AIRA ESG Series Webinar

The ESG Agenda: Navigating Changing Investor Expectation

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Speakers:

- **Pru Bennett** | Partner, Brunswick Group
- **Rory Macpherson** | Partner, Brunswick Group

Ian Matheson: Good afternoon. Everyone, my name's Ian Matheson. I'm the CEO of the Australasian Investor Relations Association. Welcome to the third in the AIRA ESG webinar series. Today's webinar is titled the ESG agenda, navigating changing investor expectations. Before I introduce the presenters for today's presentation, I'd like to acknowledge the traditional owners of the land we meet here in Sydney and indeed all other first nations people's wherever you might be resident or are in person today in Sydney here, that is the Gadigal people of the Euro nation. I acknowledge their traditional owners and past present and emerging. The format for today's presentation. Today's webinar indeed is that we'll have a presentation from two of the partners of Brunswick who are introduced in a minute, that presentation will incorporate some of the key findings of a recent survey that AIRA and Brunswick did of corporate members and asking them a range of questions in relation to ESG.

The, some of the key findings, as I say of that survey, which was conducted a few months ago, but 60 corporates participated in the survey will be of interest, I'm sure. To, you Couple of other housekeeping things. The, after the presentation we have approximately 30 minutes for Q and A, if you would like to ask a question as is customary with using zoom, if you'd like to ask a question, please either click on the hand at the bottom of your screen or type in the question in using the Q and A function at the bottom of the screen as well.

So, without any further ado or one final thing, the PDF of the presentation will be available through the chat box at the bottom of the screen shortly as well. So, thank you very much everyone. For joining us. We've got a group of people registered for today's event now, to introduce Pru Bennett who's partner of Brunswick Group and Rory McPherson, also a partner of Brunwick. Based in Sydney Pru probably needs, no explanation, no introduction. But for those of you who don't know Pru, who has a long history of advising companies, both at BlackRock before that, as a proxy advisor and indeed going way back in invest relations at as well. Rory has recently returned to Australia from Asia, having worked in Asia for the last 15 years, also at Brunswick.

Welcome Pru and Rory. Thank you very much for joining us and indeed, thank you, to Brunswick for punching the numbers. For the results of this survey, we look forward to hearing from you both as to the, on the results and other insights that you are going to share with us. Thank you very much again, to all participants.

I'll come back with to moderate the Q and A after the presentation I'd like to hand over to Rory. Thank you.

Rory Macpherson: Great. Thank you, Ian. Much appreciated. If we could just go to the next slide, please.

Great. So firstly. Just want to say, thank you. Thank you very much to Ian and to AIRA for collaborating with us on this research. We think it's a very important topic, which a lot of companies that we speak to are very interested in. So, we're really pleased to be able to share this research with you and thank you all for joining today.

Before we kick off, I just wanted to give you a brief overview of the scope of this research. This research we conducted with AIRA via online survey to better understand the trends and current landscape around ESG. And so, the research really explores the attitudes, perceptions and actions taken around ESG and sustainability issues in terms of strategy, priorities, oversight, reporting, and stakeholder engagement.

We surveyed 60 professionals from ASX 200 and NZX 50 companies who identified as holding IR and sustainability roles within their organizations. And we covered a wide range of different sectors. I think we've got a pretty good coverage there.

Pru Bennett: Thanks, Roy. I think there's no doubt that the case for strong ESG proposition is compelling. And if we can just move to the next slide what the survey did that there was 97% agreement that companies should address ESG issues, even if doing so reduces short term profitability and when you look at the investment based, particularly with the increase in passive investment, they are, to use the term patient capital and there for the long term, And if we go to the next slide I really like this piece of research and I think it should be updated this year, but it's about the value of intangible assets of being, having increased significantly over the last 45 years.

In 1975, 83% of the market cap of S and P 500 companies was represented by tangible assets. Buildings, machinery, etc, with 17% represented by intangible assets. And this research, which has been done by an organization called ocean Tomo has been replicated with the latest being released in 2020.

And now it's completely flipped around with 90% of that value being an in tangible assets and 10% being intangible. What's making up the 90% it's social capital, it's environmental capital. It's human capital and it's intellectual capital. And when companies ask the question, why are investors?

So why has the interest grown in ESG questions and in ESG particularly over the last 20 years or 25 years, it's because of the changing nature of the way that companies are valued and what creates, and also destroys value. Companies that manage social capital environmental capital world, human capital world, and also protect themselves from disruption through intellectual capital are in a better position to create long term value for their investors.

And I think this really underpins the big shift to the focus on ESG next slide, please. And I'll hand back to Rory.

Rory Macpherson: Great. Thank Pru so in addition to the email survey, we wanted to get an understanding of how much investor attitudes towards ESG had changed over the past five years.

And so, we, we analyzed the number of references to ESG topics on earnings calls of ASX 20 companies in the fourth quarter of 2017 and compared them to the number of references to ESG topics in the fourth quarter of 2021. And as you can see from this slide the findings reflect a significant increase in investor focus on ESG issues with references to ESG topics in the prepared remarks, roughly doubling from 96 to 202 mentions and mentions in the Q and A increasing almost 20 times from two to 37 times in Q4 2021.

And I think this is a really good reflection of the amount of investor time spent on analyzing and investigating ESG issue. With corporates. Next slide, please.

We also wanted to understand in the research how ESG issues are governed, and it is clear from the respondents to this survey that the vast majority of companies recognize that sustainability issues should be discussed in the boardroom. Our survey shows that nine in 10 companies have at least one type of border executive level oversight with 77% of respondents stating that they had an executive level sustainability committee.

63% had board level oversight of sustainability issues, and more than half 57% have an executive level chief sustainability officer, while we don't have comparative data on this from five years ago, we suspect that it would show a similar trend to the previous slide. Next slide please.

So companies are clearly taking ESG more seriously, but we also wanted to understand what specific areas that they're prioritizing. Next slide please. And one of the reasons or one of the drivers for this focus on ESG is the increase investor regulatory interests. As you can see from these headlines where there is a lot of focus on corporate disclosure around ESG risks and greenwashing.

Next slide please. So, our survey shows that half of the respondents believe that their ESG strategy surpasses their peers in all three areas of ESG. It also indicates on the flip side that many companies believe there are still opportunities to improve ESG strategy and differentiate from the crowd.

And this is a a recurring theme that we found throughout the research. Next slide please. So what specific topics are companies focused on in our survey respondents were allowed to state their ESG priorities for the next five years, which were then categorized into the following groups, under environment, social and governance.

And as you can see, reducing carbon emissions is clearly recognized as the most important priority of all ESG issues with 78% respondents siding this as one of their key priorities, managing human capital and social stakeholder engagement were also frequently cited as being particularly important for companies.

And we believe this is quite understandable given that we're just emerging from COVID, which put pressure on human capital for all businesses. And also given the state of diversity equity and inclusion crises, or issues that have come to light in both government and business over the past two years or so next slide.

So in order to develop and articulate your ESG strategy effectively, it is really critical to understand the expectations of your most important stakeholders. And so it was very positive to see that over 70% of respondents indicate that they are very or extremely familiar with the ESG policies and expectations of their top 10 shareholders.

However, we found that only 43% of respondents are very or extremely familiar with the expectations of bondholders, lenders, and banks. Again this response is. We believe that it does reflect also the people that we were surveying in this, as this survey was sent to IR professionals that typically focus on engaging equity invents investors, and some companies may not have bondholders.

It's not entirely surprising. However, we are continuing to see an increase in ESG linked criteria for bonds and debt issuance across many sectors. So, we expect that the importance of understanding the expectations of bond holders and lenders to really increase over time as has the potential to impact cost of capital.

While most companies believe they have a clear understanding of investor expectations, it was really interesting to find that 43%. Of respondents believe that investors only somewhat understand or do not understand the practical challenges companies face in the ESG space. Once again, we ask respondent to write freely and elaborate on what specific sustainability issues investors did not understand.

And key challenges that emerged include the specificity of sector and market issues and complexities of metrics and measurement and social issues. And this feedback really aligns with our engagement with companies over the past six to 12 months, where we have found many executives that are frustrated by investors who do not fully appreciate the sector and market specific challenges that companies face.

One of the reasons for this may be that over the past three to five years, more and more investor stewardship teams rather than portfolio managers are taking the lead on, on engaging companies on ESG issues. And many of these investor stewardship teams may not necessarily have the deep sectoral experience that some portfolio managers have.

And so what this does highlight is that there is really a strong need for greater investor education about the practical challenges that companies face and how they intend to mitigate relevant risk. So we then asked a series of questions that were more focused on the topic of climate change. In the survey, we showed respondents a list of challenges and asked them to choose which they believe are the top three challenges that their companies face. Unsurprisingly challenges to the core business were most frequently cited.

These include supply chain problems, industry competition, and evolving demand. These are the types of core business challenges that we would expect to be at the top of every executive's agenda. In any, almost in, in any situation though, the focus on supply chain problems again, probably reflects the issues arising out of COVID and broader supply chain issues globally.

However, among ESG challenges, it was quite clear that climate change, again, emerged as the top concern. We then asked to what degree climate policy was integrated into capital allocation decisions. And 84% of companies say that their climate policy is somewhat, or a great deal integrated into their capital allocation decisions.

We were actually surprised by this response as the integration of climate change considerations into capital allocation is really a key concern for the investors that are focused on climate change. And a key concern of groups such as climate action, 100 plus that are leading the engagement with many of the largest emitters and many investors and members of CA 100 plus that we engage with, believe that company disclosure around capital, allocation is inadequate. So there does appear to be somewhat of communication gap here and we regularly recommend the companies. If they do have a clear policy to integrating climate change into their capital allocation decisions, make sure that they articulate that methodology and give examples of it so that it's fully recognized and appreciated by investors.

So now shifting to the reporting and disclosure side of the equation.

On this slide you can see responses from companies about public commitments they've made to achieve net zero. And what our survey showed was that three in 10 while roughly 70% of companies have made a commitment, either by 2050, or in many cases earlier than even 2040, there are still three in 10 respondents or companies that have not made public commitments to achieve net zero.

And again, we think there, there is a big opportunity here. So while expectations differ by sector and there is very much a global focus on the largest emitters. Lacking a public commitment to achieve net zero by 2050 is really lagging the global expectations in this space. And in fact, the leading practice is for companies to set interim goals for carbon emissions reductions by 2025 or 2030 to demonstrate near term progress towards the long-term objective.

And we're also seeing growing demand from investors, for companies to disclose a credible roadmap, to get to their objectives by disclosing a climate transition action plan to a company that their targets. So in terms of reporting, we asked companies, what are the types of reporting frameworks that they're currently using to disclose their material ESG issues?

We found that the task force for climate related financial disclosures or TCFD framework was the most commonly used framework with 87% of respondents reporting in this way. And this I think reflects that the real investor focus on climate change is a critical and material issue for companies that we've seen earlier in the presentation, the next most popular one was GRI.

GRI was the next, most popular followed by SBY and integrated reporting and almost two thirds of companies told us that they currently adopt more than one reporting framework. And the most common combination was the TCFD and GRI frameworks.

We won't delve too much into this. This this topic right now is actually my colleague Pru Bennett will be joining a panel on the new frameworks proposed by the international sustainability standards board at the upcoming Australian IR forum on 24th November. But without going into too much detail we are seeing a trend towards more and more companies adopting SASB reporting of material ESG issues to get ahead of new global reporting frameworks and really to facilitate easier comparison between peers in the same sector.

In, addition to the frameworks that companies used, we also asked what ESG reports companies currently produce and sustainability reports and modern slavery reports were the most frequently cited. This is relatively unsurprising, particularly considering the regulatory requirement for companies of a certain scale to produce modern slavery reports.

But given that 87% of companies use the TCFD framework as we found earlier, we can assume that many companies are reporting TCFD aligned information in the climate change section of their sustainability reports, as opposed to producing a separate report. So, it was interesting to note that multiple reporting frameworks are being used within the one report.

In terms of the top priorities for investors, in terms of climate related disclosure, We found that 50% of respondents cited, short term and medium term emissions, reductions targets, and TCFD reporting as the most important climate related disclosure for investors. And this really aligns with the feedback that we get from investors in terms of their expectations of companies.

And actually, these are really becoming baseline expectations for listed companies, particularly for companies that are large emitters or those that are in hard to abate sectors and beyond those two baseline expectations disclosure of the financial risks related to climate change through some form of scenario analysis, disclosure of climate governance and the climate transition action plan, or CTAP were recognized as priority asks for investors.

And we're continuing to see a really rapid evolution of expectations in this space.

Before we move to the Q and A, there were just a few more slides that we wanted to share with you. So many of our clients and companies that we engage with ask us whether they should respond to request from the carbon disclosure project or CDP. And so we wanted to go out to companies and find out how many people are using this disclosure method as well.

And the research showed that three in five respondents acknowledged that they currently do report to the carbon disclosure project. In our view CDP has played a really important role in encouraging companies to provide better disclosure around the risks and opportunities associated with climate change.

However, we're now seeing a shift towards application of the TCFD framework in terms of climate change related disclosures. And as this framework already covers all of the material, climate change related disclosures, we don't really see a need to provide additional information through third party organizations.

Particularly when it results in a significant amount of resources from the company. In any case, this is a, this reporting space is continuing to evolve. The last issue that we wanted to touch on in the survey is the say on climate. And this has been a point of contention amongst investors and corporates in Australia and globally.

There are a number of companies. In Australia that have agreed to do a say on climate. Many of them had votes late last year, I think was the earliest earlier this year. There were a handful of companies that, that also agreed to a say on climate at their AGMs. And there were a few more upcoming later this year.

And the survey showed that 15% of respondents are considering a say on climate in the next 12 to 36 months, while 57% are unsure. And 28% had no plans at all to adopt a say on climate. This really aligns with our feedback that we have been receiving in that there does not really appear to be a clear consensus of the need for say on climate.

There are many investors and investor groups such as CA 100 plus, and AXI among others that are encouraging companies to adopt a say on climate. However, there are also large investors globally that we find that don't believe that it's necessary to to have a say on climate. In any case, the say on climate is primarily relevant for the largest emitters or companies in hard to abate sectors, as well as financial institutions.

There will be many companies that do not need to consider this question at this time. It is a complex issue and it's an issue that we're happy to discuss further in, in the Q and A. So those are the key findings, that is the end of the presentation.

And we wanted to leave you with a few key takeaways from the presentation and from the research that we've done. The first one is. Companies and investors clearly recognize the materiality of ESG issues. There is certainly no question around that. And we've seen that reflected in the research that we've done, where we saw a significant increase in the number of references to ESG issues in earnings calls of ASX 20 companies, as well as the focus that companies are placing on ESG issues through their governance with executive and board level oversight of ESG matters among ESG issues.

It was clear from the research that climate change in human capital are currently the highest priority topics for investors. And we just wanted to note that this may change over time. However, we do believe that. Climate change and human capital. There may be other ESG issues that come to the fore, but we believe that climate change and human capital are important topics and are going to continue to be important material issues for investors for the foreseeable future.

And the last point that we wanted to highlight is that through the research, we did find that there is still a large gap in investor, understanding of sector and company specific ESG issues. And this is a finding that we found, not just from this research, but also with engagement with companies and investors.

And what that means is that there is a big opportunity for investor relations professionals to make sure that they're really clearly articulating that firstly, in terms of disclosure, they're disclosing the material information, they're articulating their ESG strategy. And they're making sure that they're engaging investors and investment stewardship teams to make sure that they fully understand, not just the broader issues, but what the company specific ESG issues are and making sure that they have appreciation of that.

So, with that thank you again for joining the presentation. I think we're going to move into a Q and A session now. Thanks very much.

Ian Matheson: Great. Oh, thanks. Very much. Rory and Pru just to recap, the presentation that Rory has just gone through is available in the chat function. You'd like to download a, of the presentation in a PDF format.

Also, just to repeat, if you'd like to ask a question in the usual sort of zoom way please feel free to raise your hand and then turn on your microphone. If you'd like to ask a question that way, or if you'd like to type in a question in the Q and A tab, that's also an option as well. So please free hand and a question we've got say approximately 30 minutes.

If we'd like to, you'd like to use all that time otherwise we'll finish it earlier than that. Given that we've. Just finished, for the most part, at least the June year end companies have for the most part released, not just their financial results, but in most cases sustainability reports as well.

And it certainly seems to be the trend to release sustainability reports at the same time as the annual report. I wanted to ask everyone on the call if you're involved in that reporting process, whether there were any particular issues you'd like to call out in terms of learnings that you and your company have had in that reporting ESG reporting process.

That would be really interesting to, to share with the rest of the, those on the call as people start to rise to that challenge. I might flick the first question to, to Pru. Pru, would you like to talk to this issue around company specific metrics and any suggestions you've got for how companies and obviously as the survey results revealed, there are both are some company and sector specific reporting metrics that at least some major shareholders may not be across, but any suggestions that you have for how companies might go about improving that situation.

Pru Bennett: Yeah, sure. And just before I go onto that, I'd just like to comment on the timing of information, it is important that sustainability information comes out, either at the same time as the financial information or before the AGM, because increasingly investors are looking at progress around major exposure on issues and management of these issues in their decisions around election of directors.

And I see that as a key issue, around the timing look in terms of metrics, I think what the research showed is TCFD is the most popular reporting framework followed by GRI and SASB but with the way. That the ISSB is going with SASB data. it's I think it's worthwhile for firms to consider looking at that.

And from conversations that, that I've had with one of our clients, which is a large company, there wasn't actually that much difference between GRI and SASB so that the switch to go from GRI to, to SASB reporting, wasn't a major issue, the rationale for SASB and looking at SASB metrics, from an investor perspective. And that was an organization that was started by investors. And they've got some internal research that shows there's more consistency and comparability amongst groups of companies that adopt the SASB process because it's sector based. Whereas with GRI, there's a huge list of a very comprehensive list of metrics, but the ones that are actually selected by particular entities, that there may not be consistency between companies in the same sector.

When you are looking at metrics and metrics, targets, and metrics are the evidence to back up your ESG or your sustainability strategy, particularly around decarbonization. And so it is quite critical that there is a consistency around the data used. And I think a good example of that is around occupational health and safety, which has been a, one of these non-financial issues in inverted commas that has absolutely been entrenched in strategy for companies, such as mining companies and construction companies for many years.

And the, the data has been consistent, and investors have often used. And this is going back to when I was at Regnan back in that 2008, 2009 there was evidence that showed that those companies that had increasing or improvement over time of those statistics, outperformed others that didn't. And again, it's the, this data is often used by investors as a proxy for the quality of management.

Ian Matheson: The presentation is now posted in the chat function. Next question is from Libby Pru or Rory, which sectors are committing to say on climate resolution, say on climate resolution at the moment that you've seen.

Pru Bennett: Yeah. I can comment on that. It's mainly the large emitters and the banks.

We haven't seen any banks in Australia. Put forward a say on climate. I've heard a rumor that one of them will be doing it this year. I don't know. If I don't know who it is in the UK Barclays and put forward a say on climate, which about 20, over 20% against vote, which then triggers it's not quite like the two strikes, but if in the UK, if there's over 20% against, it does trigger a mechanism for the company to respond to investors.

And so, they're the only sectors of, I'm just trying to think. There might be another hard to debate Holcim I think might have, which is cement may have done that, and Unilever. I did have the list but it's predominantly oil and gas companies and then in the next sector would be in the finance area.

Ian Matheson: Great. Thanks very much Pru. If I could ask invite anyone who has been in specifically involved in ESG or sustainability reporting over the last few months, if you'd like to share any particular learning or concern or question you that is arisen as a result of that process that you'd like to ask a view of from the panel or indeed bounce the ball. That would be really interesting, to get people involved in the, in this conversation over the next 15 minutes or so. Next question Pru comes back to the CDP participation rate. I think there was the survey showed three out of five respondents said they did participate in CDP.

Question is what, why should companies still consider participating in CDP?

Pru Bennett: I don't think they should. CDP was one of the organizations that was involved in the development of the TCFD framework. And technically now that there is a framework for publicly disclosed information the need for CDP has fallen away.

My concern with CDP is that they request non-public information, which is then sold. I have a fundamental issue with that. We had a client who asked about whether they should participate in CDP. So, we surveyed a group of 10 asset managers and asset owners and out of Australian based and out of that group only one thought that companies should continue. One was very strongly opposed that if they are disclosing that information to CDP, that's not part of their TCFD or other reporting, they should also make it public.

Rory Macpherson: I just add to that. I think that one of the issues that arises for a lot of companies in this when they're looking at addressing ESG expectations or responding to ESG concerns is the amount of resources that goes into finding the information and providing consistent information.

And there are many organizations that will request companies to fill out surveys or lists of questions that are then put into a database whether it's ratings agencies or organizations like CDP. And if companies were really to respond to each of these different requests, you'd almost need somebody full-time working on that because there is so much information that's required and so much disclosure.

We think it's much more preferable for public companies to have aligned frameworks, to publicly disclose all of the material information and make that accessible to everybody at the same time, rather than responding to individual surveys.

Ian Matheson: Thanks very much. Our next question comes from Jane.

Question is social impact reporting seems to be gaining momentum. The reports being produced independently within company suites suits. Curious on your thoughts on this.

Pru Bennett: Yeah, that's a very good question. And there's debate about social impact, the role of the company, the purpose of a company and, a company's relationship with its with, with its local community and society can be key to its social license to operate.

I question whether it should be prepared independently because it should absolutely be linked strategy and overall strategy whether it's to do with that that, that relationship, that to, to do it independently. I just question that and question the board's view on why that should be independent as opposed to be within the normal sustainability reporting, because that's part of value creation for the company, how those relationships are maintained.

Rory, do you want to comment on that?

Rory Macpherson: Yeah, I think it's, it's, it is an interesting question. And one that we're actually considering with a client at the moment and there, there are a lot of questions which are related to it, such as are you measuring the impact of the company or are you measuring the impact of a foundation associated with the company?

What type of operation should the company be involved in? I would say that there is a growing trend towards of investors looking to try and evaluate the more holistic impact of the company on society and its environment than was previously the case. There was previously, there's a focus on how much financial, what financial performance is now with TCFD reporting. You're looking at the interaction of companies and the climate and the risks and opportunities associated with that. There's also a movement towards with the task force for nature based financial disclosures, TNFD is an emerging topic.

And they're likely to be, there's likely to be a focus on that at cop 27. And following that, I expect that investors will have expectations of companies that they disclose more around their impact on their natural environment. There are many different ways that this question is being considered.

And it's I don't think there is a consensus on, on. Exactly how a company should report its impact. It's still emerging.

Pru Bennett: Yeah. And we're, we are currently working with a large Australian company that wants to set up a foundation. So we're doing all the research and work behind that because they want to leave a legacy of what they do.

And it's quite interesting because the money going into that entity will be, shareholders' funds is that the right way to spend shareholders' funds. And then how is it measured and evaluated going forward. And again, the types of activities that are undertaken by the foundation, should they be within the company or what makes that those certain functions be peculiar or particular to the, to the foundation?

So, the whole issue of social impact is very complicated.

Ian Matheson: Thanks for that. Next question is from Rosalie. If a company produces an integrated report, do you think a sustainability report is still required?

Pru Bennett: I think if it's a very good integrated report it really does provide the links between the six capitals. I don't believe in additional report sustainability report is required.

Ian Matheson: Thanks, Pru. Next question from Phillipa currently ESG reporting seems to be in silos, reporting topic by topic such as water and biodiversity. Do you think we'll see a move towards more holistic reporting, for example, climate impacting water security and flow on impacts to communities.

Pru Bennett: Look I think we are seeing exactly that in terms of climate.

And because it's so related to things like water, plastics and other issues. What we're going to see I think is with the ISS B is the reporting, according to the, the different the sorry, the material issues are using the SASB materiality mapping, but what integrated reporting then does is to link everything up.

And I think that's because you've got your inputs and your processes and the outputs, when you look at the integrated reporting model and that, and then that also brings it back to strategy as opposed to having different little headings about what these items are. Because if there's an exposure that needs to be managed in terms of risk that should be all part of strategy and how the company operates.

So that's one of the advantages of integrated reporting that it does bring those issues together. But I agree that a lot of reporting at the moment is done in silos.

Rory Macpherson: I would just add a little bit to that. I think so I think the other aspect around this, in terms of the reporting as Pru was talking about earlier with the SASB the standardization of metrics, material metrics that are disclosed by company and sorry by sector and the standardization of those metrics that is solving a very important need in the ESG space, because previously with GRI metrics that are defined almost by company and many different metrics disclosed by different companies, it was very difficult for investors to compare between different companies. So, with that standardization of metrics with SASB metrics there, is that comparability.

But beyond those metrics, there's still the ability to talk within the sustainability report about some of those flow on impacts to communities and other broader issues that the question relates to.

Ian Matheson: Thanks, Rory. Next question is from Yolanta following up on Rory's suggestion of making a framework available to everyone rather than participating in individual surveys. Does that practically work in that individual surveys actually take the time to access those frameworks?

Pru Bennett: I think the point of making it available is that at the moment your companies that participate in something like CDP or DJSI are providing a lot of non-public and in the case of CDP forward looking information.

And so the point is to make it public the whole lot public rather than selective disclosure. Does it cut down the amount of time? Probably not, but I think the point is that it is avoiding this issue of selective disclosure.

Ian Matheson: Good point. Folks where the questions that have come through online, if you'd still ask one, please feel so. I'm aware that as we not that far away from AGM season, that a lot of ESG slash governance road shows are happening or about to happen. And indeed, I know Vanguard is doing road shows or meetings with their investee companies this week in Sydney and Melbourne this week and last week.

Any particular tips Pru or Rory as companies are now embarking on the, on these ESG road shows as to when meeting with stewardship teams with, for amongst their major shareholders what they should key messages, they should really be pressing home this year.

Pru Bennett: Look, I think in terms of, if it's a general stewardship team, as opposed to a sector based team and your particular company, has some really technical nuances.

It, does become an educational process to really understand the business and the strategy and what influences or impacts on key ESG issues. Particularly in hard to abate sectors, oil and gas Also to, and be very aware when dealing with stewardship teams about what publications are out there, there's a climate action 100 plus released a document in March, 2022. So a few months ago regarding the impact of climate change on financial statements. So, if I were meeting a big stewardship team, I'd be very across that, that, that document particularly if your company has produced a TCFD report because there will be increasing questions about how climate change has been taken into account particularly around asset impairment.

And they're wanting further disclosure on that issue.

Ian Matheson: Thanks very much. Any tips from you, Rory?

Rory Macpherson: I would just say that. When you are engaging with investments, stewardship teams, it's really important to get a really clear understanding of what their expectations are and where your disclosures differ from their expectations. And so that's one piece, normally they will, they'll obviously tell you if they have specific expectations, but I think in some cases there's an opportunity for companies to get more clarity about what steps they can actually take in order to meet those expectations.

And I think there's also an opportunity to have a discussion with those stewardship teams. If a company cannot take those actions in order to meet their expectations, then they should be looking to present a very clear rationale for why it's not appropriate for the company to make those take those actions at this time.

But then explain the other actions that they are taking, which will enable them to meet those expectations in the future. So it's not necessarily a black and white issue. As Pru said, there is a lot of education that's required in this space, both on the part of companies and investors.

The expectation on companies is increasing, particularly in terms of climate change. Disclosure is increasing almost on, on a monthly basis at this point. And so, it just recommend that companies really focused on, clarifying what those expectations are and helping investors understand how they can address those gaps.

Ian Matheson: Great. Thanks very much. Interestingly from my observations, at least during the August reporting season, almost every company results presentation webcast that I listened or watched. Or read had, at least one slide in the, fairly early on in the deck addressing the sort of key ESG issues, which that's a marked improvement on what it used to be, where ESG issues for the most part wasn’t addressed in results presentations at all.

So that's a good sign. I think that, and I certainly encourage companies to, to incorporate into, to any strategy or results deck to have an ESG sort of update slide. If you like in interestingly also today, BlueScope are having an ESG site tour and briefing as well.

And. ESG briefings seem to, to increase by in number as well. Again, if you haven't thought about having something like that, an ESG briefing or similar if appropriate, it's another good part. Good thing to do to use those events as part of this education effort, which seems to be clearly from the survey something that for some companies in some sectors in need of, so that brings to a close their questions to any Pru or Rory, any final comments you'd like to make before we close Rory you go first.

Rory Macpherson: Yes, just really emphasizing that last point I made, which is that the expectations in this space from investors are evolving very rapidly.

The reporting expectations and the reporting frameworks that investors are expecting are also evolving rapidly. So, it's certainly not the case that if a company is recognized for strong ESG disclosure currently that they will be in six months or 12 months’ time. And it's really important to make sure that you are on top of these developments.

And we're expecting to see a lot of changes over the next 12, 24 months also as the international sustainability standards board comes out with their approved standards. So, I would just say it's a very important space, more and more attention on it. And and make sure you're on top of it.

Pru Bennett: Yeah. And I think these are some of these are very complicated issues. If you take climate change, and the transition that's involved we've worked with some clients on their climate transition action plans, scenario analysis. They're very complicated issues. And most readers of TCFD reports really wouldn't understand or don't read the bit of that scenario analysis.

So, getting the narrative right is really key. And being able to explain these very complex issues in a manner that, most people can read. You're not going to get it to the stage where everyone will understand. But getting that narrative right, having control of the narrative is very important that the narrative does link to your strategy, that the data and targets there to back it up because the increased focus on green washing is not going away.

We've already seen asset managers being targeted in the us and Europe calling their funds ESG funds climate action 100 plus has done some work around companies that have got net zero 2050 ambitions that don't have that roadmap. So really clearly articulating that roadmap to decarbonization whether it's just, and not in 10 pages of narrative, it's got to be done graphically.

There have got to be all sorts of mechanisms to be able to communicate these very complex issues, in a, I don't want to say plain way, but in a manner that most people can understand.

Rory Macpherson: And one other point that I'd just like to add onto that is that there is the communication to investors and that's absolutely critical.

And it's primarily what we're focused on here today. But it's also really important to consider the other stakeholders such as your employees. Also, the operations team there is a big push to make sure that ESG strategy is fully integrated into business strategy. And we see that sometimes we see companies that are very good at explaining their ESG strategy to investors, but nobody within the company understands the ESG strategy.

And that sometimes leads to difficulty in collecting data or operationalizing those ESG targets and making sure that you are your tracking the right data and have the right people responsible for them. I think it's really important to consider more than just the investors.

Ian Matheson: Totally. Great. Thanks very much Pru and Rory and behalf of, and all people on the call today. Thank you very much for your presentation and your remarks and insights at the over the last half an hour or so folks that brings to and end this. AIRA ESG webinar as I think Rory mentioned at the AIRA Australasian IR Half Day Forum on the 24th of November, we will be having another, having an ESG session, which Pru will be participating in, which will look specifically at an update on sustainability reporting standards coming down the path and is what the very latest is in all those.

So, thank you very much for your attendance today and for those, for your questions and comments most appreciated and as always, a copy of today's webinar, a transcript, and an audio recording will be made available over the next few days. Thanks much for your participation.

Rory Macpherson: Thanks. Ian, thanks everyone.

Pru Bennett: Thanks Ian. Thanks everyone.