

# ESG reporting trends

A detailed assessment of ESG reporting  
in ASX200 companies

June 2022



# About ACSI

Established in 2001, ACSI exists to provide a strong, collective voice on environmental, social and governance (ESG) issues on behalf of our members.

Our members include 29 Australian and international asset owners and institutional investors. Collectively, they manage more than \$1 trillion in assets.

Our members believe that ESG risks and opportunities have a material impact on investment outcomes. As fiduciary investors, they have a responsibility to act to enhance the long-term value of the savings entrusted to them.

Through ACSI, our members collaborate to achieve genuine, measurable and permanent improvements in the ESG practices and performance of the companies they invest in.

ACSI staff undertake a year-round program of research, engagement, advocacy and voting advice. These activities provide a solid basis for our members to exercise their ownership rights.



29 Australian & international investors



Leading voice on ESG issues and advocacy



ACSI members manage more than \$1 trillion

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# Introduction

When ACSI began this annual ESG reporting project in 2008, knowledge about environmental, social and governance (ESG) risks and opportunities was in its infancy in Australia, and that was reflected in our early results.

Back then, just 31 Australian listed companies provided investors with ESG disclosures rated 'Detailed' or 'Comprehensive'. In 2021, 140 ASX200 companies were rated in those same categories. It is a remarkable rise, in which ACSI is proud to have played its part.

This year's results demonstrate the fact that ESG issues are increasingly being recognised as core business for Australia's largest companies.

In recent years, different issues across the ESG spectrum have acted as examples of both best and worst practice. We have seen instances of poor workplace culture and management of sexual harassment cause significant reputational damage for companies; companies have had to manage workforce disruptions arising from the pandemic, and there has been increasing awareness (and acceptance) of the financial risks tied to climate change. Given ACSI members' diverse investment portfolios and long-term outlook, and the breadth of critical ESG issues the economy faces, integration of ESG issues has never been more important.

Since the beginning of this project 14 years ago, the quality and detail of reporting on material ESG issues has progressively risen. Now, providing investors with ESG disclosures is the norm rather than the exception. ACSI engages with listed companies to improve their ESG performance and disclosure. Where reporting is lacking, it is difficult for investors to assess how a company is managing ESG risks. It is very pleasing that the majority of companies now understand the importance of transparent disclosure to the market.

While reporting has improved substantially, continued focus on performance is required. We are also seeing an emergence of new reporting standards and efforts to harmonise corporate reporting on ESG issues, with the work of the International Sustainability Standards Board proceeding at a pace. As this initiative progresses, we expect to see further progress and maturity develop in reporting on material ESG issues.

One of the important parts of our annual ESG research program is the resulting communication and engagement with companies on their ESG reporting rating and sector comparison. As we move closer to harmonisation of reporting standards globally, this year, for the first time, each company's rating has been included in the Appendix of this report. ACSI will continue to engage with companies on improving their ESG reporting and performance.

Looking forward, ACSI will evaluate how the methodology for this project can continue to support progress, even among the higher 'Comprehensive' rated companies.

# Key findings

- **The majority of ASX200 companies are now providing detailed information to their investors on a range of environmental, social and governance factors** – 2021 saw a pleasing jump in 'Comprehensive' reporters, with 104 companies now in that category, up from 86 in 2020. This means the majority - more than 50% - of the ASX200 is now a 'Comprehensive' reporter - a considerable improvement from 2008, when just 10% of companies were 'Comprehensive' (then known as 'Best Practice') reporters.
- **The acceptance of ESG as materially financial drives uplift in ESG reporting** – 140 ASX200 companies provide the two highest levels of disclosure, 'Detailed' and 'Comprehensive'. This is an increase of more than 10% on 2020, demonstrating that reporting on ESG issues is now the norm and that companies realise the necessity of demonstrating their ESG performance to investors.
- **Most report against the Sustainable Development Goals (SDGs)** – 64% of the ASX200 now map their risks against individual SDG goals or use the SDG framework to guide their reporting. Unsurprisingly Climate Action (Goal 13) is the most cited priority SDG. Five years ago, just 10% of the ASX200 reported against SDGs.
- **The number of companies who have not yet provided ESG performance data to investors is falling** – only 6% of ASX200 companies provide no ESG disclosure at all and are now classified as 'No reporting'. This percentage is decreasing every year.
- **Smaller companies, growing ESG ambition** – 57% of small caps ASX101-200 are now rated either 'Detailed' or 'Comprehensive' reporters, a 12% increase on 2020 and a 50% increase on 2008.

# Methodology

This is the 14th year in which ACSI has assessed the Environmental, Social and Governance (ESG) reporting of Australia's largest listed companies. We began evaluating ESG reporting in the ASX100 in 2008 and have since expanded our research to include ASX101-200. Historical graphs have been reconciled to reflect the year of reporting<sup>1</sup>.



## Research objectives

We began this research to encourage companies to improve their ESG reporting. Over the years, there has been a clear and observable impact, with the number of companies providing comprehensive ESG reports increasing annually. In previous years we would write to the chairs (or lead independent directors) of the companies assessed, to inform them of their rating, provide a peer comparison, and encourage improvement where necessary. This year company ratings are for the first time published in the Appendix of this report. Where companies have been either downgraded or classified as 'No reporting', we ask the company to explain how they plan to improve. We also use the data we collect to inform our company engagements of emerging issues and focal points, such as this year's work on climate, safety and workforce reporting.



## Methodology

The research and conclusions in this report are based on a desktop analysis by ACSI analysts. ACSI uses all publicly available sources for ESG disclosures, including annual reports, ASX announcements, and sustainability and other standalone corporate reports, to identify ESG reporting leaders and laggards. This year's benchmarking is based on information publicly disclosed in the 12 months up to 31 March 2022.

### ESG disclosure not performance

The ESG rating each company receives is not based on the company's management of and performance on ESG risks, but rather the extent to which the company reports those risks. We assess reporting of governance and management practices, performance data and target-setting for material ESG risks.

<sup>1</sup> Because of this change, 2007 reporting which only covered the ASX100 has been removed from graphs to homogenize trends. In previous reporting, this inaugural year was referred to as 2008 data based on the year of publication, not the year of reporting.

## Levels of reporting

### **'No reporting'**

There is no meaningful reporting on ESG management or performance. To move beyond 'No reporting', a company must do more than discuss ESG risks or commit to ESG management. It must report on ESG risk management processes and performance.

### **'Basic'**

The company reports on material ESG risks to a limited extent. For example, the company might provide basic information and statistics on safety and diversity, but not on other ESG risks. Alternatively, the company may identify a range of ESG risks, but provides superficial information without qualitative or quantitative performance metrics.

### **'Moderate'**

The company identifies and provides a moderate level of meaningful reporting of its ESG management. This is supported by performance data which goes beyond one or two material risk areas.

### **'Detailed'**

The company identifies and provides detailed reporting of a range of material ESG risks, supported by performance data for multiple risks and including at least one quantitative or qualitative target for a material risk. This could include diversity, zero harm, Green House Gas (GHG) emissions reduction or other climate-related activities.

### **'Comprehensive'**

The company provides comprehensive reporting of its material ESG risks and mitigation strategies. It demonstrates performance against a substantive number of material risks areas and discloses the process for identifying and explaining why the ESG risks are important for its business. To be 'Comprehensive', we must see reporting of targets and performance data across a range of different risk areas, with a discussion of the materiality of those issues and how they are incorporated into the company's overall strategy. This category was previously called 'Leading', but due to the substantial increase in the number of companies which publish detailed and thorough ESG disclosures, ACSI has, this year, labelled it 'Comprehensive'. This reflects the quality of ESG reporting rather than the performance of the company.

# Research findings

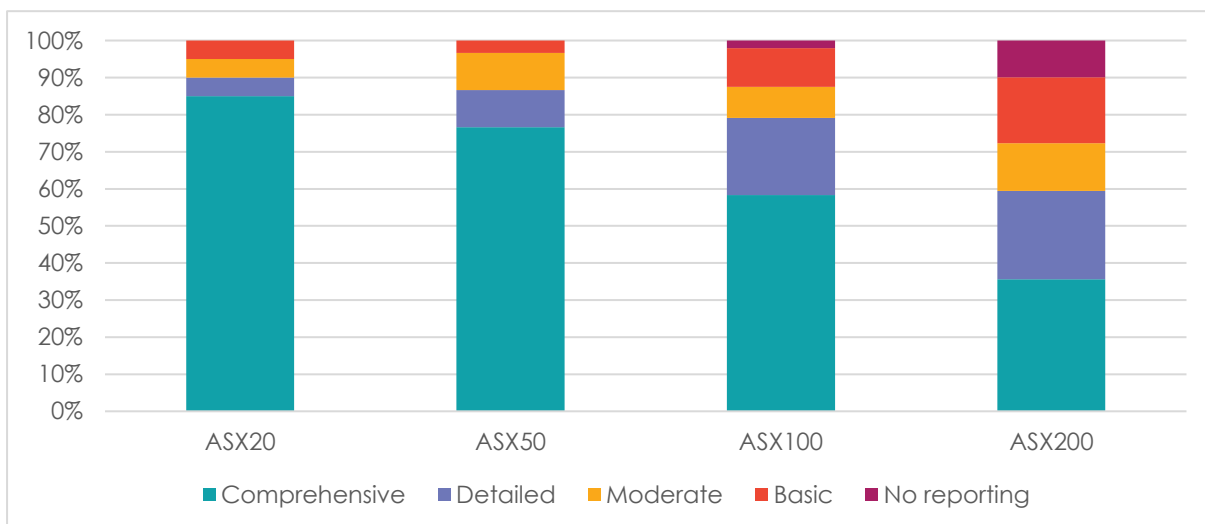
## ASX200 trends

The COVID-19 pandemic caused significant business disruption throughout 2021 but ESG reporting continued unabated. ACSI's analysis shows the majority of the ASX200 (104 companies) are now considered 'Comprehensive' disclosers – up 9% from 2020.

The number of 'Comprehensive' reporters continues to accelerate, and now represent 52% of the ASX200. 65% of these companies sit in the ASX100.

ASX200	2019	2020	2021
'No reporters'	20	13	11
'Basic'	34	27	25
'Moderate'	37	40	21
'Detailed'	30	34	38
'Comprehensive'	79	86	104

Graph 1: ASX200 ratings composition



The race to the top of ESG reporting has continued at scale. In the ASX200, the biggest jump has been in the 'Comprehensive' category, followed by 'Detailed' reporters. In company engagements, ACSI will continue to focus on the high correlation between ESG reporting and ESG performance. As the number of 'No reporters' and 'Basic' reporters dwindle, ACSI will encourage the remaining laggards to improve their reporting of the material ESG risks and opportunities particular to their companies. The focus on ESG by businesses and investors has meant consistent improvements in reporting, with just two companies downgraded in 2021.

As in previous years, mid-capitalisation companies (those in the ASX101-200) showed more variability in reporting than the larger companies (Graph 1). With significant new entrants to the ASX200, particularly in the ASX101-200, there is scope for further improvement to lift the overall index's reporting standards.



## Long-term trends

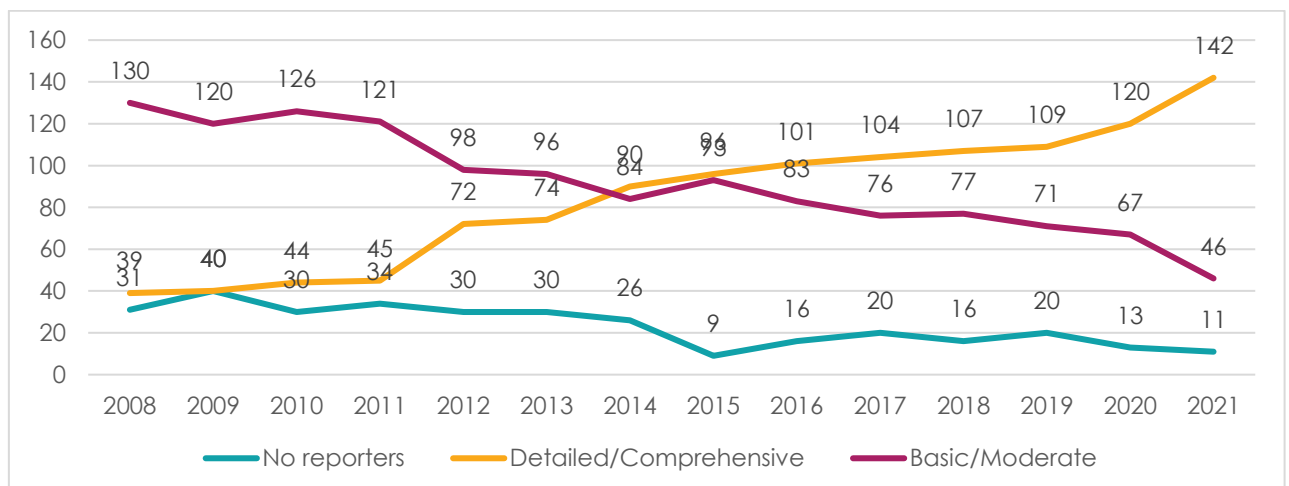
Since this reporting project began in 2008, the aim has been to improve the disclosure of material ESG areas by companies. Back then, a very modest 31 companies were rated 'Detailed' or 'Comprehensive'. As the upward curve of Graph 2 (below) demonstrates, the standard of ESG reporting has grown significantly - in 2021 a total of 140 ASX200 companies are in those categories. Conversely, companies providing no ESG disclosure now represent just 6% of ASX200 companies.

These year-on-year improvements highlight the increasing company recognition that ESG risks are material to their overall, long-term performance - and the need to disclose to investors how they manage these risks. This trend has been strengthened by the growing awareness of ESG issues as an important mainstream investment strategy. ASX200 companies are increasingly acknowledging ESG performance as a value driver within their businesses.

ACSI engages collaboratively with ASX-listed boards on a broad spectrum of financially material ESG risks. Through this engagement, we observe that most companies now understand the importance of comprehensive ESG reporting across their own financially material risks, as the graph below demonstrates. With positive engagement from ASX200 companies over many years, we are pleased that ACSI's ESG reporting research has contributed to the improvement in the adoption of best practice ESG disclosure standards.

As ACSI has recorded more and more companies entering and staying in the leading 'Detailed' or 'Comprehensive' brackets with minimal downgrades or stagnation, going forward we will re-evaluate the methodology for assessing companies. The next chapter of this project will seek to further accelerate ESG performance, continue to ratchet up the quality of ESG reporting, increase the proportion of the index that are providing transparent ESG disclosures and provide a useful comparison between companies based on their respective financially material and targeted ESG disclosures. We will also reflect developments in global approaches and standards such as the work of the International Sustainability Standards Board.

Graph 2: ASX200 long-term ESG reporting trends



## Sector level reporting

ESG reporting by different sectors continues to vary in quality. The Utilities, Consumer Staples, Materials and Real Estate sectors lead the way. These sectors have clearly identifiable environmental and social risks, which tie into regulatory requirements as well as investor and broader stakeholder expectations. Some of them also benefit from ESG opportunities – such as green premiums for products or real estate - which, when taken, can become a competitive advantage between peers and further drive ESG performance. This, in turn, further accelerates transparency and reporting on ESG activities at each sector.

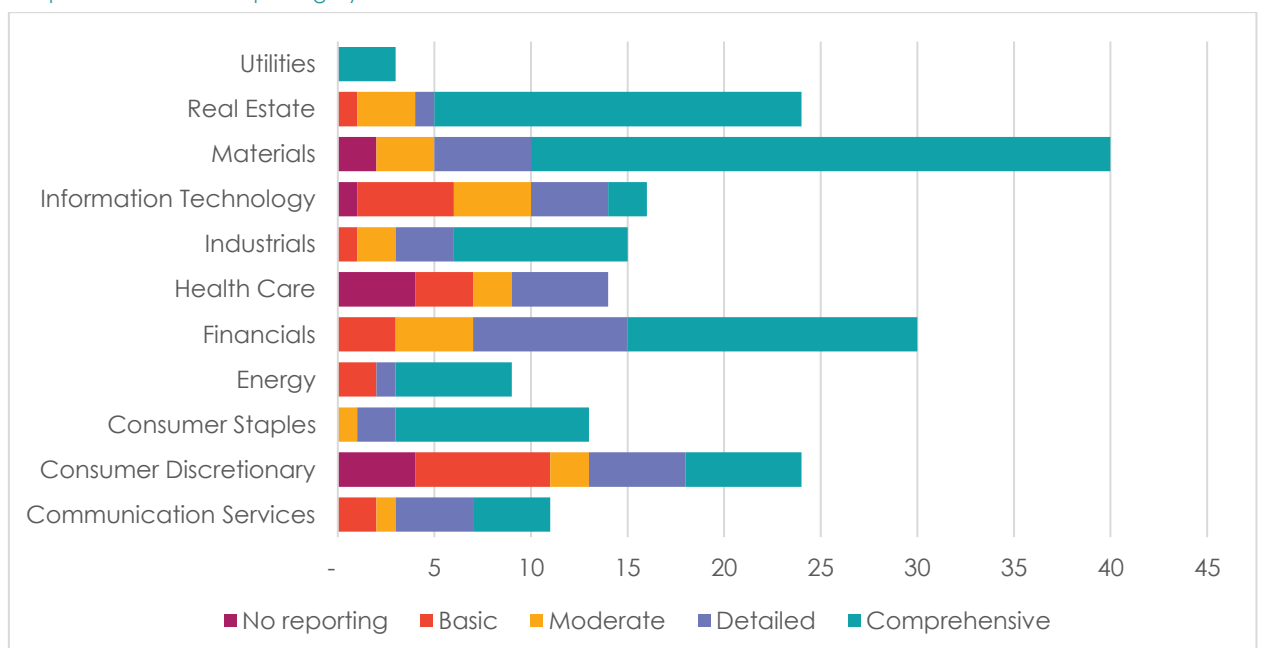
Despite the broad improvement across sectors, the Health Care and Information Technology sectors continue to be laggards – both have fewer than 40% of companies with a 'Detailed' or 'Comprehensive' rating.

Sectors with over 70% of companies with a 'Detailed' and 'Comprehensive' rating

Utilities, Consumer Staples, Materials, Real Estate, Energy, Financials

The Health Care sector has no 'Comprehensive'-rated companies at all, highlighting a sector-wide gap. These sectors have many mid-cap and smaller companies, often more pre-revenue companies than other sectors and can have different ESG risk profiles. Nonetheless, it can be expected that these companies will have ESG risks, for example particularly given the pandemic, workforce related risks, or modern slavery risks that can be associated with healthcare supplies. However, despite being laggards, some progress demonstrates company awareness of investor expectations on ESG risks.

Graph 3: ASX200 ESG reporting by sector



## Reporting frameworks

### SDGs and Integrated Reporting

The Sustainable Development Goals (SDG) framework remains the dominant reporting framework used by companies to map their risks and opportunities against specific SDG goals. 64% of the ASX200 now reports against the SDG goals – five years ago, just 10% reported against SDG goals. The Integrated Reporting Framework, however, still has a small take-up, being used by just 6% of the ASX200.

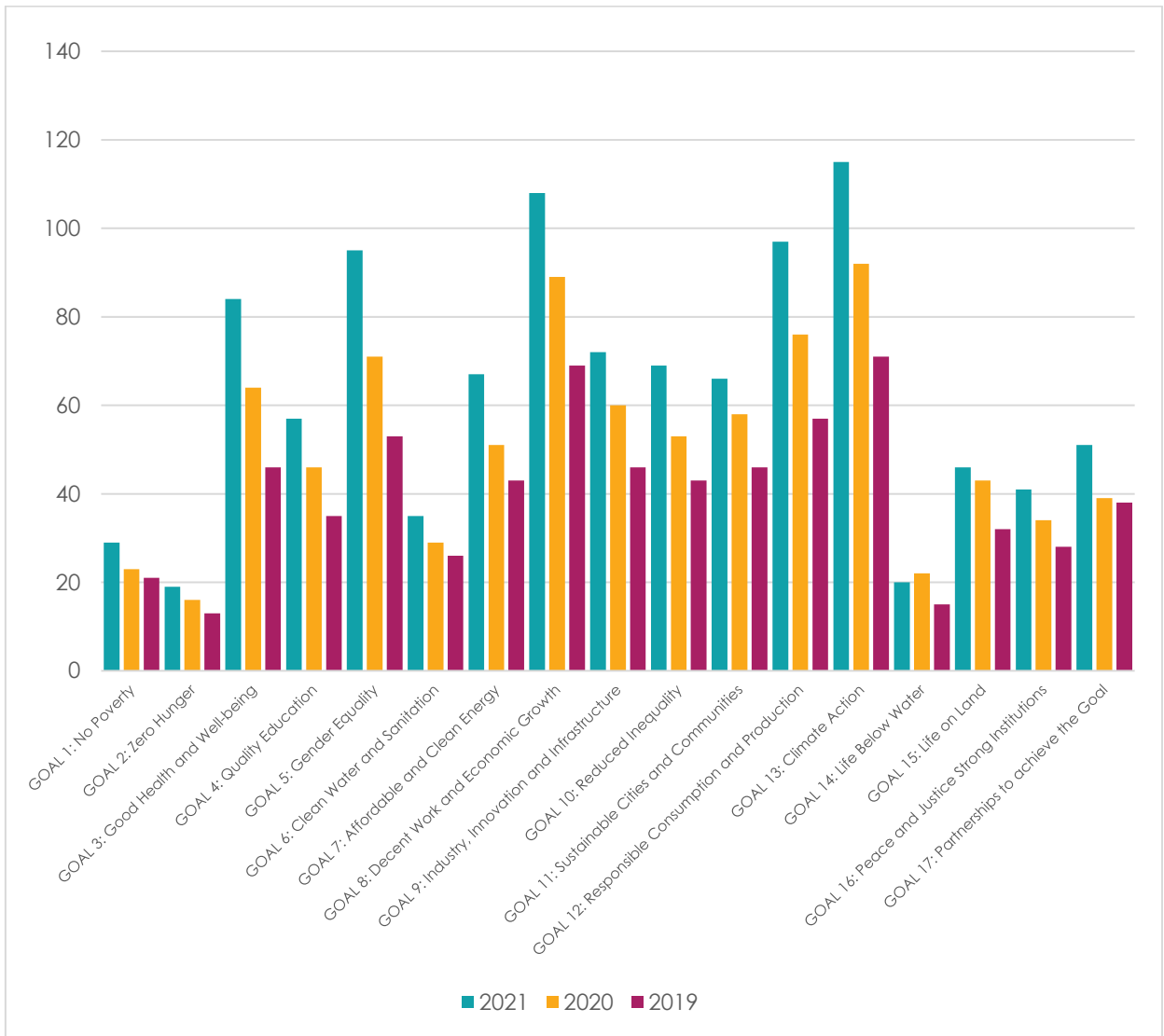
Consistent with the accelerating focus by business and society more broadly on the risks of climate change, Climate Action (Goal 13) continues as the top priority, followed by Decent Work & Economic Growth (Goal 8). This is consistent with previous years and reflects the critical ESG issues of our time: increasing action on climate change, as well as the importance of prioritising workforce and business growth in the COVID-19 pandemic recovery.

The top five SDGs referenced by companies are (in order); Goal 13: Climate Action, Goal 8: Decent Work & Economic Growth, Goal 12: Responsible Consumption & Production, Goal 5: Gender Equality and Goal 3: Good Health & Well-being. These have been the top 5 SDGs since its inception, with Climate Action always the most frequently referenced SDG across the ASX200.

**International Sustainability Standards Board (ISSB)** exposure drafts have been released for proposed standards for company sustainability and climate related disclosures.

Looking forward, the International Sustainability Standards Board (**ISSB**) aims to develop a consistent sustainability reporting framework, setting a global baseline for disclosures. Exposure drafts on general requirements for sustainability-related financial information and climate-related disclosures have been released for comment and further draft standards are expected. While currently in draft form, for investors and companies, a consolidated and integrated reporting regime for sustainability disclosures would be a welcome development.

Graph 5: SDG targets disclosure by ASX200 companies



# Appendix

As outlined above, each year we capture data from public disclosures by companies and rate them based on their ESG reporting. The following table outlines the rating for each company in the ASX200, organised by sectors. As this report has outlined, the number of 'Comprehensive' and 'Detailed' companies has significantly increased since the start of this project. Whilst 11 'No Reporting' companies remain, of these 11, just under half are new to the ASX200 index and therefore have not been previously been considered for this project, or engagement with ACSI. All companies new to the index below are identified with an asterisk. ACSI will engage with these companies to encourage better ESG reporting.

The table below represents companies that were in the ASX200 index as of December 2021 with data collected on these companies until 31 March 2022, totalling 199 companies as one company (Sydney Airport) delisted during data collection period.

Sectors	No Reporter	Basic	Moderate	Detailed	Comprehensive
<b>Communication Services</b>		Nine Entertainment Co. Holdings Limited Unifi Group Limited* Event Hospitality and Entertainment Ltd*	Domain Holdings Australia Limited	News Corporation TPG Telecom Limited REA Group Ltd SEEK Limited	Carsales.com Limited Chorus Limited Spark New Zealand Limited Telstra Corporation Limited
<b>Consumer Staples</b>			Endeavour Group Limited*	Graincorp Limited United Malt Group Limited	The a2 Milk Company Limited Bega Cheese Limited Blackmores Limited Costa Group Holdings Limited Elders Limited Inghams Group Limited Coles Group Limited Metcash Limited Woolworths Group Limited Treasury Wine Estates Limited

Sectors	No Reporter	Basic	Moderate	Detailed	Comprehensive
<b>Consumer Discretionary</b>	Eagers Automotive Limited Flight Centre Travel Group Limited Pointsbet Holdings Limited* IDP Education Limited	ARB Corporation Limited Corporate Travel Management Limited GUD Holdings Limited Harvey Norman Holdings Ltd Kelsian Group Limited* Premier Investments Limited Webjet Limited	Collins Foods Limited Crown Resorts Limited	Aristocrat Leisure Limited Bapcor Limited Breville Group Limited Domino's Pizza Enterprises Limited JB Hi-Fi Limited	InvoCare SkyCity Entertainment Group Limited Super Retail Group Limited The Star Entertainment Group Limited Tabcorp Holdings Limited Wesfarmers Limited
<b>Energy</b>		Washington H. Soul Pattinson and Co. Limited Paladin Energy Ltd*		Whitehaven Coal Limited	Ampol Limited Beach Energy Limited Santos Limited Viva Energy Group Limited Worley Limited Woodside Petroleum Limited
<b>Financials</b>		AUB Group Limited Zip Co Limited HUB24 Limited*	Credit Corp Group Limited Netwealth Group Limited Magellan Financial Group Limited	ASX Limited Insignia Financial Ltd NIB Holdings Limited Pendal Group Limited Perpetual Limited Platinum Asset Management Limited Steadfast Group Limited Pinnacle Investment Management Group Limited*	AMP Limited Australia & New Zealand Banking Group Ltd Bendigo and Adelaide Bank Limited Bank of Queensland Limited Commonwealth Bank of Australia Challenger Limited Insurance Australia Group Limited Janus Henderson Group PLC Medibank Private Limited Macquarie Group Limited National Australia Bank Limited QBE Insurance Group Limited Suncorp Group Limited Virgin Money UK PLC Westpac Banking Corporation
<b>Health Care</b>	Imugene Limited* Mesoblast Limited Pro Medicus Limited Polynovo Limited	Clinuvel Pharmaceuticals Limited Healius Limited ResMed Inc.	Cochlear Limited CSL Limited	Ansell Limited Fisher & Paykel Healthcare Corporation Limited Nanosonics Limited Ramsay Health Care Limited Sonic Healthcare Limited	

Sectors	No Reporter	Basic	Moderate	Detailed	Comprehensive
<b>Industrials</b>		Reece Limited	IPH Limited Reliance Worldwide Corporation Limited	Cleanaway Waste Management Limited Qube Holdings Limited Seven Group Holdings Limited	Auckland International Airport Limited ALS Limited Atlas Arteria Aurizon Holdings Limited Brambles Limited CIMIC Group Limited Downer EDI Limited Qantas Airways Limited Transurban Group
<b>Information Technology</b>	NOVONIX Limited*	Computershare Limited EML Payments Limited Megaport Limited Block Inc* Life360 Inc*	Codan Limited* Technology One Limited Wisetech Global Limited Xero Limited	Altium Limited Appen Limited IRESS Limited Tyro Payments Limited*	Link Administration Holdings Limited NEXTDC Limited

Sectors	No Reporter	Basic	Moderate	Detailed	Comprehensive
<b>Materials</b>	Nickel Mines Limited* Silver Lake Resources Limited		Deterra Royalties Limited Pilbara Minerals Limited* Ramelius Resources Limited	Champion Iron Limited* Gold Road Resources Limited Perseus Mining Limited Regis Resources Limited OZ Minerals Limited	ADBRI Limited Allkem Limited Amcors Plc Alumina Limited BHP Group Limited Brickworks Limited Boral Limited BlueScope Steel Limited Chalice Mining Limited* CSR Limited Evolution Mining Limited Fletcher Building Limited Fortescue Metals Group Ltd IGO Limited Iluka Resources Limited Incitec Pivot Limited James Hardie Industries Plc Liontown Resources Limited* Lynas Rare Earths Limited Mineral Resources Limited Newcrest Mining Limited Northern Star Resources Ltd Nufarm Limited Orora Limited Orica Limited Rio Tinto Limited South32 Limited St Barbara Limited Sandfire Resources Limited Sims Limited
<b>Real Estate</b>		BWP Trust	Lifestyle Communities Limited* National Storage REIT Waypoint REIT Limited	Arena REIT*	Abacus Property Group Charter Hall Group Centuria Industrial REIT Charter Hall Long Wale REIT Cromwell Property Group Centuria Capital Group*



Sectors	No Reporter	Basic	Moderate	Detailed	Comprehensive
					Charter Hall Retail REIT Dexus Goodman Group Growthpoint Properties Australia GPT Group Ingenia Communities Group Lendlease Group Mirvac Group Scentre Group Shopping Centres Australasia Property Group Stockland Unibail-Rodamco-Westfield Vicinity Centres
<b>Utilities</b>					AGL Energy Limited APA Group Origin Energy Limited

