performance, accountability, and transparency on ESG matters. Certified B Corporations include industry leaders in the global movement for an inclusive, equitable, and regenerative economy.

Website: <https://www.bcorporation.net/en-us/certification>

EFRAG (European Financial Reporting Advisory Group)

The European Financial Reporting Advisory Group (EFRAG) was established in 2001 by the European Commission. The group has two pillars—one focused on financial reporting and the other on sustainability reporting. In its financial reporting activities, EFRAG ensures that the European view is represented in the International Accounting Standards Board's (IASB*) standard-setting process and provides advice to the European Commission on the International Financial Reporting Standards (IFRS*).

Website: <https://www.efrag.org/>

FSB (Financial Stability Board)

The Financial Stability Board (FSB) promotes international financial stability by coordinating national financial authorities and international standard-setting bodies working towards developing strong regulatory, supervisory, and other financial sector policies. FSB is the body that created the Task Force on Climate-Related Financial Disclosures (TCFD*) which is one of the most widely used frameworks for reporting on climate.

Website: <https://www.fsb.org/>

GRI (Global Reporting Initiative)

The Global Reporting Initiative (GRI) first appeared in 2000 and is today the one of the most popular ESG reporting frameworks, being used in over ninety countries by corporations, small and medium-sized enterprises (SMEs) and more. GRI helps companies compile, analyse and report ESG data in an easy-to-decipher fashion so investors better understand their sustainability practices.

Website: <https://www.globalreporting.org/>

IFRS (International Financial Reporting Standards)

The International Financial Reporting Standards (IFRS) are a set of accounting rules for the financial statements of public companies that are intended to make them consistent, transparent, and easily comparable around the world. The Standards are developed by their two standard-setting boards, the International Accounting Standards Board (IASB*) and International Sustainability Standards Board (ISSB*).

Website: <https://www.ifrs.org/>

IIRC (International Integrated Reporting Council)

The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession, academia and not-for-profits created in 2010 to promote integrated thinking and integrated reporting principles, with the view that communication about value creation, preservation, or erosion is the next step in the evolution of corporate reporting.

Website: <https://www.integratedreporting.org/>

ISSB (International Sustainability Standards Board)

The International Sustainability Standards Board (ISSB) was established in November 2021 by the International Financial Reporting Standards (IFRS*) Foundation trustees to work alongside the International Accounting Standards Board (IASB*) to develop the IFRS Sustainability Disclosure Standards. The intention is for the ISSB to deliver a comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants with information about companies' sustainability-related risks and opportunities to help them make informed decisions.

The ISSB* has published the Exposure Draft. IFRS S2 Climate-related Disclosures (Climate Exposure Draft) which builds upon the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD*) and incorporates industry-based disclosure requirements derived from SASB* Standards. ISSB will supersede SASB*.

Website: <https://www.ifrs.org/groups/international-sustainability-standards-board/>

PRI (Principles for Responsible Investment)

The Principles for Responsible Investment (PRI) is an international organisation that works to promote the incorporation of environmental, social, and corporate governance (ESG) factors into investment decision-making.

Website: <https://www.unpri.org/>

Ratings, Benchmarks, and Indices

There are a host of commercial and non-commercial ratings and indices provided by global index and financial research and analytics organisations for example:

- ***CDP Scores – (Formerly Carbon Disclosure Project)***

The CDP is a not for profit which created a global disclosure system for environmental information, providing detailed data to help guide decision-making. CDP employs questionnaires with a sector specific approach. The questionnaires are aligned with the Taskforce on Climate-related Financial Disclosures (TCFD*) recommendations. As of 2021, more than 14,000 entities use CDP to report their environmental impacts.

Website: <https://www.cdp.net/en>

- ***Commercial ratings services, including but not limited to***

- S&P CSA – (S&P Global Corporate Sustainability Assessment): <https://www.spglobal.com/esg/csa/>
- MSCI – (Morgan Stanley Capital International) <https://www.msci.com/>
- FTSE Russell ESG Ratings <https://www.ftserussell.com/data/sustainability-and-esg-data/esg-ratings>
- Sustainalytics ESG Risk Ratings <https://www.sustainalytics.com/esg-data>
- DJSI World - (Dow Jones Sustainability World Index) <https://www.spglobal.com/spdji/en/indices/esg/dow-jones-sustainability-world-index/>
- FTSE4Good Index Series <https://www.ftserussell.com/products/indices/ftse4good>
- GRESBE – (Global Real Estate Sustainability Benchmark) <https://www.gresb.com/nl-en/>
- ISS (Institutional Shareholder Services) ESG Ratings and Rankings <https://www.issgovernance.com/esg/ratings/>

RIAA (*Responsible Investment Association Australasia*)

The Responsible Investment Association Australasia (RIAA) champions responsible investing and a sustainable financial system in Australia and New Zealand. It has over 500 members who between them present US\$29 trillion in assets under management. It conducts research and publishes a report annually which examines responsible investing metrics and practices in Australia and New Zealand.

Website: <https://responsibleinvestment.org/>

SASB (*Sustainability Accounting Standards Board*)

The Sustainability Accounting Standards Board (SASB) came to be in 2011 to address the need for sustainability accounting standards. With investors showing increased consideration for how ESG issues impact corporate balance sheets, the requirement emerged for a standardised reporting methodology. Across the globe, companies use SASB in sustainability reports, financial disclosures, corporate websites, and annual reports. SASB standards have now been transitioned to ISSB* standards.

Website: <https://www.sasb.org/>

SBTI (*Science-based Targets Initiative*)

The Science-Based Targets initiative (SBTI) drives ambitious climate action in the private sector by enabling organizations to set science-based emissions reduction targets. Science-based targets show companies and financial institutions how much and how quickly they must decarbonize to prevent the worst impacts of climate change.

Website: <https://sciencebasedtargets.org/>

TCFD (Task Force on Climate-Related Financial Disclosures)

The Financial Stability Board (FSB*) established the Task Force on Climate-related Financial Disclosures (TCFD) in 2015 to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions.

Structured around four thematic areas (governance, strategy, risk management and metrics and targets) this framework has become the reporting standard along with SASB* to capture both the inward value creation as well as the outward organisational ESG impact.

However, the ISSB's* (a sub-body of the IFRS* Foundation) S2 Climate Related Disclosures (Climate Exposure Draft) sets out to build upon the TCFD disclosure requirements to provide a more consistent, complete, comparable, and verifiable framework including consistent metrics and standardised qualitative disclosure.

Website: <https://www.fsb-tcfid.org/>

TNFD (Taskforce on Nature-related Financial Disclosures)

The Taskforce on Nature-related Financial Disclosures (TNFD) was established in 2021 in response to the growing need to factor nature into financial and business decisions. The TNFD is a global, market-led initiative with the mission to develop and deliver a risk management and disclosure framework for organisations to report and act on evolving nature-related risks and opportunities, with the ultimate aim of supporting a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes. The TNFD's completed recommendations (v1.0) will be published in September 2023 for market adoption.

Website: <https://tnfd.global/>

UN Global Compact

The UN Global Compact is a voluntary initiative based upon CEO Commitments to implement universal sustainability principles and to take steps to support UN goals. One of the main outputs of the UN Global Compact is the 17 Sustainable Development Goals (refer separate definition of SDGs).

Website: <https://unglobalcompact.org/>

UN SDGs (*UN Sustainable Development Goals*)

The Sustainable Development Goals (SDGs) or Global Goals are a collection of 17 interlinked objectives designed to serve as a "shared blueprint for peace and prosperity for people and the planet now and into the future".

Website: <https://sdgs.un.org/goals>

VRF (*Value Reporting Foundation*)

The Value Reporting Foundation (VRF) is consolidated into the IFRS* Foundation following a commitment made at COP26 to consolidate staff and resources of leading global sustainability disclosure initiatives to support the ISSB* which is a sub-body of the IFRS* Foundation.

Website: <https://www.valuereportingfoundation.org/>

WEF (*World Economic Forum*)

The World Economic Forum (WEF) brings together decision-makers from across society to work on projects and initiatives that make a real difference. Through collaboration between stakeholders with varied perspectives, their projects deliver concrete and sustainable results and make a positive impact at all levels of society.

Website: <https://www.weforum.org/>

