ENGAGEMENT REPORT

2022 HALF-YEAR SUMMARY

BUILDING MOMENTUM

ACSI's engagement team worked through a charged political period to continue delivering real change in the first half of 2022. A dramatic shift in climate politics has spurred corporate Australia to accelerate development of pathways to net zero, with leading companies adopting the 'say on climate' advisory vote to test investor acceptance of their plans.

THE HALF IN NUMBERS

44%	80 OF OUR 182 TARGETS HAVE ALREADY MADE IMPROVEMENTS
102	FORMAL ENGAGEMENTS (incl. NGO meetings)
83	ASX300 COMPANIES MET
7	NGO BRIEFINGS HELD

Highlights:

- **Say on climate –** ACSI's in-house framework was applied to key votes at Rio Tinto, Santos and Woodside and was instrumental in deciding whether to recommend members support the votes. plans. **Engagement with each of these companies led to significant improvement in climate practices.**
- **Harassment, bullying and racism:** Rio Tinto rocked the business world by publicly releasing a damning independent analysis of its workplace culture that has set a benchmark for cultural evolution.

KEY OUTCOMES & THEMES

MEETING THE CLIMATE CHALLENGE

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

Major banks and finance sector respond to engagement on climate challenge.

ACSI steps up its circular economy work.

Read more

BOARDS, REMUNERATION AND ACCOUNTABILITY

Corporate culture back in the spotlight following sexual misconduct in the mining industry.

12 companies make changes to remuneration plans after ACSI engagement.

10 gender diversity targets improve, along with board independence.

Read more

CULTURAL HERITAGE FRAMEWORKS

ACSI lays down the challenge to 11 mining and energy companies on their First Nations agreements and relations.

Four companies are making progress – although Fortescue Metals is tangled in compensation claim.

Read more

WORKFORCE: MODERN SLAVERY, SAFETY

ACSI commissions research on third round of Modern Slavery reporting as Act enters review phase under new government.

ACSI engagement sees **14 companies improve safety reporting including fatality and consequence disclosures.**

Read more

CLIMATE CHANGE

Climate change updates

In 2022 ACSI has raised the bar further, encouraging companies to ratchet ambitions to hold warming to 1.5° Celsius and demonstrate the alignment between company strategy and a net zero world.

In recent months, our focus expanded to 31 companies, including setting new targets for long-term priorities such as Rio Tinto, BHP and AGL. Of those 31 companies, eight have already made significant improvements, and a further 12 some partial improvements, since the beginning of the year.

ACSI believes investor engagement has contributed to the clear increase in climate ambition and the disclosure of comprehensive transition plans, assisted in many cases by the adoption of climate advisory votes.

Beyond a simple voting process, companies which have committed to these resolutions have produced higher quality and more detailed transition plans for their business, and significantly lifted engagement with shareholders on decarbonisation targets and overall low-carbon strategies.

Integration in remuneration and capex

While still at low levels across the ASX200, ACSI has seen a marked increase in companies integrating climate change into their strategy and then incentivising management to pursue it by setting short and long-term incentive hurdles).

Over the course of 2021/2022, 16 companies integrated climate change into executive remuneration and 17 embedded a shadow carbon price in decision-making to ensure efficient capital deployment and to support abatement projects.

'Say on Climate' gains momentum

The past year saw the 'Say on Climate' initiative gather significant support across the globe. The concept sits well with ACSI's own climate-change policy, and we believe it can help add significant depth to climate-related engagement if appropriately applied.

CASE STUDY

SANTOS DRILLS INTO ITS FUTURE

A clearly positive outcome of companies adopting a climate advisory vote is the significant increase in disclosure and adoption of long-term climate plans.

Spanning multi-decade strategies, these plans are being provided to investors to deepen understanding of how the company in which they have invested expects to evolve over the longer term.

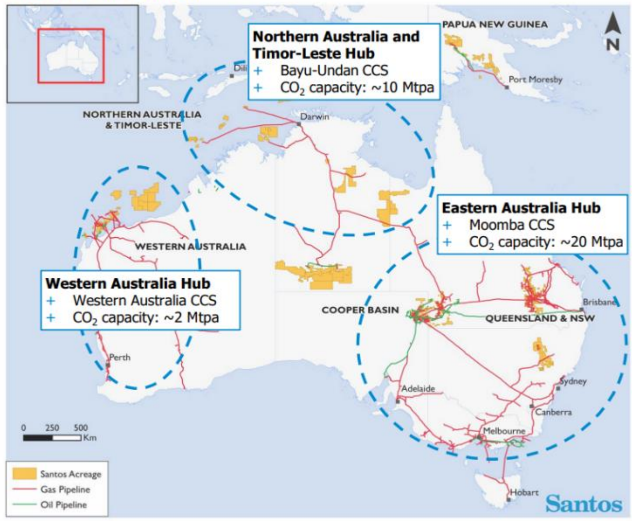
This represents a significant shift in the normally short and medium-term planning articulated by many companies.

While the investment thesis for Santos will differ for each investor, the transition strategy provided gives investors line of sight into the projects and time horizons over which the transition needs to be achieved and the initial allocated investment to progress the projects.

At the moment, Santos sees its future in using depleted reservoirs for carbon capture, and transitioning to the production of 'future fuels' such as hydrogen.

All, or none, of those ambitions may come to fruition, but because Santos has declared a strategy and will report against it, investors can observe and make decisions on its execution.

Santos Three-Hub Strategy



ACSI has taken a leading role by coordinating engagement with climate priority companies to encourage adoption of an investor vote. Ten companies have already committed to a 'Say on Climate' vote, with more expected to offer investors a vote in future shareholder meetings.

Westpac is expected to be the first major bank in Australia to offer shareholders a 'say on climate' resolution at its annual general meeting in December 2022. During engagement this year, a Westpac board representative gave a commitment that the bank would seek shareholder support for its forthcoming Climate Action Plan, expected later this year.

Like **National Australia Bank**, Westpac stated that its next climate action plan will initially feature emissions targets for the most intensive sectors in its loan book and will extend to its entire portfolio over time.

After years of scrutiny, many prominent banking and insurance companies have increased transparency on how they will adapt their business to a net zero world.

QBE Insurance joined the UN-convened Net-Zero Insurance Alliance (NZIA) in January 2022. The NZIA seeks insurance, re-insurance and underwriting activities to be consistent with 1.5°C warming through the establishment of intermediate science-based targets every five years. QBE's first set of intermediate targets are expected to be released in 2023, occurring within six months of the publication of the NZIA target-setting protocol.

ACSI engaged with QBE earlier this year and obtained a commitment to publish disclosures on its insured emissions in step with the NZIA protocol. QBE itself continues to engage with its energy supply customers on the energy transition ahead of 2030, where it will cease direct insurance services for thermal coal companies as well as oil and gas companies that are not on a pathway that is consistent with the Paris Agreement.

National Australia Bank announced last year that it had made significant progress on establishing a baseline for financed emissions across eight key sectors represented in its Australian loan book.

CASE STUDY

WOODSIDE IMPROVES BUT FAILS TO WIN SUPPORT

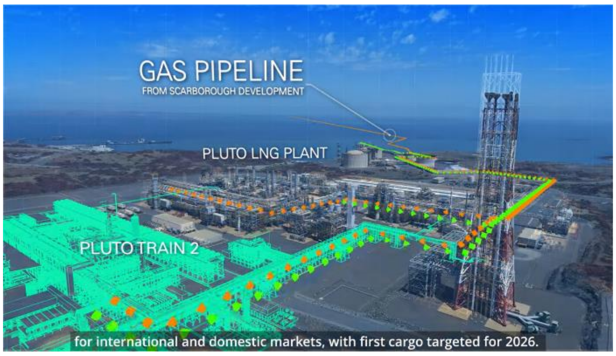
Like Santos, Woodside Energy offered a climate advisory vote which drove a material uplift in its disclosures as it absorbed **BHP Group**'s former petroleum business.

Woodside's work included scoping a possible decarbonisation pathway and undertaking significant engagement with investors ahead of publishing its climate change report. Ultimately, many investors were dissatisfied with what Woodside had put before shareholders.

Key concerns included the significant reliance on offsets to achieve its 2030 target, silence on Scope 3 emissions targets and management of market risk, and the lack of a post-2030 decarbonisation and transformation plan to achieve its ambition of net zero by 2050.

While the overall plan did not meet investor expectations, the climate advisory vote contributed to a number of improvements in company practice.

Woodside's newly-disclosed capital allocation framework (CAF) underpinning its strategy, including the $5bn earmarked for future investments in low-carbon and new energy opportunities, was a significant uplift and is possibly one of the most detailed in the market. The CAF gives good insight into how WPL will discipline spending during the transition, with higher returns and swifter paybacks required for hydrocarbon projects relative to 'new energy' investments.



Consistent with its decision to join the Net Zero Banking Alliance (NZBA) in late 2021, NAB expected at the time to set interim sector-specific decarbonisation targets for eight sectors, aligned to the IEA's NZE scenario, by the end of 2022.

Following engagement with the company, ACSI understands that sector-specific targets will be announced for power generation, heavy manufacturing, resources and transport later this year. Targets for residential mortgages, commercial real estate, agriculture, and small medium enterprises will be announced later.

In addition, ACSI notes that **ANZ, Commonwealth Bank**, and **Macquarie Group** are recent signatories to the NZBA. 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.

CASE STUDY

LOWERING CARBON AT ADBRI

In a positive step, cement and lime producer **ADBRI** delivered on its commitment to set out a decarbonisation pathway.

ACSI has had considerable engagement with ADBRI's renewed board on developing targets for cement, lime and electricity for FY30, in addition to the net zero Scope 1, 2 and 3 ambition announced late last year.

ADBRI's Hy-Tec provides low-carbon concrete which uses slag and fly ash in its production. (Source: ADBRI)

ADBRI's business is particularly carbon-intensive, more so than peer **Boral** due to its lime production facilities which have struggled to move away from coal at its Cockburn Cement business at Munster in Western Australia.

It now anticipates that, as part of its actions to reduce emissions from lime production, it will stop using coal by the end of 2024. ACSI views this decision positively, noting that simply stopping lime production and instead importing to meet customer demands might be easier, but, in a global context, would be less ambitious because it would effectively create carbon leakage across borders. (Both companies are also priorities under ACSI's circular economy program – see following section for detail).

CIRCULAR ECONOMY

Building on ACSI's research on the circular economy, ACSI reset its priorities for 2022 and identified a range of new companies to encompass a broader cross-sectoral approach across what we see as key areas – plastics, food, steel, aluminium, cement and steel.

ACSI's engagement program on the circular economy prior to 2022 focused on companies involved with upstream and downstream plastics and packaging. However, as discussed in our research paper published exclusively for Members in February, there is opportunity to bolster company climate change strategies and decarbonisation pathways across a range of sectors that can adopt circular principles.

Adopting circular practices in these five sectors has the greatest influence on interconnected climate targets through the circular initiatives' potential to materially reduce emissions.

As net zero commitments increase across the ASX200 and companies continue to develop their decarbonisation pathways, the demand for circular economy principles to assist companies reaching their emission reduction targets will only increase.

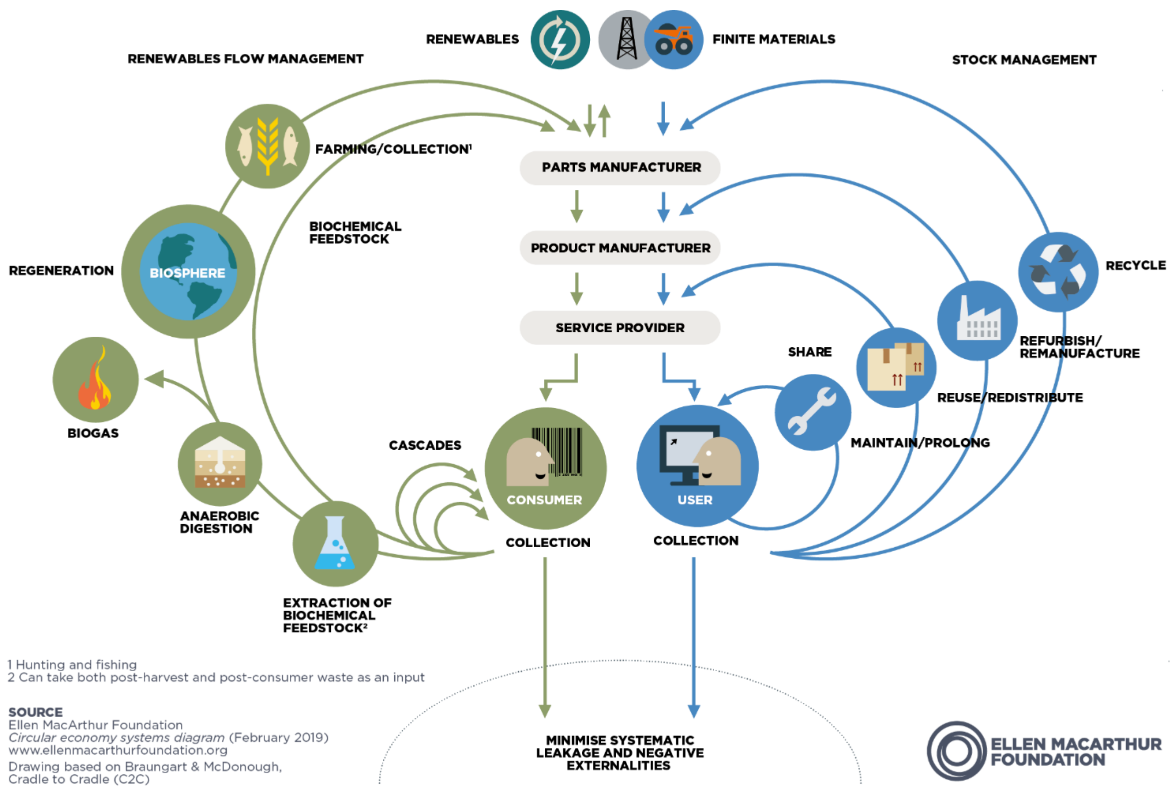
ACSI will continue to explore research opportunities and policy initiatives in the circular economy.

ACSI continues to engage with **BlueScope Steel** on the opportunities for its sector, particularly the challenges faced in sourcing scrap as substitute for virgin raw materials. BlueScope has integrated circular economy principles into its core climate change response and decarbonisation pathway, recognising that recycled steel is a key response under all low-carbon scenarios given its lower embodied emissions.

ACSI will continue to engage with BlueScope on the opportunities for the sector, and how circular principles are integrated into its broader business strategy.

Following sustained engagement on these issues, **Boral** has highlighted circular economy as a key opportunity to provide competitive low-carbon product offerings and central to its long-term business and decarbonisation strategy. Boral has outlined product development including incorporating more recycled materials into asphalt and increasing use of SCM (supplementary cementitious materials).

To accelerate the switch and opportunity for sustainable products, Boral has developed a 'Product Stewardship Framework'. ACSI will continue to engage with Boral on progressing product innovation, scale and setting targets.



CASE STUDY

AMCOR FLEXES FOR FUTURE

Amcor confirmed to ACSI in engagement that it has now met all its short term (2025) targets for waste reduction, as well as improving across its recycling targets with 100% of its rigid plastic products now recyclable.

The global packaging group is also progressing well on its flexible plastic products but noted that these remain a key challenge to solve, due to technical reasons and the lack of large-scale recycling solutions.

Overall, Amcor noted that 70% of its total product range is now recyclable. Through engagement with ACSI, Amcor outlined how its circular product innovation is integrated within its broader business strategy and remains a core focus despite external pressures on the business from inflation, supply chain disruptions and the war in Russia.

Amcor recently announced a partnership with the Minderoo Foundation – 'Sea the Future' – which will see Minderoo (along with other partners) develop a global network of plastic recycling plants. The initial three hubs will be in Indonesia, the Netherlands and Brazil.

Amcor is not helping finance the hubs but has agreed to sign offtake agreements to purchase the recycled plastic produced from the recycling plants to use as feedstock in its packaging.

Amcor has told ACSI that it is responding to changing consumer demands and regulatory shifts, as the EU Taxonomy changes are rolled out and customers increasingly demand greener products that generate less waste, with product innovation.

Flexible packaging, for example, is usually multi-layered to preserve food content but the layering creates significant hurdles to recyclability.

Amcor is a signatory to, and reports against, the Ellen MacArthur Foundation's New Plastics Economy Global Commitment but struggles to meet the definition of recyclability for its flexibles because "the packaging format must have achieved a 30% postconsumer recycling rate in multiple regions collectively representing at least 400 million inhabitants".

So, while Amcor says that its products are technically recyclable "we must also be able to demonstrate that similar packages are currently being collected, sorted, and recycled in practice and at scale within existing infrastructure", which is not yet the case.

ACSI will continue to engage with Amcor on how it continues to scale circular initiatives across its business.

Packaging design that considers the full product lifecycle

Substrate choice and product design greatly affect environmental impact

	Greenhouse gas emissions ($Kg\text{-}CO_2$ equivalent) '000	Current recycling rate	Ability to use recycled content in packaging	Packaging made with 100% recycled content today
Flexible packaging	5	0-35%	Yes	No
PET bottle	7	0-98%	Yes	Yes
Composite carton	6	0-70%	Yes	No
Aluminium can	27	0-97%	Yes	No
Glass bottle	26	0-98%	Yes	No

CORPORATE GOVERNANCE

Accountability, Remuneration, Board Composition and Culture

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.

The issue was highlighted in Rio Tinto's ground-breaking *Everyday Respect Report*, produced by former discrimination commissioner Elizabeth Broderick, which found evidence of systemic harassment, bullying and racism across the organisation – not just in its remote Pilbara mining operations.

In June, the delayed final report and recommendations on the WA Parliament's FIFO inquiry, *Enough is enough* was tabled. While containing some disturbing anecdotal evidence of behaviours and practices, the report offered a promising pathway for ensuring workers safety in these areas.

ACSI has continued to discuss all the issues raised by both reports in almost every 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. Rio Tinto has foreshadowed a report back on the first year of implementing the Broderick review, most likely in early 2023.

Remuneration

Shareholder support for remuneration outcomes at **Scentre Group** recovered from last year's outright defeat of the remuneration report where 51 per cent of shareholders voted 'against'. Following extensive engagement with the company, ACSI was pleased to see the board made several changes to the structure of its LTI plan with the most meaningful change being that the tranche which is tested against relative TSR hurdles no longer permits vesting to occur for performance which is below the peer index.

Performance testing will become more long term, with assessment made over three years in line with the expectations of investors and ACSI's Governance Guidelines.

At toll-road operator **Atlas Arteria,** a new "strategic metrics" measure was introduced for 2022, forming half of the LTI opportunity. Atlas's original proposition in engagement with ACSI was that the board would have discretion to allow some, or all, of the performance rights to vest earlier than the three-year performance period, which it felt would drive executives to secure those strategic achievements earlier.

ACSI queried the company on the appropriateness of the provision, in the context of what was supposed to be a long-term incentive, not a medium term one, as well as how achievement of strategic metrics would be assessed. ACSI was also concerned that if early vesting was possible, and even probable, whether the selected strategic metrics were sufficiently stretching.

Atlas Arteria responded to the feedback, and made changes to the final measure which were supportable at its AGM, including removing the opportunity for early vesting and the inclusion of a positive absolute-TSR gateway.

Board composition

Automotive parts group **Bapcor** has not only improved its remuneration structure – it has also added some relevant industry expertise to its board with the appointment of Mark Bernhard, a former CEO of General Motors-Holden. Bernhard offers deep industry knowledge to the company, and is a handy potential alternative CEO in a group that has suffered executive disruption since announcing that long-serving CEO Darryl Abotomey was moving on.

As noted below under diversity, **ARB Corporation** has also shifted the balance of its board to majority independent with the appointment of a new director, resolving an issue on which ACSI has been engaging for several years.

Diversity

ACSI had seven zero-women board priorities going into 2022. Four of those, **Centuria Office**, **Dubber Corporation**, **Hansen Technologies** and **PPK Group**, have since appointed women directors. Centuria had previously appointed a woman in July 2021, but that director resigned in January 2022.

Two other priorities, **Emeco** and **Mt Gibson**, were removed from the ASX300 in the March rebalance.

Unfortunately, that rebalance also introduced seven zero-women companies to the ASX300, including **AVZ Minerals to the ASX200. Core Lithium**, another zero-women board, has also been promoted to the ASX200 in the June 2022 rebalance.

The year also began with 19 companies in the ASX200 as priorities for having only one woman director. Six of those companies have added women directors, most notably ARB Corporation which committed to appointing a woman director prior to the FY21 AGM, allowing ACSI to reverse its negative voting recommendation on the Chair Roger Brown. ARB has now appointed accomplished executive Shona Fitzgerald.

ACSI's persistent engagement with **Waypoint REIT** on diversity has also seen improved board composition. Ahead of its 2022 AGM, Waypoint appointed two additional directors, one of which is an independent woman director – addressing both gender diversity and sufficient board size concerns.

Other companies to appoint additional women were **Goodman Group** (two women), **Novonix**, **National Storage REIT** and **Telix Pharmaceuticals**. Two others, **CIMIC** and **Mesoblast**, have left the index.

In calendar 2022, the appointment rate of women to ASX300 boards is running at 46.7 per cent, compared with 43 per cent for all of 2021 and 41.6 per cent in 2020. Pleasingly, the appointment rate in the ASX100 is running at 48.5 per cent (16 of 33), and 58 per cent in the ASX50 (11 of 19 appointments). In the ASX20, it is 50 per cent (4 of 8).

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)
6 One-woman board appointments	**ARB Corporation** (Shona Fitzgerald) **Goodman Group** (Hilary Spann & Vanessa Liu) **National Storage REIT** (Inmaculada Beaumont) **Novonix Limited** (Zhanna Golodryga) **Telix Pharmaceuticals Ltd** (Tiffany Olson) **Waypoint REIT** (Susan MacDonald)

CASE STUDY

LAST ON, FIRST OFF BOARD

Firefinch Limited, only included in the ASX300 in March and therefore not an ACSI priority for 2022, still provided one of the more intriguing exercises in board diversity for the half year.

The zero-women gold and lithium company's then chair, Alistair Cowden, met with ACSI in early May to discuss ESG issues and the demerger of its lithium assets. Cowden declared his desire for heavily invested, rather than "independent", directors (ACSI explained that investors, too, want directors invested but independent of thought) and said that two women directors would join shortly.

At the end of May, Naomi Scott and Liz Wall were appointed, starting on June 5. On June 28, Firefinch called a trading halt and both women resigned, with no explanation – their time on the board just 21 days.

Firefinch shares are still suspended and Cowden, who became executive chair after removing the managing director, also quit with no explanation on July 10.

CASE STUDY

STAR'S GOVERNANCE QUERIED

Star Entertainment Group has been on ACSI's governance radar for many years. Since 2018, ACSI has flagged board risk as a key governance concern at Star, given that the board is required to manage a complex set of regulatory risks across its various assets as well as relationships with strategic alliance partners.

Following three separate inquiries into rival **Crown Resorts** in NSW, Victoria and WA, a clear body of evidence suggested a lack of independent oversight in the boardroom at Crown. This was likely an influential factor contributing towards a culture of misconduct at Crown which promoted defiance of regulations. Ultimately, cultural and governance failings jeopardised the company's legal and social licences to operate casinos.

Late last year, the lead senior counsel assisting the NSW Inquiry into Crown's Sydney casino, Adam Bell SC, was tasked by the NSW Independent Liquor & Gaming Authority (ILGA) to put Star Entertainment under the microscope and assess the effectiveness of its compliance with statutory obligations and, crucially, determining whether Star remained suitable to hold a casino licence in NSW.

The public inquiry heard evidence that Star allegedly breached both gambling and criminal laws in NSW, as well as potentially misleading the market in breach of the Corporations Act. The most serious allegations suggested that Star facilitated approximately $900 million of illicit gambling transactions and concealed a junket operator's illegal private gaming room and a secret cash cage on Star premises in breach of casino and anti-money laundering regulations.
Naomi Sharp, SC, the Counsel assisting the review, submitted that Star was unsuitable to hold its NSW casino licence, although Bell's final determination is expected in August. In the meantime, Queensland has begun its own review of Star's operations in that state.

Star Entertainment allegedly breached a range of gaming regulations in its casino business.

The revelations in the Bell Inquiry prompted a flurry of management resignations including those of CEO Matt Bekier and CFO Harry Theodore. Crucially, the evidence also highlighted governance failures on the part of the Board and its Audit and Risk committees, with Sharp accusing directors of employing a passive level of oversight. Chair John O'Neill was named Executive Chairman following Bekier's resignation, but ultimately resigned his position shortly thereafter. Another director of Star, Sally Pitkin has already resigned and is expected to be joined by the remaining non-executive directors except for Interim Chair Ben Heap who will remain on the board to oversee the company's remediation plan and board renewal processes. ACSI notes that Heap was chairperson of Star's risk committee and a member of its audit committee.

From the time that the Bell Inquiry first heard evidence on 17 March 2022 to 30 June 2022, the share price of Star Entertainment fell by 17 per cent. Case studies such as Crown and Star Entertainment serve as reminders of the essentialness of robust corporate governance and board oversight to maintain legal and social licenses to operate in heavily regulated industries such as gaming.

ACSI will meet with board representatives of Star Entertainment in August to discuss board renewal and culture. Separately, ACSI has already begun the process of engaging with current and former directors of Star Entertainment to assess their suitability as non-executive directors of other ASX listed companies.

CULTURAL HERITAGE

Following the tragic detonation of the Juukan rock shelters by miner Rio Tinto in 2020, ACSI engaged extensively with boards and Indigenous groups, as well as contributing to public policy debate on the regulatory settings required to make sure this does not occur again.

ACSI also worked with stakeholders to develop a framework for assessing companies' agreement-making and cultural heritage protection practices when negotiating access to the lands of traditional owners and custodians.

For 2022, ACSI has identified a group of 11 at-risk companies to evaluate their progress in renewing relationships, reviewing and rewriting agreements (including elimination of 'gag' clauses), and ensuring that their heritage teams are both appropriately resourced and sufficiently empowered to minimize the risk for investors.

ACSI conducted a 'first pass' analysis of disclosures by each target company, and communicated its findings to their boards, seeking discussions with directors and subject-matter experts.

Engagement is focused on companies being able to demonstrate:

- Genuine ambition to build long-lasting constructive relationships with First Nations people.
- 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.

WORKFORCE

MODERN SLAVERY, SUPPLY CHAINS, SAFETY

Last year, ACSI released its modern slavery reporting benchmark and research report '*Moving from paper to practice: ASX200 reporting under Australia's Modern Slavery Act*'.

Following that work, ACSI disclosed scoring to companies against the benchmark, and is pleased to note that several companies proactively engaged to seek advice on implementing stronger practices with regards to identifying, mitigating and reporting on modern slavery risks in their supply chains.

Positively, ACSI noted that the second iteration of mandatory modern slavery statements, usually corresponding to each company's 2021 financial year, has generally reflected a maturation in approach, with more companies including case studies and clear demonstrations of actions taken to identify and respond to modern slavery risks.

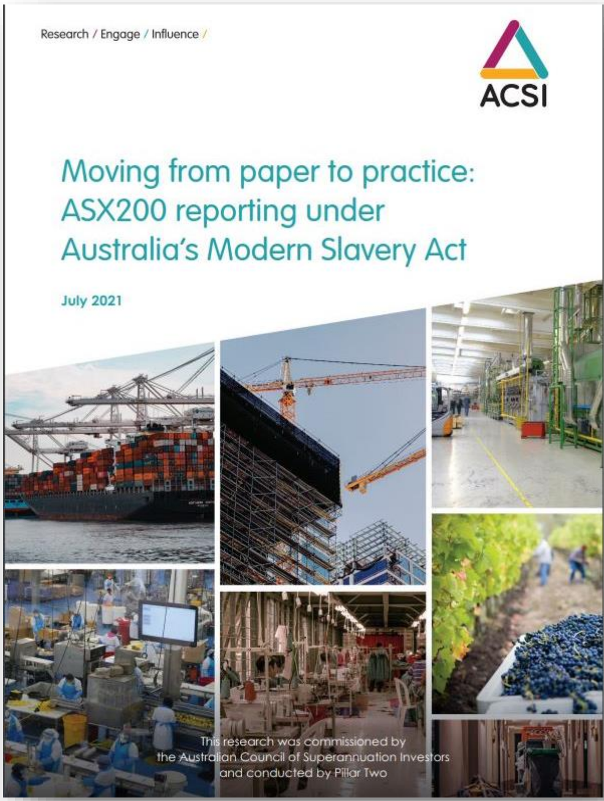
With many companies now completing their third round of reporting, and the Act itself coming up for review, ACSI has recently commissioned a new piece of research to map progress across ASX200 companies and identify where the most material risks for investors lie.

ACSI will also be making a submission on how it thinks the new legislation has performed, and where it might be improved and strengthened.

In the first half of 2022, ACSI held 17 meetings with ASX300 companies where modern slavery was discussed, with most willing to engage openly and constructively on the subject. ACSI also engaged separately with focus companies in both lead and support capacities as part of the investor-led Investors Against Slavery and Trafficking Asia-Pacific initiative.

Safety

ACSI continues to focus on engagement with companies that have either poor safety performance and/or opaque reporting practices. As part of our annual ESG data gathering, ACSI has gained an understanding of the areas in which companies continue to lack sufficient disclosure and transparency. That insight has strengthened our engagement focus to drive both stronger safety management and greater reporting with companies across the ASX300.



In engagements with companies, ACSI has consistently reinforced the importance of reporting leading safety indicators, encouraging companies to go beyond the usual lagging statistical measures of lost time and recorded injury frequency rates to report on near misses and severity measures. Leading safety indicators provide stakeholders with better indication of the impact of actual events and can provide insight into the effectiveness of risk management activities at the company.

Additionally, we have asked companies in at-risk sectors to report separately on the safety performance of contractors to enable investors to evaluate whether the safety practices and culture of a company's workforce are also experienced by its contractors.

Safety research:

ACSI is again producing an analysis of safety data for members, gleaned from our ESG data gathering for the annual sustainability reporting study. In this, ACSI will outline the expectations held for companies, particularly those in at-risk sectors, in relation to their reporting practices.

As usual, ACSI will use the research to identify companies for further to drive leading safety disclosure.

CASE STUDY

GUEST WORKERS OR BONDED LABOR?

Glovemaker Ansell Limited continues to face scrutiny for how it is governing workplace practices at its contract manufacturers in Malaysia.

Having apparently ironed out many of the guest-worker issues at its own plant in Malaysia over the past two years, Ansell supplier YTY Group was hit in January 2022 with a 'withhold release order' from US Customs & Border Protection (USCBP).

The south-east Asian country's glove industry has become notorious for its alleged use of unscrupulous labour hire providers and forced labour practices which exploit vulnerable foreign workers.

USCBP compiled evidence indicating the use of forced labour at YTY and put in place the order, which effectively prevented any YTY-made gloves delivered to Ansell from being imported or sold into the crucial United States market. That means that any stock already sitting in warehouses could not be distributed and would likely need to be written off because the product is perishable.

Such orders also heighten wariness by customers in other global markets, including Australia, threatening both reputation and financial damage for companies like Ansell.

ACSI engaged with Ansell representatives in April on the issue, who said that the group has twin strategies – diversifying its supply sources, including investing in more in-house manufacturing capacity, and being a formative member of the Responsible Glove Alliance (RGA) which aims "*to prevent, identify and remediate forced labor in the medical supplies industry in Malaysia through recruitment transformation, collective influence and the application of due diligence with advanced standards, tools and programs*".

Ansell said that it had developed alternative products in-house in Sri Lanka and Thailand, and also outsourced relationships with partners in China. Company management also recently told investors that its aim is to move from 75% outsourced product to 50% over time.

Shuvo alleges he endured horrible conditions working at a glove factory used by Ansell. (ABC News: Sanwar Hossain)

Ansell said that as pandemic travel restrictions have eased, it has been escalating its audit program for manufacturing sites but was still not fully back to on-site audits for all locations. It also noted a lack of supply in accredited auditors – something that ACSI has heard of mentioned by several priority companies in engagement.

An audit of YTY for Ansell in April 2021had identified issues, although Ansell said there was evidence that these had been 'followed-up' and details sent to USCBP. It was not clear whether the new sanctions related to new issues.

Ansell said it was a comparatively small customer of YTY, limiting leverage to effect changed behaviours and making the RGA a potentially more effective option.

STOP THE PRESS

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 members of the Responsible Glove Alliance, have rejected the claims and plan to defend them. Brightway was also the subject of a USCBP order at the end of 2021.

ACSI has subsequently arranged a September meeting with senior representatives of Ansell to discuss the allegations and the potential ramifications for investors.

CASE STUDY

PERENTI CHANGES PRACTICE

Mining services contractor **Perenti Global Limited** became a priority company for ACSI following workplace-related fatalities in 2021. Tragically, the company reported a double fatality in June 2022.

As with many workplace fatalities, ACSI was initially concerned by Perenti's lack of timely disclosure relating to one of the deaths, at a Barrick Gold operation in Canada, and has encouraged disclosure of the outcome of any investigations into the tragedies.

While in all cases the deaths occurred at mines owned by Perenti customers, ACSI stressed investor expectations that the company immediately disclose any fatal or serious incidents, preferably via the ASX.

Perenti representatives were able to give ACSI detailed accounts of each incident when we met with them in June, and of changes in work practices that have been made as a result.

Sadly, all four deaths appear to have been preventable, although no official determinations have been made.

For example, in July 2021 a worker was crushed by closing ventilation doors. Perenti has now replaced those, and all others, with doors that will re-open if they cannot fully shut, reducing the risk.

In the June incident it appears that two workers in a Botswana mine were overcome by carbon monoxide after entering an area that was not properly cleared after blasting. Perenti has engaged independent experts to investigate what occurred, but has stepped up enforcement of protocols in the interim.

ACSI encouraged Perenti to provide greater disclosure regarding the status and outcome of all investigations in its upcoming reporting, and to outline the changes to practices and policies made in response to fatalities. The company has provided a verbal commitment that it will provide greater transparency, which ACSI will review.

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