EESG

- Framework for sustainable corporate outcomes –

Precis of Paper

(a) Environment, social, governance ("ESG") is a philosophy:

- which seeks to better manage the tension between unbridled corporate endeavour and an organisation's "corporate citizenship" responsibilities, more recently often now referred to as its "social licence to operate";
- whose influence has grown exponentially in recent years especially in response to globalised business practices and climate change influences and pressures;
- which is powerful in its approach and through the promotion of ethical/sustainable investment opportunities by investment fund managers, is proving also to have significant traction in the allocation of corporate capital.

(b) To an extent the ESG philosophy has been presented as a counter to the more traditional economic focus and role of the commercial corporation in our society, so as to create almost a binary divide between the two, rather than ESG being promoted as a respectful evolution of the proper role of the commercial corporation in a 21st century setting in augmentation of its more traditional economic focus.

(c) This paper seeks to:

- identify the risks of this trend;
- align ESG principles with the socially responsible economic role of the commercial corporation in society;
- promote the more holistic and socially valuable concept of EESG – economic, environment, social, governance;
- provide guidance towards sustainable corporate outcomes within an EESG principled framework, including criteria against which a corporation's EESG performance may be measured;
- support prudential and sustainable corporate citizenship and performance.

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Outline of Paper

Part A Introduction

A combination of circumstances and events over recent years has been catalystic in disrupting thinking in corporate boardrooms and has raised questions as to the prevailing orthodoxy of key aspects of traditional corporate governance philosophy and practice. These events in an Australian context have included:

- the proceedings of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry ("Hayne Royal Commission");
- the damning findings emerging from the Royal Commission into Aged Care Quality and Safety and Violence, Abuse, Neglect and Exploitation of People with Disability;
- the APRA report into CBA's governance arrangements;
- the initially proposed ASX Corporate Governance Council's 4th Edition 2019 of its corporate governance principles and recommendations, particularly in the context of its proposed focus on a corporation's "social licence to operate";
- Rio Tinto's iron ore business expansion in WA's Pilbara in May 2020, within the scope of legal permissibility, but at the expense of the 46,000 year old anthropologically and heritage relevant Juukan Gorge Rock Shelters.
- the 50th anniversary of the publication in The New York Times Magazine on 13 September 1970 of US economist Milton Friedman's article "The Social Responsibility of Business is to Increase its Profits".
- continuing threats to our planet's long term sustainability through climate change issues, natural resource depletion and lack of pollution controls, with associated social activist action raising concern as to these issues and the lack of apparent timely political and corporate endeavour to deal with them;
- the growth of ethical investment funds with demands for ESG (environment, social, governance) performance attributes and accountability.

This disruption raises questions concerning but not limited to:

- the legitimacy of unbridled corporate economic endeavour in the context of contemporary societal values and mores;
- trust and confidence in the ethics of corporate commercial endeavour, along with other institutions in our society, be they social, economic, religious or political in their origins;
- the proper role of the limited liability commercial corporation in society and whether or not a broader duty to society at large should be owed by directors and officers of such corporations beyond the company itself and its immediate stakeholders;
- the role and responsibility of commercial corporations in the fostering of human rights and welfare, the protection of the natural environment, and in the management of the planet's climate change risks.

From those questions, the thorny and ethereal issue of a corporation's "social licence to operate" continues to be raised by the media, in social advocacy and in prudential governance circles. The importance of the issue is undeniable, even if the issue is not necessarily new. In principle, even if not contemporary specifics, it is an issue that has dogged informed governance debate for decades as is evident in the analysis in Part B of this paper including from:

- Milton Friedman (USA) in the 1960's and 1970's;
- Sir Adrian Cadbury (UK) in the 1990's;
- Ian Dunlop CEO of AICD (Australia) in 2001 (at around the time of the HIH collapse);
- CAMAC (Australia) in 2006 (in its consideration of "corporate social responsibility");
- King IV (South Africa) in 2016.

This paper seeks to examine the increasingly influential impact of environment, social and governance, or ESG, considerations in commercial corporate endeavour, and the views and perspectives of all players to the debate concerning the important economic, as well as the ESG roles and responsibilities, of commercial corporations. In so doing it is hoped to find balance in their complex interplay and their relevance for the benefit of society as a whole.

This paper also seeks to portray a model or framework by which a commercial corporation's economic, environment, social and governance **(EESG)** practices may be guided, measured, disclosed and benchmarked, so that more informed decisions may be made by the public as to the appropriate role to be played by commercial corporations, and by investors in their investment capital allocation selections.

Part B The Role of the Commercial Corporation in Society

Corporations are virtual creations originally designed primarily, but not exclusively, to deliver economic outcomes for the betterment of their members and society. Through legislation and regulation, they are conferred a statutory licence to exist and operate by society, with general acceptance that the limited liability corporation in its various guises has delivered significant benefit to mankind and its standard of living.

As commented upon by the Corporations and Markets Authority Committee (CAMAC) in 2006[1]

"The success of the corporate entity as a vehicle for harnessing capital and human, physical and intellectual resources to productive ends has resulted in the corporation becoming the predominant form of private sector business organisation and one that is frequently adopted for non-profit and state-owned bodies as well. The corporate structure has:

> *"permitted people to raise capital from the public, to invest it without, in most cases, a danger of personal risk and to engage in entrepreneurial activity which, otherwise, would probably not occur." (The Hon. Justice Michael Kirby, the Company Directors Past, Present and Future 1995)""*

Commercial corporations have become increasingly powerful and influential in our society as the juggernaut twins of capitalism and globalisation have continued their march.

From this, questions as to the "legitimacy" of aspects of commercial corporate endeavour have been raised, with society re-assessing the relatively open scope of a corporation's statutory licence to operate.

Traditionally, except to the extent where shareholder returns and value aligned and correlated with broader social outcomes, the social legitimacy of commercial corporations was largely found through their primary remits in the creation of employment, the payment of taxes, the production or delivery of goods and/or services having social or economic utility, and the delivery of economic returns for reinvestment in the business enterprise and for distribution to security holders (including superannuation and pension funds "owned" by general members of society). In this manner corporations spread prosperity amongst the community with consequential economic multipliers manifolding their effect. In Australia, shareholders generally continue to hold corporations in which they have invested, and the directors of those corporations, to account to deliver these outcomes.

[1] Note 1 – CAMAC (December 2006) The Social Responsibility of Corporations (Section 1.1)

The mantra for this economic role of the commercial corporation became the "shareholder primacy" doctrine, including as espoused at the extreme right of the spectrum by the US economist and author Milton Friedman when in summary he provocatively asserted:

"Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible."[2]

However, to give Milton Friedman his proper due, what he actually posited in expanded context was:

> *"There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."*

This view, especially in absolute terms, has a lost its currency, with corporations and society now interacting in many ways that influence their respective behaviours and actions in other than purely economic terms. The rise of ESG principles is clear testament to this. In more recent decades, expectations now prevail whereby corporate economic deliverables and the community's social and environmental requirements must co-exist in relative balance with one another as part of a symbiotic socio-economic paradigm. Shareholder activism within commercial corporations now covers economic/financial expectations for financially focussed activists as well as social and environment expectations and considerations for other activists.

In 2001, AICD CEO Ian Dunlop in his paper "Governance, Ethics and Corporate Responsibility – Where to from here?" stated:

> *"Business talks frequently about the licence to operate, meaning the activities which societies allow business to undertake as a private profit-making enterprise. But that licence to operate has been discussed thus far in limited economic terms, not encompassing the concepts of wider authority and trust.*
>
> *Corporations do not have authority in the same way that government and other political and religious institutions have. A corporation has a remit to act as a commercial enterprise, not a social, political or moral authority. Corporations have power, but essentially it is economic power, not political or social power.*
>
> *Part of the process of redefining legitimacy in times of great uncertainty must be far greater self-regulation along with the adoption of higher ethical standards, greater transparency and disclosure. This applies not just to corporations but equally to governments and institutions in general.*

[2] Note 2 - Milton Friedman "Capitalism and Freedom" (University of Chicago Press – 1962)

Some companies are well advanced in addressing these issues. This is reflected in the extensive reporting on environmental, social and global issues now being generated by these organisations, in addition to traditional financial reporting – the triple bottom line. These companies recognise that changing societal values require greater community engagement than hitherto, along with genuine commitment to sustainable development notwithstanding the adjustment costs it may incur.

More conservative views, both corporate and investor, argue that if board attention is diverted from a strict focus on the bottom line of increasing shareholder value, directors are being derelict in their duty and accountability is lost.

In practice the two views may not be that far apart. But the former view recognises that given changing societal values, shareholder value will not be generated without far greater attention to these wider issues. In essence there is no disagreement on the ultimate objective of increasing shareholder value, rather on the means of getting there. Those who get it right will gain significant competitive advantage."

In other contexts, especially if Australia is to align itself with the comity of OECD like nations, the following commentaries may be of relevance.

- *[United Kingdom]* – Even Sir Adrian Cadbury commented in 1995 upon the concept of the social responsibility of companies.[3] He considered the views of Milton Friedman but concluded:

  "it is not possible to isolate the economic elements of business decisions from their social consequences, because companies are part of the social system."

  He argued that even the concept of making as much money for shareholders as possible begs the question – over what period of time? He suggested that the more a corporation plans and invests for the future, the more impossible it becomes to maintain a simple separation between economic and social goals, as these investments must involve a combination of social as well as economic judgments.

[3] Note 3: "The Company Chairman", Sir Adrian Cadbury, Directors Books (UK) 2nd Edition 1995.

- *[South Africa] - "Organisations operate in a societal context, which they affect and by which they are affected. There is an inter-dependency between organisations and society; their fates are intertwined. As the World Business Council for Sustainable Development stated: "Business cannot ultimately succeed in a society that fails" (World Business Council of Sustainable Development)*

  This idea of interdependency is supported by the African concept of Ubuntu – "I am because you are; you are because we are". Ubuntu implies that there should be a common purpose to all human endeavour (including in the corporate form) which is based on service to humanity. As a logical consequence of this inter-dependency, one person benefits by serving another. This is also true for a juristic person, which should serve its own as well as the broader society of stakeholders.

  Corporate citizenship is about an organisation's status in the broader society. It is an inevitable consequence of being an integral part of society. As a corporate citizen an organisation has rights, but also obligations and responsibilities towards society.

  Corporate citizenship involves how an organisation uses its resources, and how it balances its needs with those of society, to achieve positive lasting outcomes for the organisation itself, society and the environment. By being a responsible corporate citizen, the organisation demonstrates recognition that its future is intertwined with the future of the economy, society and the natural environment."[4]

- *[Australia]* – CAMAC in 2006 also expressed commentary on this intersection of the economic role of commercial corporations and their social responsibility in the following terms:[5]

  > *"The prominent role of companies in the provision of goods and services, and the perceived reach of corporate activities and influence, have also given rise to concerns about the impact of corporate conduct on broader community interests (including, for example, through environmental effects) and the transparency and accountability of the way in which companies conduct their affairs. Questions have been raised about whether corporations have a responsibility to society going beyond their role as participants in the economic system. There may be underlying concerns too about divergence between the social responsibility of an individual acting on their own account and the collective responsibility of individuals acting in a corporate or other organisational environment.*
  >
  > *Current interest in these matters within Australia and elsewhere is reflected in the efforts of companies themselves to explain better their own practices and contributions to society, in calls by community groups and others for improved practices, more information or more regulation, in the growth of self-styled ethical investment funds and in legislative measures to regulate ever more aspects of corporate behaviour."*

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[4] Note 4 – King IV – Institute of Company Directors in Southern Africa (noting the broad influence of "King" in Indian Rim countries and further afield)

[5] Note 5 – Refer Note 1 above

Part C Putting an extra E into ESG

Essentially a corporation’s environment, social and governance (ESG) profile and practices are intended to measure those elements of a corporation’s business and existence which are related to its environmental sustainability and its social impact, including when viewed through an ethical governance lens.

ESG as a philosophy has evolved from the confluence of:

- societal concerns broadly relating to a corporation’s environmental impact (driven especially by climate change, natural resource and bio-diversity depletion, and emission/pollution risks), the assurance of fundamental human rights and universal health and welfare, (especially for workforce participants), ethical and fair business practices, the growing wealth disparity between the rich and the poor in society, and consumer protection rights in general; and
- asset allocation criteria of investment fund managers seeking to optimize financial investment returns by investment allocations in enterprises which deliver superior perceived “alpha” based on values and business models which are more responsive to emerging societal ESG expectations, perceptions and dictates and less exposed to adverse ESG risks.

There is no definitive list of matters which come within the ESG spectrum although there are a number of common elements generally accepted as coming within the domain of ESG including (at a high level):

(i) Environment (especially in the context of sustainability and climate change impacts):

- natural resource management
- bio-diversity loss
- emission/pollution controls and impacts
- water and energy management
- recycling/circular economy practices
- sustainability generally.

(ii) Social (especially in the context of health, welfare, equal opportunity, fair trade practices and wealth sharing):

- fundamental human rights
- workforce relations including employment terms, relative wage levels and employee training and development
- health and safety (in the workplace and for community stakeholders)
- community contribution/support
- fair trade practices
- diversity/equal opportunity/non-discriminatory practices
- ethical conduct generally.

(iii) Governance (especially in the context of corporate accountability, disclosure adequacy, remuneration practices and ethical values and conduct):

- governance and management structure and accountability
- transparency, reporting and disclosure
- risk management
- appropriate remuneration practices
- corporate values and culture generally.

These abovementioned common elements align well with the 17 United Nations Sustainability Development Goals set up in 2015 by the UN General Assembly as “a blueprint to achieve a better and more sustainable future for all people and the world by 2030”. These 17 goals include:

- no poverty
- no hunger
- good health
- quality education
- gender equality
- clean water and sanitation
- renewable energy
- good jobs and economic growth
- innovation and infrastructure
- sustainable cities and communities
- responsible consumption
- climate action
- life below water
- life on the land
- peace and justice
- partnership for the goals

Although often not formally expressed, many of these aforementioned common elements of ESG, as well as the 17 UN Sustainability Development Goals, implicitly have within them economic drivers and deliverables, or at least an economic underpinning to their delivery and attainment. Accordingly, some globally respected ESG reporting agencies expressly include "economic performance" within their "global standards for sustainability reporting" (refer the Global Standards for Sustainability Reporting "GRI Standards"):

For example:

(i) GRI Standard 201: Economic Performance - requires related topic specific economic disclosures including the corporation reporting against:

- direct economic value generated and distributed
- financial implications and other risks and opportunities due to climate change
- defined benefit and other retirement plans
- financial assistance received from the government

(ii) GRI Standard 202: Market Presence - requires disclosure and reporting relating to the organisation's local employment practices.

(iii) GRI Standard 203: Indirect Economic Impacts - requires reporting against factors including infrastructure investments and services supported as well as other indirect economic impacts (positive or negative).

(iv) GRI Standard 204: Procurement Practices - requires reporting against supply chain procurement and management practices including locally based suppliers and procurement tracing to source.

(v) GRI Standards 205: Anti-Corruption and 206: Anti-Competitive - requiring reporting as to the organisation's preventative policies, practices, training and outcomes on such topics.

(vi) GRI Standard 207: Tax - requires reporting as to the enterprise's approach to tax; its tax governance, control and risk management; and its stakeholder engagement in the context of tax.

Clearly by mandatory reporting against "Economic Performance", the GRI Standards accept that an organisation's ESG profile and practices have an economic basis or underpinning to them. Unsurprisingly these economic elements against which reporting is required under the GRI Standards significantly relate to the principal social deliverables of a commercial corporation's historical economic basis for existence, as alluded to earlier in this paper, i.e:

- the provision of employment and generating monetary returns to enhance worker's standards of living;
- the improvement of workers' skills and capabilities for the productive benefit of the corporation, the benefit of the worker and that of society generally;
- the contribution of taxes for government redeployment for the benefit of society generally;
- the provision of goods and/or services having social and/or economic utility;
- the sharing of profitable returns from the business undertaken to investors and other stakeholders; and
- the spreading of prosperity amongst the community as a consequence of all of the above including through economic multiplier effects beyond the direct or primary beneficiary/recipient of the corporation's output.

Critical to this is that commercial corporations should operate efficiently and productively to generate revenue to pay wages/superannuation to its workforce, taxes to the government, and to deliver a surplus for reinvestment in the corporation's operations and payment of a dividend to its investors. Interestingly, those same beneficiaries of a corporation's business pursuits are in fact each a part of society, especially through equity investments by superannuation and pension funds.

In this context, the multiple guises with which members of society deal with commercial corporations every day must be appreciated and taken into account. Members of society simultaneous may interface with commercial corporations as workers, as customers or suppliers of goods or services, as community neighbours and/or as investors (directly or indirectly through superannuation and pension funds). Directors and officers of corporations are also members of society with similar interface roles with commercial corporations as any other member of society. A mature appreciation of these various interface roles, and a balancing of reasonable expectation outcomes when dealing with the corporation under each of these difference guises is essential. A superior outcome for a member of society in one role (e.g. as an employee supporting across the board wage increases for all employees) may have a corresponding negative reciprocal impact on that same member of society under a different capacity (e.g. as an investor in the corporation through their superannuation savings due to the reduced corporate profit and likely reduction in distributable dividends that an increase in operating expenses may lead to).

Accordingly any proper consideration of ESG principles <u>must</u> also include an appropriate consideration of economic factors (as well as environment, social and governance elements) if it is to be meaningful to its sustainability (environmental and corporate) and social impact.

To adapt the words of Sir Adrian Cadbury (quoted previously):

As "it is not possible to isolate the economic elements of business decisions from their social consequences" likewise it is not possible to isolate the social consequences from their economic relevance "because companies are part of the social system".

It is submitted that by including an additional economic **"E"** in the acronym **"ESG"** to become **"EESG"** (i.e. economic, environment, social and governance) the revised terminology:

- is more holistically reflective of what society actually expects and needs of commercial corporate endeavour;
- respects the continuing evolution of the role in society of the commercial corporation, giving due regard to its economic and financial contribution to the people and communities of which it is a part;
- mitigates the risk of binary polarization of ideology which otherwise risks subverting the achievement of sustainable and socially acceptable outcomes of commercial corporate endeavour for the benefit of society as a whole.

Part D An EESG Governance Framework

Both commercial corporations and society will benefit if a pragmatically realistic and mutually acceptable understanding of EESG principles, expectations and deliverables can be agreed upon. This Part D seeks to describe a framework which is designed to find mutually acceptable accord against defined and comprehensive criteria to meet legitimate EESG expectations for commercial corporations.

Table D(1) depicts such a framework in diagrammatic form with the following features:

(a) at its core, the central objective or goal:

"EESG – prudential and sustainable corporate citizenship and performance"

(b) a series of concentric circles or rings each seeking to comprise the key elements necessary to better explain the adjacent inner circle to which it abuts:

- primary ring of descriptors comprising the 4 primary quadrants of economic, environment, social and governance;
- secondary ring of descriptors comprising in all 17 sectors to each of the 4 primary quadrants and with each sector describing a key high level element of the adjacent primary quadrant descriptor (e.g. with respect to the quadrant "environment", the key high level elements are divided into 4 sectors named respectively "natural environment management", "emissions and pollutions", "water and energy", "sustainability")
- tertiary ring of descriptors comprising in all 40 segments (i.e. between 2 and 4 tertiary segments to each of the 17 secondary sectors), and with each segment describing a key element of the adjacent secondary sector descriptor (e.g. with respect to the primary ring quadrant "environment" and the secondary sector descriptor or sector "natural environment management", the tertiary ring is divided into 3 segments"resource exploitation/productive management", "bio-diversity risk" and "rehabilitation");

- the fourth ring does not further describe the relevant descriptor quadrants, sectors or segments, but rather sets forth an accepted project management enabling discipline by which an organisation applying the framework may be able to better assure the delivery of its EESG outcomes through:
    - planning
    - implementing
    - monitoring
    - measuring
    - evaluating/benchmarking
    - reporting/disclosing
    - reviewing/adjusting

  its processes and practices and their outcomes in support of its governance oversight of its EESG profile towards attainment of its EESG goal – “prudential and sustainable corporate citizenship and performance.”

Alternatively, Table D(1) can be presented in a word based tabular form as per Table D(2) following:

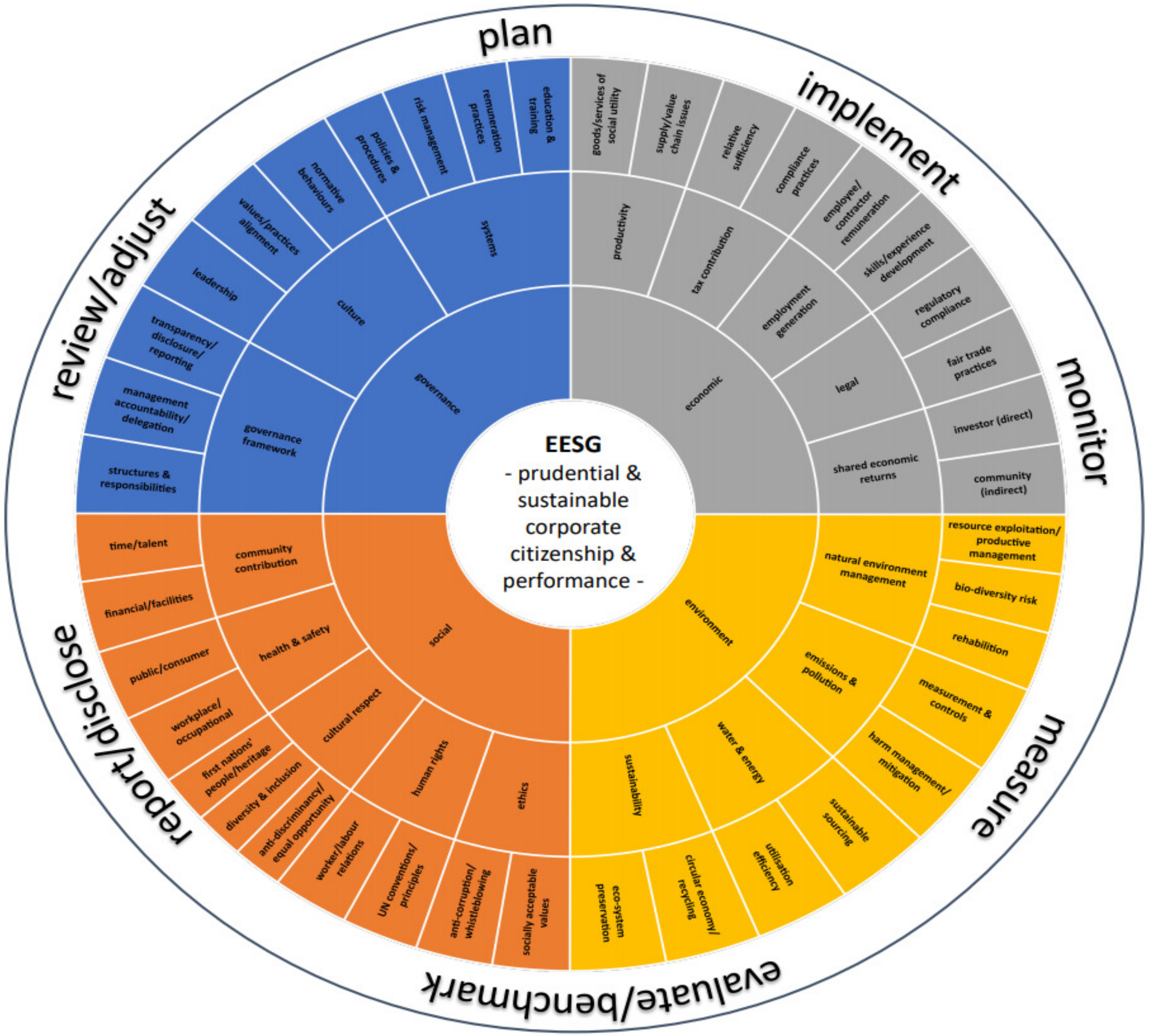

TABLE D(2)

Objective or Goal:	EESG: prudential and sustainable corporate citizenship and performance
Enabling process:	plan, implement, monitor, measure, evaluate/benchmark, report/disclose, review/adjust

KEY DESCRIPTORS AND ELEMENTS

Primary	Secondary	Tertiary
Economic	Productivity	Goods/Services of Social/Economic Utility
		Supply/Value Chain Issues
	Tax Contribution	Relative Sufficiency
		Compliance Practices
	Employment Generation	Employee/Contractor Remuneration
		Skills/Experience Development
	Legal	Regulatory Compliance
		Fair Trade Practices
	Shared Economic Returns	Investors (direct)
		Community (indirect)

Primary	Secondary	Tertiary
Environment	Natural Environment Management	Resource Exploitation/ Productive Management
		Bio-diversity Risk
		Rehabilitation
	Emissions and Pollution	Measurement and Controls
		Harm Management/Mitigation
	Water and Energy	Sustainable Sourcing
		Utilisation Efficiency
	Sustainability	Circular Economy/Recycling
		Ecosystem Preservation
Social	Ethics	Socially Acceptable Values
		Anti-corruption/Whistleblowing
	Human Rights	UN Conventions/Principles
		Worker/Labour Relations
	Cultural Respect	Anti-discrimination/Equal Opportunity
		Diversity and Inclusion
		First Nation's People/Heritage
	Health and Safety	Public/Consumer
		Workplace/Occupational
	Community Contribution	Financial/Facilities
		Time/Talent

Primary	Secondary	Tertiary
Governance	Governance Framework	Structures and Responsibilities
		Management Accountability/ Delegation
		Transparency/Disclosure/ Reporting
	Systems	Policies and Processes
		Risk Management
		Remuneration Practices
		Education and Training
	Culture	Leadership
		Values/Practices Alignment
		Normative Behaviour

However, Tables D(1) and D(2) merely provide a high level framework through which the principles of EESG may be considered, applied and reported against by a corporation. To support interpretation and understanding of each of the segments described at the tertiary level, and to better assure consistency of benchmarking:

- longitudinally on a year on year progressive basis by the same organisation to ascertain the extent of progress towards the central objective or goal; and/or
- horizontally by an organisation (or an investor in or other stakeholder of that organisation) against industry peers to assess comparative and relative performance towards the central objective or goal;

further interpretative guidance, element or segment descriptors and measurement criteria will be required. Part E of this paper seeks to provide a pragmatic and usable tool to assist in this respect.

Part E Interpretation, EESG Practice Descriptors and Measurement Criteria

This section seeks to give guidance to commercial corporations, their directors and officers, their stakeholders and the general public, as to what practices and steps such corporations may reasonably be expected to deploy and undertake consistent with an EESG outcome in the terms of the framework espoused in this paper –

"prudential and sustainable corporate citizenship and performance"

It does so by considering each of the 40 descriptors listed at the tertiary level segments of the framework model and providing "Guidance" concerning the same under each of the following 3 headings:

- Definition and Context
  - to better explain or define the element and to contextualise its relevance to the corporation and the EESG goal
- Practices
  - to suggest a series of practices which together are likely to better assure the delivery of the descriptor/segment being addressed
- Measurement
  - to suggest a means by which a number of those practices may be measured and therefore more definitively analysed, disclosed and reported against (either for internal governance accountability and/or for external disclosure to stakeholders) and/or benchmarked for peer comparison purposes and/or for longitudinal continuous improvement analysis.

The Schedule to this paper sets out in full all 40 "Guidance" statements relating to the tertiary level descriptor/ segment in the EESG governance framework model.

Part F Reflections and Conclusion

There is no doubt that the role of the commercial corporation in society has continued to evolve, especially over recent decades, in response to the issues identified in this paper, with ESG matters now being more influential than historically have been the case in support of the corporation's "social licence to operate".

Yet at the same time balance needs to be maintained to avert the risk of loss, or at least diminution, of the traditional socially important economic role that commercial corporations play in society.

This balance can be achieved by ensuring that an economic extra **"E"** is embedded in the **ESG** acronym and that corporations adopt an holistic **EESG** governance framework in comparable terms to that outlined in this paper with a view to delivering:

> ***"prudential and sustainable corporate citizenship and performance."***

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Part G Schedule – Full set of 40 Guidance Statements

GUIDANCE	
Primary:	**Economic**
Secondary:	**Productivity**
Tertiary:	**Goods/services of social or economic utility**

Definition and Context

A primary purpose for the existence of a commercial corporation is the production of goods, commodities, products or equipment (consumer or capital), or the provision of services (generally referred to in these Guidance statements as goods, products and/or services) of social or economic utility to society.

The greater the utility of those goods, products and/or services to the current and future social and/or economic requirements of the society served by the corporation, then the stronger will be the value of the corporation's continuing existence in support of its "licence to operate".

Where the corporation's goods, products and/or services are perceived by society, or influential groups with society, to be of lower value or utility, or even of detriment, to society or its economy, then society's support for the corporation (investor, worker, supplier, customer/or and regulator), is likely to be relatively diminished thereby.

Practices

Commercial corporations should:

(1) strategically plan to ensure that the goods and/or services they produce or provide are of current and future valued utility to the society and/or economy of which the corporation is a part;

(2) strategically plan to segue from the production or provision of legacy goods, products and/or services which are not of current or future valued utility to the society and/or economy of which the corporation is a part;

(3) undertake economic and social studies and analysis to determine whether, and the extent to which, the goods, products and/or services they produce or provide may or may not be of current and future valued utility to the society and/or economy of which the corporation is a part.

Measurement

(a) The corporation's ongoing risk management framework and analysis considers and assesses the risk to the corporation and its business of the goods, products and/or services produced or provided by it not being of current or future valued utility to the society and/or economy of which the corporation is a part.

(b) The corporation has caused to be undertaken disciplined research and analysis to assure that:

  (i) the goods, products and/or services produced or provided by it are of current and future valued utility to the society and/or economy of which the corporation is a part;

  (ii) the society of which the corporation is a part is satisfied that the corporation's public disclosures and marketing communications adequately express the current and future value and utility of the goods, products and/or services produced or provided by it.

GUIDANCE	
Primary:	**Economic**
Secondary:	**Productivity**
Tertiary:	**Supply/Value Chain Issues**

Definition and Context

Most commercial corporations produce or provide goods, products and/or services as part of a supply/value chain of deliverables from raw materials source to end product, or in the case of services from other products or services utilised in their delivery.

Businesses gain competitive advantage where their efficiency and sustainable productivity in production or delivery of end product or service, is relatively more efficient and effective than that of their competitors.

Accordingly businesses strive to manage their supply/value chains (inputs and deliverables) to achieve such efficiencies and effectiveness.

However, this simple analysis relies for its integrity on a number of implicit assumptions including:

- that the market for all elements along the supply/value chain is efficient and equitable;
- that the EESG quality of all elements along the supply/value chain is comparable.

Practices

Commercial corporations should seek:

(1) to actively manage the supply/value chain for the goods, products and/or services produced or provided by them to ensure that the EESG commitment and values adopted by them are not adversely tainted by other businesses forming part of that supply/value chain;

(2) to the extent reasonably commercially practicable, to source upstream supply/value chain goods, products and/or services required by them for their operations from businesses which have EESG commitments and values at least comparable in most material respects to their own;

(3) to the extent reasonably commercially practicable, not to supply goods, products and/or services produced or provided by them to customers whose EESG commitments and values may be comprised relative to their own.

Measurement

(a) The corporation undertakes research and analysis of the EESG commitments and values its major supply/value chain upstream suppliers and downstream customers and users, and uses that information in its business planning and operations in determining with whom it should do business.

(b) The corporation seeks to influence its major supply/value chain upstream suppliers and downstream customers and users to enhance their EESG commitments to be at least of comparable EESG attributes as those of the corporation.

(c) The corporation’s supply/value chain EESG analysis, and response thereto, is reported against ultimately to the corporation’s board to allow that information to be considered as part of the corporation’s strategic and business planning, and accountable transparency to its stakeholders.

GUIDANCE	
Primary:	**Economic**
Secondary:	**Tax Contribution**
Tertiary:	**Relative Sufficiency**

Definition and Context

As commercial corporations are part of the social system and are conferred a “licence to operate” by the laws of the society of which they are a part, then they must:

- contribute equitably to the public purse which sustains the physical infrastructure (including transport and utilities) and social systems (including education, health, justice and security) from which they prosper and succour (as applicable);
- compensate society fairly and responsibly for their exploitation and commercial appropriation of public resources and assets.

Unless there is such equitably contribution and fair compensation, the burden on the public purse and loss of public resources and assets must be disproportionately shared by other sectors of society.

In a globalised economy with an increasing economic focus on relatively mobile intangible and intellectual property and services compared with more fixed or tangible physical assets, the ability of commercial corporations to “jurisdiction shop” and to structure their operations and affairs in relatively low tax environments, is accentuated.

For the purposes of this Guidance, reference to “tax” includes all forms of taxes, duties, rates, royalties, fees and government imposts whether on income, capital, transactions or services, as well as on the use or exploitation of public resources and assets.

Practices

Commercial corporations should:

(1) comply with all applicable tax related laws and regulations in each place which has jurisdiction over them or their relevant operations;

(2) not seek to questionably structure their corporate affairs or business operations so as to evade applicable tax related laws and regulations that may otherwise apply to them;

(3) notwithstanding any legitimate tax related structuring of their corporate affairs and business operations, be mindful of the expectations of the society(s) of which they may be a part for them to contribute equitably for their use and enjoyment of publicly funded physical infrastructure and social systems, and compensate fairly for the corporation’s authorised exploitation and commercial appropriation of public resources and assets.

(4) to the extent reasonably commercially practicable, publicly disclose and report the extent of their tax related contributions to the society(s) of which they may be a part.

Measurement

(a) The corporation’s tax related contributions to the society(s) of which it is a part are assessed and collated, and tested for probity purposes, against industry accepted benchmarks for comparable corporations.

(b) The extent of the corporation’s tax related contributions to the society(s) of which it is a part is reasonably reported against in its annual financial or EESG report or other publicly available disclosure for the benefit of its stakeholders as a whole.

GUIDANCE	
Primary:	**Economic**
Secondary:	**Tax Contribution**
Tertiary:	**Compliance practices**

Definition and Context

Commercial corporations are “virtual” entities constituted/registered under legislation and bound by the applicable laws of the land recognised and enforced by or on behalf of the society of which they are a part.

Failure to observe and comply with such laws relating to taxation:

- can have severe consequences for the corporation, and in some cases its directors and officers, be they fines, penalties, compensation orders, reputational risks or even incarceration for egregious offences;
- is disrespectful of society’s rules of engagement and licence for the corporation to operate; and
- may denude that society from the benefit of the taxes that should otherwise be paid by the corporation.

In some cases where the corporation has been entrusted to deduct from its employee’s emoluments an amount on account of tax or superannuation payable, and that deduction is not remitted by the corporation in accordance with its obligation so to do, then that breach is regarded as particularly egregious with risk of liability for its remittance then prospectively passing to the corporation’s directors.

Practices

Commercial corporations should:

(1) ensure that the tax related laws of the jurisdiction(s) in which it is constituted and its business(es) operate(s) are sufficiently known to the corporation and are complied with;

(2) ensure that the corporation has adequate governance and management systems and processes in place to assure compliance with such tax related laws;

(3) through applied internal and external audit processes (and their reporting and certification) consistent with accepted good governance standards for like corporations, appropriately assure their boards of the integrity of their systems and processes to ensure compliance with tax related laws;

(4) require periodic certifications from their responsible finance officers of the timely filings of tax returns and remittance of all periodic tax payments and tax/superannuation retentions arising.

Measurement

(a) Appropriate periodic certifications are duly received as part of board papers/reports from the corporation’s responsible finance officers of the timely filings of tax returns and remittance of all periodic tax payments and tax/superannuation retentions arising.

(b) The corporation’s risk management framework and practices have given due consideration to the corporation’s tax related compliance risks, and mitigating actions have been implemented to address or manage such risks.

(c) Internal and external audit reports come to the board and/or the board’s audit committee, and such reports disclosure whether or not any material tax related compliance breaches have been identified and if so whether or not they have been adequately rectified and systems improvements implemented to address the same.

GUIDANCE	
Primary:	**Economic**
Secondary:	**Employment Generation**
Tertiary:	**Employee/Contractor Enrolments**

Definition and Context

A traditional vital socio-economic contribution of commercial corporations is the engagement of employees and/or contract workers and the payment by the corporation for their services provided.

Such payments then can be used by the employee/worker:

- to support and sustain their housing, health, nutritional, educational and other basic needs, and those of their families and dependants;
- to accumulate wealth for subsequent spending on capital goods, other discretionary spending and support in later senior non-wage earning years; and
- to pay taxes to assist in funding the public purse for community benefit.

In this manner, the remuneration paid is circulated throughout the community, including for the benefit of other commercial corporations which in turn also remunerate their employees and contract workers. The economic multiplier effect of these transactions can be significant and of material community benefit.

Payment of appropriate, reasonable and fair remuneration, at least commensurate with accepted industry awards and regulatory standards, can also motivate workers in their work for the benefit of the corporation and its productivity. Inadequate remuneration can constitute demotivating exploitive conduct by the corporation and which, at the extremes, may even amount to a breach of human rights of the corporation’s employees and/or contract workers.

Practices

Commercial corporations should:

(1) investigate and understand what are the relevant industry awards and regulatory standards that apply for each of their employees and contract workers depending upon their respective roles and qualifications;

(2) benchmark the remuneration to be paid to their employees and contract workers against such industry awards and regulatory standards;

(3) remunerate their employees and contract workers reasonably, fairly and competitively, and at least commensurate with applicable industry awards and regulatory standards;

(4) ensure that all accrued remuneration entitlements (including leave, superannuation and pension entitlements as applicable) of employees and contract workers are correctly accounted for and dealt with by the corporation and are available for remittance to the employee or contract worker when due.

Measurement

(a) The corporation has in place as part of its governance and management practices, systems and processes to assure that the remuneration payable to employees and contract workers:

    (i) at least meets applicable industry awards and regulatory standards;

    (ii) is benchmarked against the market for such services to ensure it is fair, reasonable and competitive;

    (iii) is properly accounted for and dealt with so as to be able to be remitted to the employee or contract worker promptly upon becoming due.

(b) The corporation discloses in its annual financial/directors report and/or EESG report (as applicable) its remuneration policies and practices, and including for its key management personnel, sufficient details of remuneration payable and paid to meet regulatory and accounting standards.

GUIDANCE	
Primary:	**Economic**
Secondary:	**Employment Generation**
Tertiary:	**Skills/Experience Development**

Definition and Context

Commercial corporations engage employees and/or contract workers to fulfil functions, perform tasks and accept responsibility for vocational roles and outcomes for the corporation.

Inevitably such employment and engagement not only draws on the inherent skills and experience of the workers but also leads to skill development and experience enhancement either:

- passively by the employee or contract worker merely honing their existing skills and experience in performing the function; or
- actively by the corporation engaging the employee and/or contract worker in formal and/or informal programs of training, education and development to enhance their skills, qualifications and experience for the mutual benefit of both the employee/ worker and the corporation.

Skills and experience enhancement benefits not only the corporation (with improvements to productive output) and the relevant employee or contract worker (by making them more employable or valuable with the prospect of greater remuneration) but also the community (by enhancing its overall capability without the cost of government funded education and training to achieve that outcome).

Practices

Commercial corporations should:

(1) support their employees and contract workers, including to enhance their work capability for the benefit of the corporation, by:
- on job training and development;
- opportunity to undertake more formal training, development and education programs.

(2) when undertaking periodic work performance reviews of their employees and contract workers, ensure that the review agenda includes the prospect of ongoing training, education and development being undertaken;

(3) in the context of workplace culture development, take the opportunity from time to time to acknowledge and congratulate employees and contract workers who have undertaken a program of training, development and education to enhance their capability; and

(4) maintain data of the corporation’s support for, and the outcomes arising from, its workplace training, development and education programs and to include reporting of that data (as appropriate) in the corporation’s annual financial/directors’ report or EESG report (as applicable), to its stakeholders.

Measurement

(a) Qualitive and quantitative data in the training, development and education of the corporation’s employees and contract workers is collected and maintained by the corporation, forms part of the HR function’s accountability to senior management, and is periodically reported to the corporation’s board as part of its governance oversight function.

(b) The corporation’s HR related policies and practices assure that skill and experience development and enhancement of the corporation’s employees and contract workers are appropriately:

(i) valued and embedded within the corporation’s policy framework;

(ii) recognised in remuneration review negotiations for the relevant employees and contract workers;

(iii) acknowledged as part of the corporation’s cultural commitment to the support and development of its employees and contract workers.

GUIDANCE	
Primary:	**Economic**
Secondary:	**Legal**
Tertiary:	**Regulatory Compliance**

Definition and Context

Commercial corporations are “virtual” entities constituted/registered under legislation and bound by the applicable laws recognised and enforced by or on behalf of the society of which they are a part.

Failure to observe and comply with such laws:

- can have severe consequences for the corporation and in some cases its directors and officers, be they fines, penalties, compensation orders, reputational risks or even incarceration for egregious offences;
- is disrespectful of society’s rules of engagement and licence for the corporation to continue to operate.

For commercial corporations with business operations in multiple jurisdictions and across international boundaries, the legal and regulatory compliance function is accentuated as the laws of the land of varying jurisdictions may be markedly different and at times even contradictory with one another.

Practices

Commercial corporations should:

(1) ensure that their legal and regulatory compliance function is sufficiently resourced and managed having regard to the corporations operations and needs;

(2) ensure that its personnel have appropriate understandings of the laws and regulations that apply to the corporation and its operations, at least to the extent to which those laws apply to the functions for which the relevant person is responsible;

(3) ensure that its governance and management policies and practices not only support legal compliance outcomes but also assist in identifying legal compliance breaches so that they may be appropriately addressed;

(4) ensure that adherence to the law is culturally embedded as a value to which the corporation and its people are expected to ascribe.

Measurement

(a) The corporation has adopted a code of conduct and/or values which includes expectations of legal and regulatory compliance.

(b) The corporation has adopted a “whistle-blower” policy which is well communicated within the corporation and appropriately applied.

(c) As part of its governance oversight responsibility, the corporation’s board regularly receives reports concerning:

  - any material changes to the laws and regulatory environment relevant to the governance of the corporation and the management of its operations;
  - any material transgressions of the law or regulations by or on behalf of the corporation;
  - any material legal or regulatory proceedings in which the corporation may be involved.

(d) The corporation is not the subject of any legal or regulatory compliance breach inquiries/investigations or related enforcement proceedings.

GUIDANCE	
Primary:	**Economic**
Secondary:	**Legal**
Tertiary:	**Fair Trade Practices**

Definition and Context

For corporate enterprises engaged in business, commerce and trade, a body of laws and regulations applicable to such commercial corporations generally apply. This body of laws and regulations includes requirements relating to the following aspects of a commercial corporation and its operations:

- registration and licensing
- continuous and periodic disclosures of information
- anti-competitive trade practices
- anti-corruption and bribery
- industrial relations and employment practices
- anti-discrimination and equal opportunity
- tax compliance
- environmental care
- workplace health and safety
- privacy
- consumer protection
- misleading and deceptive conduct in commerce and trade

Practices

Commercial corporations should:

(1) ensure that their governance and management frameworks, systems and practices are adequate to address the corporation's compliance requirements with respect to all applicable laws and regulations relating to the corporation's business and commercial dealings;

(2) incorporate in the education, training and professional/vocational development of its personnel (as relevant) knowledge and understanding of all applicable laws and regulations relevant to the corporation's business and commercial dealings;

(3) adopt policies and codes of conduct to specifically address discrete aspects of the laws and regulations applicable to the corporation's business and commercial dealings at least including many of those listed under "Definition and Context";

(4) ensure that their internal audit and whistle-blower policies and practices are such that transgressions of such applicable laws and regulations will surface and thereupon be able to be appropriately addressed by the corporation.

Measurement

(a) The corporation has adopted policies and a code of conduct which specifically address those discrete aspects of the laws and regulations applicable to the corporation and its business and commercial dealings.

(b) The corporation has in place appropriate education, training and professional/vocational development programs to inform its relevant personnel of compliance requirements and practices with respect to the laws and regulations applicable to the corporation and its business and commercial dealings.

(c) Data is collected and maintained by the corporation concerning:

  - the corporation's practices towards compliance with the laws and regulations applicable to the corporation and its business and commercial dealings;
  - any transgressions by the corporation or its personnel in such compliance.

(d) There is regular periodic reporting to the corporation's board, including based on analysis of data collected and maintained concerning compliance with the laws and regulations applicable to the corporation and its business and commercial dealings;

(e) The corporation is not the subject of any legal or regulatory compliance breach inquiries/investigations or related enforcement proceedings relevant to such compliance requirements.

GUIDANCE	
Primary:	**Economic**
Secondary:	**Shared Economic Returns**
Tertiary:	**Investors (direct)**

Definition and Context

Critical to the role of commercial corporations in society is that they should operate efficiently and productively to generate revenue which, after payment of operating and capital expenses, wages to workers and taxes to the government, and after proper provisioning for reserves, will deliver a surplus for capital reinvestment in the enterprise (in furtherance of its shareholders' continuing investment in the corporation) and payment of a dividend or other return to its investors (equity or debt).

It is in society's best interests for invested capital to be effectively and efficiently deployed otherwise corporate enterprises which may otherwise deliver best overall value to society may not prosper and available capital will be disproportionately deployed in economically or financially struggling enterprises (even if they otherwise may appear to have laudable ethical, environmental and social credentials) which may be contributing less to the overall benefit to society.

The economic multiplier effect of a productive commercial enterprise can deliver profound benefit for the community of which that enterprise is a part.

There is no conflict between social responsibility and the role of commercial corporations to use scarce resources efficiently and productively, and to be profitable. An unprofitably business risks being a burden on society with insolvency risk and value destruction to its workers, contractors, creditors, suppliers, customers, shareholders and stakeholders generally.

Practices

Commercial corporations should:

(1) properly govern and manage their businesses in a responsible and sustainable manner to optimise the prospect of achievement of their strategic objectives and best manage their risks;

(2) be transparent and open in their disclosures to the market and investors as to the enterprise's opportunities and its risks;

(3) efficiently and effective manage and deploy capital (equity and/or debt) available to them in executing their business plans;

(4) meet and pay their debts (including interest and capital returns with respect to debt capital raised) in a timely manner as and when they fall due for payment;

(5) pay dividends to their equity investors/shareholders from the net profits of the enterprise after:

- meeting the costs and expenses of operating the enterprise, including to suppliers, employees/workers and creditors/financiers;
- paying taxes due to the government (for community benefit); and
- retaining sufficient to provide reserve provisioning working capital support for the enterprise's ongoing sustainability and growth.

Measurement

(a) The corporation transparently discloses its operating performance in accordance with applicable accepted accounting principles consistently applied and regulatory requirements;

(b) The corporation's creditors (including financiers) are paid in a timely manner when due and payable, except where there may be a bona fide dispute as to the liability for the amount payable.

(c) The corporation has adopted a transparent policy as to its approach to the payment of dividends which is adhered to in practice.

(d) The corporation has a history of regular payment of dividends to its investors/shareholders.

GUIDANCE	
Primary:	**Economic**
Secondary:	**Shared Economic Returns**
Tertiary:	**Community (indirect)**

Definition and Context

Critical to the role of commercial corporations in society, in addition to their role of delivering returns to their shareholders/investors, is that they should operate efficiently and productively to produce or provide goods, commodities, products (consumable and/or capital) and/or services of utility to society and to generate revenue to allow them to:

- pay wages and superannuation contributions to their employees/contract workers (which in turn is spent on consumer and capital goods, products and/or services, representing revenue for the businesses of the enterprises producing or delivering those goods, products and/or services);
- pay their suppliers and creditors/financiers (which in turn represents revenue for the businesses of the supplier/creditor enterprises);
- pay taxes to the government (which in turn is applied in support of capital and operating costs of community beneficial infrastructure and services including utilities, transport, health, education, welfare and security).

The economic multiplier effect of a productive commercial enterprise can deliver profound benefit for the community of which that enterprise is a part and contributes to.

Practices

Commercial corporations should:

(1) produce or provide goods, commodities, products (consumable or capital) and/or services which are of utility to society including in such manner which minimises (to the extent reasonably commercially practicable) any detrimental impact to society or upon the environment;

(2) pay in a timely manner as and when they fall due for payment all:

- payments to suppliers, creditors and financiers;
- wages and superannuation contributions to employees and contract workers (as applicable); and
- taxes to the government;

(3) act in a responsible, fair and ethical manner in their dealings with suppliers, financiers, contractors and employees/contract workers as to the amount to be paid for goods, commodities, products and/or services produced or provided, without compromise to the enterprise's right to competitively arrange and structure its affairs to optimise its productivity and return on capital invested.

Measurement

(a) In its annual financial and directors' report, or EESG report (as applicable), the corporation fairly:

(i) describes the relevance and utility to society of the goods, commodities, products produced and/or services produced or provided by it;

(ii) discloses the amounts respectively paid by it to:

- suppliers and financiers
- employees/contract workers
- the government (and government authorities) by way of taxes;

in each relevant country or jurisdiction in which the corporation operates.

(b) The amounts respectively paid to its employees/contract workers and to the government are at least reasonable and appropriate in the context of the corporation's business model and stage of corporate development especially when benchmarked against those paid by other comparable enterprises and when benchmarked against society's legitimate expectations.

GUIDANCE	
Primary:	**Environment**
Secondary:	**Natural Environment Management**
Tertiary:	**Resource Exploitation/Productive Management**

Definition and Context

For commercial corporations whose business model and/or operations legitimately involve the exploitation and depletion of the planet's natural resources, the manner in which the enterprise manages the same so as to optimise the value of that exploitation and minimise harm to the natural environment is vital.

This guidance especially applies to extractive/resources/mining/oil and gas industry enterprises and to other enterprises whose operations involve the possible depletion of the natural environment or of a finite natural resource, either in absolute or relative terms unless prudentially managed.

This guidance should not be construed to advocate for the termination or closure of such enterprises, but rather the acceptance of their social and economic utility provided that their practices are managed in as prudential and sustainable a manner as is reasonably practicable relative to the beneficial utility to society of their output.

Practices

Commercial corporations whose business endeavours involve the depletion of the natural environment or of finite natural resources should:

(1) prudentially manage their operations with a view to:

- minimising the impact of their operations on the natural environment;
- optimising the efficiency of production from their endeavours, so that the social and economic benefit of their operations can be realized in the most sustainable manner creating the least environmental harm as is reasonably practicable;

(2) explore technological and process improvements to their operations to continuously improve their productivity, optimise their efficiency and minimize their environmental impact;

(3) explain the benefits to society and the socially utility of the output of their endeavours which justify the licence to operate that they enjoy to deplete or impact the natural environment.

Measurement

(a) The corporation collects and maintains data relevant to its operations and the extent to which its operations may deplete or impact the natural environment.

(b) In its annual financial and directors' report, its EESG report (as applicable), the corporation:

(i) transparently discloses:

- the extent of natural resource depletion and the impact of its operations on the natural environment;
- the productive output of its operations and its supply/value chain relevance and benefit to other commercial and industrial operations;
- the actions it takes to optimise the efficiency of its operations including research and development initiatives and technology and process improvements;
- the controls deployed (regulatory and self-imposed) towards ensuring that the industry as a whole and the enterprise itself, is as sustainable as is reasonably practicable.

(ii) explains the benefits to society and the social utility of the output of its endeavours in support of its continuing licence to operate.

GUIDANCE	
Primary:	**Environment**
Secondary:	**Natural Environment Management**
Tertiary:	**Bio-Diversity Risk**

Definition and Context

For commercial corporations whose business model and/or operations may risk impact to the bio-diversity balance of the natural environment, the manner in which the enterprise manages its affairs so as to minimize that risk is critical.

It is scientifically accepted that:

- the bio-diversity of the planet is being depleted through human influence including urban/industrial growth, development and impact;
- the depletion of the planet's bio-diversity has adverse impacts for the planet and society's well-being.

This guidance therefore especially applies to:

- extractive/resources/mining/oil and gas industry enterprises;
- other primary production enterprises be they land based (including agriculture, pastoral, horticulture and silviculture) and marine based (including fishing and aquaculture);
- property (especially urban growth) and infrastructure (including transport, energy, utilities and communication facilities) development.

Practices

Commercial corporations should:

(1) be acutely aware of the impact (direct or indirect) that their operations may have on the bio-diversity of the environment, especially on any endangered or "at risk" bio-species;

(2) structure and manage their operations and affairs to minimise their impact on the environment's bio-diversity to the greatest extent reasonably and commercially practicable;

(3) where their operations and affairs may otherwise unavoidably impact the bio-diversity of the environment, develop and implement strategies whereby the extent of that impact may be mitigated or compensatory pro-biodiversity initiatives at other geographic locations may be deployed.

Measurement

(a) The corporation's policies address the risk of bio-diversity impact and how such risks are to be managed.

(b) Data is collected and maintained concerning any bio-diversity impact and risks of the corporation's operations and affairs.

(c) The corporation's assessment of and management practice influence over its environmental bio-diversity impact risks extends beyond its own operations and affairs to its supply/value chain partners including upstream suppliers and downstream customers.

(d) Where the corporation's operations and affairs do risk unavoidable adverse environmental bio-diversity impacts, the corporation has developed specific strategies to mitigate the impact of such risks and/or to compensate the effect of such impacts through initiatives at other geographic locations.

GUIDANCE	
Primary:	**Environment**
Secondary:	**Natural Environment Management**
Tertiary:	**Rehabilitation**

Definition and Context

For commercial corporations whose business model and/or operations legitimately involve the exploitation and depletion of the planet's natural resources, the commitment and practices of the corporation to rehabilitate the environment upon the exhaustion of the productive life of the relevant resource are vital.

This guidance therefore especially applies to extractive/resources/mining/oil and gas industry enterprises whose operations involve the depletion of the environment's natural resources and which have a limited finite life of productive utilization.

"Rehabilitation" applies not merely to the relevant principal site(s) of operation but also to the removal from (or re-purposing for beneficial utility) and making good of the environment of all related collateral equipment and infrastructure (fixed and operational) whether directly or indirectly used in connection with the relevant on-site operations.

Practices

Commercial corporations should:

(1) plan and manage the manner in which any environmental impact from the relevant operations are to be rehabilitated, re-purposed and/or made good at the expiration of the productive life of the resource;

(2) comply with all regulatory requirements concerning environmental rehabilitation and otherwise observe industry best practices and standards in so doing;

(3) prudentially make provision in its accounts and reserves to ensure that there is available at the relevant time(s) sufficient financial and operational resources to support such environmental rehabilitation;

(4) consult with all relevant regulatory authorities and the community as to how best such rehabilitation should take place to optimise community benefit arising therefrom.

Measurement

(a) The corporation has made due enquiry and assessed the practical implications of rehabilitating the environment at the end of productive life of its operations from that location.

(b) The corporation has made adequate provision in its accounts and reserves to meet end of productive life rehabilitation requirements arising from its operations.

(c) Towards the end of productive life of the corporation's operations at or from a particular site, the corporation has consulted with regulatory authorities and the local community as to how the rehabilitation can be implemented in a manner reasonably to optimise social benefit arising therefrom.

GUIDANCE

Primary: **Environment**
Secondary: **Emissions and Pollution**
Tertiary: **Measurement and Controls**

Definition and Context

All commercial corporations, to varying degrees, generate emissions and pollute the environment as part of their operations.

It has been scientifically established that the aggregate of emissions and pollution from government, business and domestic activity is generating adverse green house gases and impacting the environment to such an extent that they are materially contributing to the planet's climate change and materially impacting the natural environment and the sustainment of life on the planet as currently known.

To embrace the full scope of emissions and/or pollution for which a business has some responsibility, commonly the nexus of the emissions and/or pollution have been classified as follows:

- Scope 1 - direct emissions from business owned or controlled sources.
- Scope 2 - indirect emissions from the business's operations where a supply has been sourced from a 3rd party (especially power/energy).
- Scope 3 - all other indirect emissions that occur in the business's wider supply/value chain embracing both upstream suppliers and downstream activities.
- Scope 4 - avoided emissions where innovative business practices and products may have the effect of reducing overall emission levels in the supply/value chain.

Without data as to the extent to which a corporation may be contributing to such emissions and pollution, the corporation will not have a benchmark against which it may measure the impact of its affairs and operations or the effectiveness of any controls or practices it may seek to deploy to better manage its emissions and pollution.

Of particular relevance with respect to the measurement and controls of:

- emissions, are those related to CO_2 and other green house gases;
- pollution, are those relating to plastics and other non-biodegradable or planet health threatening products.

Practices

Commercial corporations should:

(1) measure the nature of and the extent to which their affairs and operations generate Scope 1, 2 or 3 emissions and/or provide Scope 4 emission benefits including:

- greenhouse gases and other emissions of environmental concern;
- waste which may contribute to the ultimate pollution of the environment;
- products produced of materials which do not have bio-degradable attributes or which are not readily recoverable through recycling practices,

so as to provide base data relevant thereto;

(2) analyse the data collected from such measurements for benchmarking purposes against:

- any regulatory controls and requirements;
- industry accepted and community desired standards,

to verify whether management practices implemented by it to better manage such outcomes do in fact deliver and are fit for purpose.

(3) set and disclose targets with a view to ensuring the minimisation of relevant emissions and pollutants.

Measurement

(a) The corporation measurers and maintains data as to the extent to which its affairs and operations generate Scope 1, 2 or 3 emissions and/or provide Scope 4 emission benefits including:

- greenhouse gases and other concerning emissions;
- waste which may contribute to the ultimate pollution of the environment and/or be planet health threatening..

(b) The corporation analyses and discloses such emission and pollution in its annual financial and directors' report, or other EESG report (as applicable), as well as the initiatives being explored and work being undertaken to better manage and control the extent and/or quality of such emissions and pollutions.

(c) The data collected and disclosed is used by the corporation to benchmark the extent (if any) to which it is delivering year on year improvement to its emissions and pollution outputs, adjusted as appropriate for material production changes which might otherwise distort the integrity of such data in the manner in which it is used.

(d) The corporation sets and discloses targets to be met towards its minimisation of relevant emissions and pollutants.

GUIDANCE	
Primary:	**Environment**
Secondary:	**Emissions and Pollution**
Tertiary:	**Harm Management/Mitigation**

Definition and Context

All commercial corporations, to varying degrees, generate emissions and pollute the environment as part of their operations.

It has been scientifically established that the aggregate of emissions and pollution from government, business and domestic activity is generating adverse green house gases and impacting the environment to such an extent that they are materially contributing to the planet's climate change and materially impacting the natural environment and the sustainment of life on the planet.

To embrace the full scope of emissions and/or pollution for which a business has some responsibility, commonly the nexus of the emissions and/or pollution have been classified as follows:

- Scope 1 - direct emissions from business owned or controlled sources.
- Scope 2 - indirect emissions from the business's operations where a supply has been sourced from a 3rd party (especially power/energy).
- Scope 3 - all other indirect emissions that occur in the business's wider supply/value chain embracing both upstream suppliers and downstream activities.
- Scope 4 - avoided emissions where innovative business practices and products may have the effect of reducing overall emission levels in the supply/value chain.

To avert the adverse outcomes (economic, environmental and social) foreshadowed by scientific analysis of these impacts, it behoves all commercial corporations, to the extent reasonably practicable:

- to beneficially manage emissions and pollution arising from their own operations;
- to beneficially influence the management of emissions and pollution in the industry supply/value chain of which the enterprise forms a part, including by upstream suppliers and downstream customers and activities.

Of particular relevance in the management of:

- emissions, are those relating to CO_2 and other green house gases;
- pollution, are those relating to plastics and other non-biodegradable or planet health threatening products.

Practices

Commercial corporations should:

(1) manage and control their operations and affairs, to the extent reasonably commercially practicable, to reduce both the quantity of their emissions and pollution and/or the harmful quality of their emissions and pollutions;

(2) explore technological and process improvements to its affairs and operations to assist in better managing its emissions and pollution practices and controls;

(3) to the extent reasonably commercially practicable, seek to influence other enterprises in the production/services supply/value chain of which the corporation is a part to better manage and control their emissions and pollution practices and controls;

(4) to the extent to which corporations cannot otherwise practicably eliminate emissions and any polluting impact on the environment of their operations and affairs without fundamental commercial detrimental impact on those operations, they should seek to compensate for such emissions and pollution by earning off-setting "credits" from investment in other, perhaps offsite, mitigating activities and initiatives.

Measurement

(a) The corporation undertakes and discloses the practices and initiatives deployed by it to better manage and control the extent or impact of emissions and pollutants arising from its operations and affairs.

(b) The corporation engages with its supply/value chain partners to see how it may be able to work with them to better manage emission and pollution risks to the environment for overall relevant beneficial outcomes for the supply/value chain as a whole.

(c) To the extent to which the corporation cannot otherwise reasonably practicably eliminate emissions and any polluting impact on the environment from its operations and affairs, the corporation has effected initiatives, and has disclosed those initiatives, which seek to compensate for such emissions and pollution by earning off-setting “credits” from investment in other, perhaps off-site, activities and initiatives.

GUIDANCE	
Primary:	**Environment**
Secondary:	**Water and Energy**
Tertiary:	**Sustainable Sourcing**

Definition and Context

Of all commodities of utility to society, two of particular critical importance are:

- potable water;
- energy.

The availability of these two resources is also of critical importance to the productive output of the businesses of many commercial enterprises whether they be involved in primary production (rural, marine and mining/resources), secondary industries (manufacturing and processing), the tertiary economy (provision of services) or the quaternity economy (provision of communication services and digital enablement).

For many countries and parts of the world, potable water is a precious and limited natural resource, the sustainable availability of which may be dependent on energy inputs for desalination and purification. Dispensable energy is a produced commodity from raw material extraction or collection with its ready availability being geographically source dependent and emission/pollutant problematic unless from a sustainable and/or renewable source (solar/wind/hydro/tidal etc).

Practices

Commercial corporations should:

(1) to the extent reasonably commercially practicable, ensure that the potable water and energy needs and impacts for their business operations are derived from sustainable sources;

(2) to the extent to which corporations current water and energy needs are not derived from sustainable sources, then such corporations should:

- investigate means by which such needs can be more sustainably sourced;
- consider whether the continued operation of their businesses from their current locations places them at a competitive disadvantage or sustainability risk, and if so to strategically address such risk.

Measurement

(a) The corporation measures the cost of it of the provision of potable water and energy as well as its imputed “environment footprint” by reason of the utilisation of such resources derived from their current sources.

(b) The corporation analyses the data from such measurements and benchmarks the same against the costs and “environmental footprint” of its peers.

(c) The corporation uses such analysis in considering business initiatives and process improvements as to how it may better be able to conduct its operations and affairs at a lower cost, with greater assurance of sustainability and with a reduced “environmental footprint”.

GUIDANCE	
Primary:	**Environment**
Secondary:	**Water and Energy**
Tertiary:	**Utilisation Efficiency**

Definition and Context

The efficient use of potable water and energy supplies benefits:

- society due to reduced waste of precious commodities;
- commercial corporations due to improved productivity; and
- end users of the productive output from commercial businesses due to reduced costs likely to be passed on to consumers.

Practices

Commercial corporations should:

(1) manage their businesses to:

- optimise the manner in which and the efficiency with which potable water and energy is utilized in their operations and affairs;
- minimize the extent to which potable water and energy consumed is wasted in their operations;

(2) measure their current consumption of potable water and energy (volumetric and cost) to provide a base level comparison against which initiatives to improve the future efficiency of their use may be benchmarked;

(3) disclose in their annual financial and directors' report, or other EESG report (as applicable), the extent and efficiency of their consumption of potable water and energy;

(4) culturally inculcate within its people a commitment to efficiency of use and minimization of waste of potable water and energy.

Measurement

(a) The corporation has measured and analysed the extent and cost to it of its utilisation of potable water and energy.

(b) The corporation has utilised the data from that measurement in developing initiatives and process improvements to allow it to more productively and efficiently utilise its potable water and energy inputs.

(c) The corporation has disclosed in its annual financial and directors' report, or other EESG report (as applicable), its relative potable water and energy efficiency utilisation metrics.

GUIDANCE	
Primary:	**Environment**
Secondary:	**Sustainability**
Tertiary:	**Circular Economy/Recycling**

Definition and Context

As world population grows and standards of living increase for larger numbers of the world's population (with co-relative greater demand for 21st century developed economy lifestyles), so too does the demand for the world's natural resources which support those standards of living and lifestyles. At the same time advances in machine technologies and robotic manufacturing have driven down costs in the production and distribution of goods, commodities and products as well as service delivery, leading to a "disposable society" mindset. This gives rise to:

- environmental pollution challenges in the disposal of "spent" goods and products; and
- sourcing the raw materials (often relatively finite global resources) which comprise those goods and products at ever increasing costs to access new sources of those raw materials, at more remote locations, at relatively reducing grades of mineral ore and with greater geological/metallurgical challenges.

If "spent" goods and products and/or the raw materials that comprise them can be productively recycled in support of "circular economy" principles then:

- the utilisation of precious and finite raw materials may be extended to multiple generations of application;
- the waste from human activity may be materially reduced with a commensurate reduction in the extent to which such waste may otherwise pollute the natural environment.

Practices

Commercial corporations should:

(1) plan and manage their operations and business processes:
   - to miminise the extent to which and/or the detrimental impact on the natural environment by which such operations and business processes generate waste; and
   - to the extent to which waste is generated, to manage and deal with that waste in such a manner to facilitate its recycling to the extent reasonably commercially practicable;

(2) seek to source raw materials used in their operations and business processes from recycled materials;

(3) innovatively strategise the future growth and development of their businesses to:
   - optimise the prospect of their embracing the circular economy philosophy;
   - minimise the risk of un-recyclable waste generation.

Measurement

(a) The corporation collects and analyses data concerning the:
   - quantity of waste material generated by its operations and affairs;
   - extent to which such waste material reasonably commercially practicably may be able to be recycled.

(b) The corporation uses that data to develop process improvement initiatives to minimize waste generation and to optimise waste recycling practices from its operations and affairs.

(c) The corporation engages and strategically prioritises its dealings with upstream suppliers of raw materials and downstream customers who engage in circular economy practices.

GUIDANCE	
Primary:	**Environment**
Secondary:	**Sustainability**
Tertiary:	**Eco-system preservation**

Definition and Context

Some industries, especially those engaged in the sourcing of products or materials from natural eco-systems, are dependent on the continued availability of that eco-system for their sustainability, including the continuing renewal and replenishment of the relevant product or material.

The depletion of a natural eco-system by its exploitation other than in accordance with long term sustainability principles is likely to have materially detrimental environmental, social and economic ramifications to that eco-system and its sustainable availability.

Practices

Commercial corporations engaged in the sourcing of products or materials from natural eco-systems should:

(1) ensure that their business practices, processes and operations are respectful of that eco-system;

(2) ensure due compliance with any applicable regulatory requirements or industry code of practice standards designed to appropriately manage that eco-system and its exploitation in a sustainable manner;

(3) support both government and industry initiatives to more effectively manage the eco-system including through continuing research as to its properties and sustainability risks.

Measurement

(a) The corporation maintains data concerning its exploitation of any eco-system to assure its compliance with regulatory requirements and industry code of practice standards.

(b) The corporation’s risk management framework includes consideration of eco-system depletion and non-sustainability, and addresses initiatives and mitigating practices by which the corporation seeks to manage the same;

(c) The corporation actively supports and contributes to industry based initiatives to more effectively manage any eco-system relevant to its business and operations including through continuing research.

GUIDANCE	
Primary:	**Social**
Secondary:	**Ethics**
Tertiary:	**Socially Acceptable Values**

Definition and Context

As part of society's conferment of a commercial corporation's "licence to operate", and with increasing transparency of corporate practices through social media and global communication channels, society is holding corporations, and those directors/officers in charge of them, to greater account for their "corporate citizenship", including the values, mores and ethos by which those corporations operate or are guided.

Society will be more inclined to accept and support commercial corporations whose demonstrable values, mores and ethos align with those of society in the place where the corporation does business.

Practices

Commercial corporations should:

(1) formally adopt and culturally inculcate throughout the corporation and its people a set of values, mores and ethos by which its business practices, the conduct of its affairs and the behaviours of its people (on its behalf) are to be conducted;

(2) seek to align (as appropriate) those values, mores and ethos with all applicable legal/regulatory requirements and the generally accepted values, mores and ethos of the community(s) of which it is a part;

(3) hold itself and its people to account against such adopted values, mores and ethos.

Measurement

(a) The corporation has adopted a set of corporate values, along with a complementary code of conduct and other specific policy instruments, to described the values, mores and ethos by which the corporation operates.

(b) The corporation has communicated such values, mores and ethos throughout the organisation and educated its people in their application so as to become culturally normatively accepted as the way the corporation and its people act and behave.

(c) The corporation holds itself and its people to account for conduct or behaviour which is inconsistent with such values, mores and ethos.

GUIDANCE	
Primary:	**Social**
Secondary:	**Ethics**
Tertiary:	**Anti-corruption/Whistleblowing**

Definition and Context

Social mores and expectations are that "corrupt business practices" are not acceptable irrespective of local standards and practices that informally may prevail in the actual place that the business may be transacted.

Corrupt business practices occur where one person (including indirectly through the intermediation of a third party) expressly or implicitly offers or gives, seeks, or accepts or acquiesces in the acceptance of a payment gift, favour or advantage (financial or otherwise) to or from another person:

- to improperly influence the outcome of a dealing or transaction;
- to induce or reward improper conduct;
- to gain any improper commercial, contractual, regulatory, political or personal advantage,

and includes bribery, facilitation payments and inappropriate gift/hospitality benefits.

Increasingly at a global scale, corrupt business practices are not tolerated and expose those engaged in them to significant legal and regulatory enforcement penalties and consequences.

To assist in countering corrupt business practices, regulatory requirements and "good governance" expectations provide a process by which information concerning corrupt and offensive practices may be disclosed and the person(s) disclosing the same may be protected from retribution for so doing ("whistle-blower protection").

Practices

Commercial corporations should:

(1) ensure due compliance by them and their officers and staff with all applicable legislation and regulatory requirements concerning:

- bribery and corrupt practices arising in connection with the corporation's affairs, businesses and operations;
- whistle-blower protection for those who report bribery and corrupt practices and other offensive conduct contrary to the relevant corporation's code of conduct.

(2) ensure their intolerance for bribery and corrupt practices and their commitment to encourage and protect whistle-blowers are communicated throughout the organisation through a process of ongoing education and training;

(3) hold their people, and other businesses (and their people) in their supply/value chain to account for any transgressions constituting bribery and corrupt practices.

Measurement

(a) The corporation has adopted a policy proscribing bribery and corrupt practices for the corporation and for any business or other dealing in which the corporation may be engaged.

(b) The corporation has adopted a policy providing for a process by which a person may disclose and report corrupt or other offensive conduct arising in the corporation's workplace or business practices and for the protection of that person disclosing or reporting from retribution by the corporation or another person.

(c) The corporation has processes and practices by which the policies referred to in (a) and (b) above are:

- communicated throughout the organisation;
- applied and enforced.

GUIDANCE	
Primary:	**Social**
Secondary:	**Human Rights**
Tertiary:	**UN Conventions/Principles**

Definition and Context

Headquartered in Geneva Switzerland, the United Nations Human Rights Council is a United Nations body whose mission is to promote and protect human rights around the globe. Human rights are inherent rights that every person is professed to have regardless of nationality, gender, ethnicity, colour, religion, language, economic, social or any other status. There are 30 stated basic human rights which include: freedom and equality, no discrimination, right to life, no slavery, no torture or inhumane treatment, legal recognition, equality before the law, fair treatment by courts, no unfair detriment, right to trial, presumption of innocence, right to privacy, freedom of movement/residence, right to asylum, right of nationality, right to marry and have family, right to own things, freedom of thought/religion, freedom of expression/opinion, right to assemble, democracy, social security, right to work, right to rest/holiday, right of social service, education, right to culture/art, freedom around the world and right to preservation of rights, as well as duties to the community and being subject to law.

It is the expectation of international conventions that these 30 basic human rights be respected and protected.

Practices

Commercial corporations should respect and give due regard to the UN Human Rights Council's published statement of 30 basic human rights:

(1) in the framing of their governance and management policies, procedures and protocols;

(2) in their conduct and business practices;

(3) in the manner in which they deal with their employees/workers and other stakeholders generally;

(4) in how they seek to influence their supply/value chain relationships with other organisations so that they similarly respect and give due regard thereto.

Measurement

(a) The corporation and those responsible for its governance are aware of the rationale and principles of the UN Human Rights Council's published statement of 30 basic human rights.

(b) The corporation's governance framework, code of conduct and policies, and the underlying procedures, protocols and practices of the corporation and its management personnel in support thereof, respect and give due regard to those 30 basic human rights.

GUIDANCE	
Primary:	**Social**
Secondary:	**Human Rights**
Tertiary:	**Worker/Labour Relations**

Definition and Context

An important interface for any commercial corporation is its relations (formal and informal) with its employees and contract workers which are acknowledged to be a critically vital resource for the business enterprise.

It is appropriate that business enterprises have codes of conduct, policies, procedures and protocols to assist in providing clarity as to expectations of conduct and standards of behaviour while engaged on the corporation's business, and at other relevant times.

Business enterprises also have duties and obligations to employees and contract workers including as to remuneration (and related) entitlements, workplace health and safety, equal opportunity, non-discrimination, freedom to associate, privacy, no slavery and natural justice (to mention but a few). Many of these duties and obligations correlate with the UN Human Rights Council's published statement of 30 basic human rights.

Practices

Commercial corporations should:

(1) ensure that their human resource policies, procedures, protocols and practices:
- are compliant with all applicable legislative and regulatory requirements;
- respect the value to and importance placed by the enterprise on its people;
- reflect community standards and expectations of business conduct in the way the organisation treats its workers;

(2) benchmark their human resource policies, procedures, protocols and practices against industry standards and those of its peers;

(3) remunerate their workers and provide other associated employment benefits at least commensurate with the application of the practices and standards noted in (1) and (2) above;

(4) co-operatively engage with their workers and any unions or other organisations representing their workers in negotiating any industrial agreements and/or workplace conditions to apply.

Measurement

(a) The corporation's human resource policies, procedures, protocols and practices are compliant with all applicable legislative and regulatory requirements.

(b) The corporation has benchmarked its remuneration practices, employment terms and workplace conditions against industry standards and those of its peers to assure that they are fair, appropriate and reasonable.

(c) The corporation maintains records of any workplace disputes or grievances of its workers and seeks to promptly resolve the same (if any) in a timely, expeditious and fair manner;

(d) The corporation has no material outstanding disputes with its workforce generally, or any material division of its workforce, that have not been amicably resolved.

GUIDANCE	
Primary:	**Social**
Secondary:	**Cultural Respect**
Tertiary:	**Anti-Discrimination and Equal Opportunity**

Definition and Context

The UN Human Rights Council's 30 basic human rights contain a number of elements embraced by the concepts of:

- cultural respect;
- equality of opportunity; and
- non-discrimination.

With the contemporary globalization of economic activity and relative freedom of human global migration, more so than ever before governments, institutions, organisations and people of varying traditional cultures, ethnic origins, and nationalities are interacting both as part of their business endeavours and in society.

Legislation and regulatory provisions also proscribe practices which:

- discriminate against people including on account of their nationality, gender, ethnicity, colour, religion, age or other designated status;
- deny people equality of access to opportunities that arise in the workplace and to an extent more broadly in society.

Practices

Commercial corporations should:

(1) adopt as part of their governance related values, codes of conduct and management practices, policies and procedures which foster within the organisation a culture which:
   - promotes equality to opportunity;
   - is intolerant of discrimination and discriminatory practices;

(2) ensure that the corporation's workplace, and the manner in which it operates, does not contain any unintended biases that may inadvertently operate to discriminate or deny equality of opportunity;

(3) ensure that they comply with all applicable legislative and regulatory requirements aimed at the elimination of discriminatory practices and the assurance of equal opportunity (formal or informal) in the workplace.

Measurement

(a) The corporation and its governing body are aware of legislative and regulatory requirements concerning discrimination by it and its people, and the assurance of equal opportunity rights, either in the workplace or as part of its business dealings.

(b) The corporation has adopted a code of conduct and related policies, procedures and practices concerning discrimination and equal opportunity to assure compliance with legislative and regulatory requirements applicable to it.

(c) The corporation's governing body, in furtherance of its oversight responsibilities, receives periodic reports concerning compliance by the corporation and its people with such code of conduct and related policies, procedures and practices relating to discrimination and equal opportunity.

GUIDANCE	
Primary:	**Social**
Secondary:	**Cultural Respect**
Tertiary:	**Diversity/Inclusion**

Definition and Context

Highly credible research analysis has established the commercial and social competitive advantage and benefit that "diversity" can bring to an organisation to enrich its perspective, improve business performance, increase stakeholder value and enhance the prospect of the achievement of the organisation's objectives.

"Diversity" is not confined to diversity of gender and refers to people at all relevant levels of the corporation with a diverse blend of skills, experiences, perspectives, styles and attributes gained from life's journey including on account of culture, ethnicity, gender, age, special attributes or otherwise.

Evolving investor activism and accepted good governance standards are strongly supportive of commercial corporations embracing diversity principles with market driven pressures and prospective sanctions for organisations which fail to embrace diversity (especially diversity of gender).

Further, the commercial and social benefits of an "inclusive" approach for enterprises in their dealings with others is recognised in accepted business management literature and thought/practice leadership academic writings.

Practices

Commercial corporations should:

(1) adopt as part of their values, codes of conduct and policies, procedures and practices which foster within the organisation a culture which:

- values and is inclusive of the contribution that each person has to offer to the corporation from their own personal backgrounds and life's experiences;
- accepts and promotes the benefits of diversity in the workplace, including with respect to upper management, executive and board appointments.

(2) ensure that the workplace and the manner in which it operates does not contain any unintended biases that may inadvertently operate to work counter to principles of inclusion and diversity;

(3) measure the extent of diversity amongst its workforce (at all levels) and set objectives or targets for the organisation to meet in order to better assure diversity and inclusion in the workplace.

Measurement

(a) The corporation and its governing body are aware of and accept the benefits of diversity and inclusion and have adopted values, policies, procedures and practices to better assure such outcomes.

(b) The corporation measurers and discloses in its annual financial and directors' report, or a EESG report (as applicable), the extent of diversity within its workforce (including at relevant sub-levels) and the objectives or targets it has set.

(c) The corporation fosters an inclusive culture within the corporation and its people including by the communication and promotion of its code of conduct and related policies and procedures concerning inclusion and diversity and the leadership displayed by its senior officers and directors.

(d) The corporation's governing body receives periodic reports to assure compliance by the corporation and its people with its diversity objectives and targets and its code of conduct and related policies and procedures.

GUIDANCE	
Primary:	**Social**
Secondary:	**Cultural Respect**
Tertiary:	**First Nation's People/Heritage**

Definition and Context

Cultural respect is a quality that spans many of the 30 basic human rights espoused by the UN Human Rights Council.

Society affords special rights and status to the world's First Nation's People, their connection to country and their customs and traditions.

Society is also respectful of the heritage and legacy value of sites, lifestyle remnants and infrastructure evidencing human civilisation from prior eras.

Commercial corporations in pursuit of their strategic objectives must tread carefully and manage their activities, and the supply chain impacts of those activities, sensitively and respectfully in the context of First Nation's Peoples' rights, customs and traditions and other societal heritage issues, especially where those corporate or business activities may come into conflict with such rights, customs and traditions and heritage values.

Practices

Commercial corporations should:

(1) adopt as part of their values, codes of conduct and policies, procedures and practices which foster an organisational culture which:

- values and is respectful of the rights, customs and traditions of First Nations' People and more broadly society's heritage values and icons; and
- accepts the need for their strategies and operations to be guided, adapted and managed in a manner which is respectful and protective of those rights, customs and traditions and society's heritage values and icons.

(2) ensure they maintain awareness of all relevant First Nations' Peoples' rights, customs and traditions, and society's heritage values and icons that may interface with their activities;

(3) engage appropriately and respectfully with First Nations' People and society where their activities may so interface with a view to resolving any tension arising from that interface and mutually and respectfully agreeing if and how any such tension can be resolved.

Measurement

(a) The corporation and its governing body have a relevant awareness of any First Nations' Peoples rights, customs and traditions, and society's heritage values and icons, that may be impacted, directly or indirectly, by the corporation's activities.

(b) The corporation engages actively and respectfully with any such First Nations' People and society so as to develop and maintain constructive relations to foster continuing dialogue and the prospects of amicable solutions to any tensions that may otherwise arise from the corporation's prospective activities.

(c) The corporation's governance arrangements ensures that any decision taken by or on behalf of the corporation which may impact upon First Nations' Peoples' rights, customs and traditions, or society's heritage values and icons, is taken at an appropriate senior and accountable level within the corporation's governance and delegated authority hierarchy.

GUIDANCE	
Primary:	**Social**
Secondary:	**Health and Safety**
Tertiary:	**Public/Consumer**

Definition and Context

Increasingly, in response to evolving community and electorate expectations and requirements, governments are passing legislative and regulatory enactments which seek to impose greater "duty of care" inspired health and safety obligations and responsibilities upon commercial corporations in favour of their customers and other community stakeholders impacted by the commercial corporation's operations and/or products/services.

In particular, commercial corporations now operate in an environment where:

- any aspect of the enterprise's operations which may impact the health and safety of the "neighbours" of the corporation (i.e. any person affected by them within reasonable proximity or adjacency) gives risk to a responsibility to mitigate that risk and a prospective liability for any loss or damage suffered;
- the goods, commodities, products and/or services produced or provided by the enterprise must be "fit for purpose" and generally free of health and safety risks (except to the extent to which the risks may be patent and inherent to the goods, commodity, product and/or service, and the risks have been disclosed and mitigated to the extent reasonably practicable).

Practices

Commercial corporations should:

(1) be aware of and understand their legislative and regulatory obligations, and liabilities prospectively arising for breaches thereof, concerning health and safety risks to community stakeholders from their business operations, or to consumers and other users of goods, commodities, products and/or services produced or provided by them;

(2) ensure that goods, commodities, products and/or services produced or provided by them are:

- compliant with all applicable relevant legislative and regulatory requirements;
- are fit for purpose with prudential operating instructions or warnings (as appropriate) for their use and/or handling;
- to the extent to which there are inherent risks relating to them, such risks have been mitigated to the extent reasonably commercially practicable including by all appropriate warnings, caveats and correct/prudential instructions as to use;

(3) adopt quality control procedures and practices to minimize the risk of off-spec goods, commodities, products and/or services;

(4) be responsive to any public and/or consumer health and safety concerns or risks relevant to goods, commodities, products and/or services produced or provided by them with a view to promptly addressing the same.

Measurement

(a) The corporation has implemented quality control systems and processes to better assure that its operations and any good, commodities, products and/or services produced or provided by it are unlikely to pose health and/or safety risks to its "neighbours" or consumers of those goods/products and/or services, and are compliant with all applicable legislative and regulatory requirements.

(b) The corporation has taken steps to measure the affect, or risk of affect, of its business operations on the health and/or safety of community stakeholders who may be impacted by such operations, and to the extent relevant, has taken steps to mitigate the same.

(c) The corporation has not been the subject of any adverse goods, commodities, products and/or services judicial finding or regulatory enforcement relating to the health and safety of the public or consumers of its goods, commodities, products and/or services, and to the extent to which it has, the same has been promptly mitigated and addressed.

GUIDANCE	
Primary:	**Social**
Secondary:	**Health and Safety**
Tertiary:	**Workplace/Occupational**

Definition and Context

More so now than at any former times, businesses have materially higher obligations to ensure that their workplaces do not present unmanaged health and safety risks to employees and workers, and that the system of work to be undertaken by the employee or worker is safe and without compromise to their health, at least to the extent reasonably practicable.

Legislation and regulatory requirements reinforce these expectations with material penalties (fines, compensation, shut-down orders and even incarceration of the business's proprietor or officers of the commercial corporation in egregious cases) for non-compliance.

In addition, any business or commercial corporation may also suffer reputational damage should the health and safety of their employees or workers not be respected or be compromised.

Practices

Commercial corporations should:

(1) be aware of and understand their legislative and regulatory obligations, and liabilities prospectively arising for breaches thereof, concerning health and safety risks to their employees and workers due to the conditions of the workplace or the system of work that the employee or worker is expected to work under;

(2) ensure that their workplace premises and the systems of work expected for their employees and workers are safe and healthy, and to the extent reasonably practicable do not pose risk to the health or safety of its employees and workers;

(3) design and implement appropriate education and training programs (including on induction) for its employees and workers concerning their health and safety in the workplace and in the performance of their work roles;

(4) monitor and review the corporation's workplace and work systems to assure their continuing satisfaction of health and safety requirements and minimisation of health and safety risks (to the extent reasonably practicable).

Measurement

(a) Data is collected and reported to senior management and the board (as applicable) concerning workplace and work system risks to employee and worker health and safety including as to:

- workplace/system hazards;
- employee/worker injuries and their severity;
- actions being taken to address the same so that hazards and injuries are contained within reasonably acceptable bounds having regard to regulatory standards and industry best practice benchmarks.

(b) Education and training programs (including on induction) concerning workplace/work system health and safety have been designed and implemented, including periodic refresher programs;

(c) The corporation has not been the subject of any adverse judicial or regulatory orders or enforcement proceedings relating to workplace and/or work system health and safety for its employees and workers.

GUIDANCE	
Primary:	**Social**
Secondary:	**Community Contribution**
Tertiary:	**Financial/Facilities**

Definition and Context

The concept of a commercial corporation's "social licence to operate" had special historical resonance in its application to the mining and resource extractive industries especially where the activity was in socio-economic under developed countries or communities. In exchange for the disruption such business activities posed to the local environment and social community, and in part exchange for the commercial exploitation of the relevant community resource, the commercial corporation, in order to gain the necessary regulatory and community support to the relevant project, was expected to contribute to the betterment of the local community be that:

- employment of the local workers at acceptable rates of pay;
- improvements to the local community infrastructure e.g. clean water, power, telecommunications;
- construction of community education and/or health facilities;
- financial contribution in the form of local taxes, duties or royalties.

The concept has since been broadened to extend to the contribution by any commercial corporation to the community of which it is a part, so as to justify its "licence to operate" and to assure local community support to the continued tolerance of its operations in that community.

Many corporations now contribute generously to various charities, arts organisations, sporting teams/associations and for local community groups, either financially or by way of facilities construction/availability, as part of their "corporate citizenship" contribution.

Such practices typically are also well viewed by the corporation's employees/workers and can assist in making the corporation a more desirable place to work in the eyes of those employees/workers so as to help build a desirable workplace "culture" leading to greater business related productivity.

Practices

Commercial corporations should:

(1) be responsible "corporate citizens" of the community(s) of which they are a part;

(2) determine the interdependency they may have with the community, or parts thereof, in order for them to achieve their strategic objectives;

(3) in a "partnering" role with the community, or parts of it with relevance to the corporation, develop mutually beneficial initiatives and relationships where in return for financial and/or facilities support to the community, or that part of the community with relevance to the corporation:

   - the corporation might enjoy relatively enhanced reputational status amongst its stakeholders;
   - the "corporate citizenship" displayed is well received by the corporation's employees/workers and contributes to the desirability of the corporation as a workplace and/or the "culture" of the workers' commitment to the corporation and/or the productivity of the business;
   - the corporation is less likely to suffer from community objection if to some extent its operations may have some adverse impacts on the local community or its environment.

Measurements

(a) The corporation actively engages with the community of which it is a part and develops relations with key parts of that community with a view to sponsoring initiatives which are appreciated by the community so as to raise the profile, reputation and esteem in which the corporation is held by the community.

(b) The corporation utilizes such community engagement and sponsorship initiatives as a means to also actively engage with its employees/workers so as to foster a constructive workplace culture of teamwork and desirable values through the joint participation of those employees/workers with the corporation in the delivery of community benefits.

(c) The corporation undertakes survey analysis of the community to determine the expectations the community has of the corporation and the effectiveness of the corporation's engagement with the community in promoting its desired "corporate citizen" status.

GUIDANCE	
Primary:	**Social**
Secondary:	**Community Contribution**
Tertiary:	**Time/Talent**

Definition and Context

As part of a commercial corporation's "social licence to operate" and the community's expectation of good "corporate citizenship" by the corporation, in addition to the contribution of financial and/or facility resources, there is the prospect of the contribution for community benefit of the time and/or talent of the corporation's employees/workers.

Often this may take the form of:

- charitable fundraising initiatives (e.g. fun-runs, door knocking, street collection, sausage sizzles)
- voluntary community work and logistics co-ordination (e.g. community events management, packing/sorting food packages or product/clothing welfare donations, public place/environmental clean ups, telephone call-centre support)
- otherwise.

Benefits may also be derived by the corporation from such activities including reputational enhancement, brand association with a worthwhile community cause, workplace cultural development and commitment by the corporation's employees/workers.

Practices

Commercial corporations should:

(1) be responsible "corporate citizens" of the community(s) of which they are a part;

(2) determine the interdependency they may have with the community, or parts thereof, in order for them to achieve their strategic objectives;

(3) in a "partnering" role with the community, or parts of it with relevance to the corporation, develop mutually beneficial initiatives and relationships where in return for the provision of the corporation's workforce to undertake community beneficial work support to the community, or that part of the community with relevance to the corporation:

- the corporation might enjoy relatively enhanced reputational status amongst its stakeholders;
- the "corporate citizenship" displayed is well received by the corporation's employees/workers and contributes to the desirability of the corporation as a workplace and/or the "culture" of the workers' commitment to the corporation;
- the corporation is less likely to suffer from community objection if to some extent its operations may have some adverse impacts on the local community or its environment.

Measurement

(a) The corporation actively engages with the community of which it is a part and develops relations with key parts of that community with a view to sponsoring initiatives and contributing its employees/workers' time/talent to initiatives which are appreciated by the community so as to raise the profile, reputation and esteem in which the corporation is held by the community.

(b) The corporation utilizes such community engagement and sponsorship initiatives as a means to also actively engage with its employees/workers so as to foster a constructive workplace culture of teamwork and desirable values through the joint participation of those employees/workers with the corporation in the delivery of community benefits.

(c) The corporation undertakes survey analysis of the community to determine the expectations the community has of the corporation and the effectiveness of the corporation's engagement with the community in promoting its desired "corporate citizen" status.

GUIDANCE	
Primary:	**Governance**
Secondary:	**Governance Framework**
Tertiary:	**Structures and Responsibilities**

Definition and Context

"Corporate governance has been judicially defined as the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled within corporations. It incorporates the mechanisms by which companies, and those in control, are held to account."

[Justice Owen in the HIH Royal Commission, The Failure of HIH Insurance Vol 1, April 2003 W page XXXIV].

That definition is sound, however it is bland and factual and draws no judgement as to the quality or intended outcomes of the governance.

"Effective Governance" on the other hand speaks in terms of performance, conformance and assurance and has been described as:

"the structures, systems and normative practices (formal and informal) by which:

- quality informed decisions are made and actioned in a timely and effective manner to optimise the corporation's performance outcomes (financial and non-financial) in accordance with its strategic objectives including by effectively managing its risks;
- authority and control is exercised over the corporation, its operations and affairs; and
- the corporation's personnel, including those with responsibility for control of the corporation, are held to account."

A corporation's governance structure, and the acceptance by its governing body or board of responsibility for the effective governance of the corporation is critical.

Practices

Commercial corporations should:

(1) adopt a formal governance framework in the form of a corporate governance charter (or similar) which seeks to address the suggested "effective governance" definition in "Definition and Context";

(2) ensure their boards/governing bodies accept responsibility for the corporation's effective governance and hold themselves to account to their members/stakeholders with respect to the discharge of that responsibility;

(3) benchmark their corporate governance structures and performance of their responsibilities against any applicable regulatory and/or industry standards (e.g. ASX Corporate Governance Council Principles and Recommendations - current edition from time to time).

Measurement

(a) The corporation has adopted a corporate governance framework supported by a corporate governance charter (or similar) which includes details of all material governance related:

- structures; and
- responsibilities of its governing body and members of the governing body;

(b) The corporation's arrangements concerning its governance related structures and responsibilities have been transparently benchmarked against any applicable regulatory and/or industry standards (e.g. ASX Corporate Governance Council Principles and Recommendations – current edition from time to time).

(c) The corporation's directors have accepted responsibility for the corporation's governance by actively ensuring the corporation's adherence to its corporate governance arrangements including its structures and systems, as well as their own responsibilities thereunder.

GUIDANCE	
Primary:	**Governance**
Secondary:	**Governance Framework**
Tertiary:	**Management Accountability/Delegation**

Definition and Context

"Corporate Governance has been judicially defined as the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled within corporations. It encompasses the mechanisms by which companies, and those in control, are held to account."

[Justice Owen in the HIH Royal Commission, the Failure of HIH Insurance Vol 1, April 2003 @ page XXXIV].

That definition is sound, however it is bland and factual and draws no judgement as to the quality or intended outcomes of the governance.

"Effective Governance" on the other hand speaks in terms of performance, conformance and assurance and has been described as:

"the structures, systems and normative practices (formal and informal) by which:

- quality informed decisions are made and actioned in a timely and effective manner to optimise the corporation's performance outcomes (financial and non-financial) in accordance with its strategic objectives including by effectively management its risks;
- authority and control is exercised over the corporation, its operations and affairs; and
- the corporation's personnel, including those with responsibility for control of the corporation, held to account."

Given the scale and scope of business operations of many commercial corporations, the governing body must delegate authority to the organisation's CEO and management team, but must also hold the delegate to the account for the exercise of that delegated authority.

Practices

Commercial corporations should:

(1) adopt a formal governance framework in the form of a corporate governance charter (or similar) which includes arrangements for, and prudential limitations upon, the delegation of authority from the corporation's governing body to its executive and management personnel;

(2) ensure their boards hold the corporation's executive and management teams to account with respect to the exercise of any authority delegated;

(3) implement such internal audit, reporting and assurance regimes so that appropriate controls and checks are maintained with respect to the exercise of delegated authority;

(4) periodically review the corporation's delegated authority arrangements to ensure they remain fit for purpose.

Measurement

(a) The corporation has adopted a corporate governance framework supported by a corporate governance charter (or similar) which includes details of accountabilities and prudential delegated authority arrangements from the governing body to the executive and management team.

(b) The corporation's executive and management teams are held to account by the corporation's governing body for the exercise of any delegated authority to them, and the accountability of the exercise of that delegated authority.

(c) The corporation has in place effective internal audit and reporting processes to better assure the proper exercise and accountability for that exercise of any delegated authority by the executive and management team.

(d) The corporation's governing body periodically reviews the corporation's delegated authority arrangements to ensure their continuing fitness for purpose.

GUIDANCE	
Primary:	**Governance**
Secondary:	**Governance Framework**
Tertiary:	**Transparency/Disclosure/Reporting**

Definition and Context

"Corporate Governance has been judicially defined as the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled within corporations. It encompasses the mechanisms by which companies, and those in control, are held to account."

[Justice Owen in the HIH Royal Commission, the Failure of HIH Insurance Vol 1, April 2003 @ page XXXIV].

That definition is sound, however it is bland and factual and draws no judgement as to the quality or intended outcomes of the governance.

"Effective Governance" on the other hand speaks in terms of performance, conformance and assurance and has been described as:

"the structures, systems and normative practices (formal and informal) by which:

- quality informed decisions are made and actioned in a timely and effective manner to optimise the corporation's performance outcomes (financial and non-financial) in accordance with its strategic objectives including by effectively management its risks;
- authority and control is exercised over the corporation, its operations and affairs; and
- the corporation's personnel, including those with responsibility for control of the corporation, held to account."

As a critical component of corporate governance is the effective management of "agency risk" it is vital that effective governance frameworks have embedded within them principles of transparency, disclosure and reporting.

Practices

Commercial corporations should:

(1) adopt a formal governance framework in the form of a corporate governance charter (or similar) which includes arrangements concerning transparency of the corporation's affairs and disclosure of information to those to whom accountability is owed (subject to necessary confidentiality constraints);

(2) ensure their internal governance arrangements assure the timely disclosure, reporting and provision of information to meet legitimate transparency expectations of those to whom accountability is owed;

(3) implement such systems, processes and cultural values (formal and informal) to assure that the corporation's stated expectations as to disclosure, reporting and transparency are met;

(4) transparently report, by way of accountability, to its members/stakeholders, relevant information concerning the corporation's business and affairs (subject to necessary confidentiality and materiality constraints) and in the case of a listed or continuously disclosing corporation comply with all regulatory and market disclosure obligations.

Measurement

(a) The corporation has adopted a corporate governance framework supported by a corporate governance charter (or similar) which includes statements as to the corporation's disclosure and reporting commitments and expectations:

  - externally to regulators, securities market operators (as applicable) and stakeholders;
  - internally to those within the corporation to whom accountability is owed concerning the performance of any applicable function.

(b) The corporate governance arrangements have been transparently benchmarked and reported on against any applicable regulatory and/or industry standards (e.g. Corporations Act and ASX

Corporate Governance Council Principles and Recommendations – current edition from time to time);

(c) The corporation's corporate governance arrangements have been transparently disclosed and reported on to its stakeholders.

GUIDANCE	
Primary:	**Governance**
Secondary:	**Systems**
Tertiary:	**Policies and Processes**

Definition and Context

"Corporate Governance has been judicially defined as the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled within corporations. It encompasses the mechanisms by which companies, and those in control, are held to account."

[Justice Owen in the HIH Royal Commission, the Failure of HIH Insurance Vol 1, April 2003 @ page XXXIV].

That definition is sound, however it is bland and factual and draws no judgement as to the quality or intended outcomes of the governance.

"Effective Governance" on the other hand should speak in terms of performance, conformance and assurance and has been described as:

"the structures, systems and normative practices (formal and informal) by which:

- quality informed decisions are made and actioned in a timely and effective manner to optimise the corporation's performance outcomes (financial and non-financial) in accordance with its strategic objectives including by effectively management its risks;
- authority and control is exercised over the corporation, its operations and affairs; and
- the corporation's personnel, including those with responsibility for control of the corporation, held to account."

A corporation's governance includes the means by which the organisation's purpose, values and strategies are translated consistently into practice through the organisation's governance and management systems which are enabled and supported by the organisation's policies and processes to better assure communication and consistency of approach across the organisation and its people.

Practices

Commercial corporations should:

(1) adopt an effective suite of governance and management policies, procedures and processes to assist in assuring the translation of the corporation's governance framework into practice;

(2) communicate those policies, procedures and processes throughout the organisation including ongoing training and education of its people not only as to the compliance related detail of them, but also as to their relevance and importance;

(3) ensure that its policies, procedures and processes are documented, are succinct and are easy to navigate, to assist in their comprehension and application;

(4) periodically review and update those policies, procedures and processes to ensure their continuing relevance and fitness for purpose.

Measurement

(a) The corporation has adopted a corporate governance framework which includes details of all material governance related policies, procedures and processes to better assist in the consistent translation of that framework into practice.

(b) The corporation's governance related policies, procedures and processes are documented, succinct and easy to navigate.

(c) The corporation has effectively communicated its policies, procedures and processes throughout the organisation with education and training initiatives (as relevant) implemented for its people to be better informed of them and their application.

(d) The corporation has a regime in place by which such policies, procedures and processes are periodically reviewed to ensure their continuing relevance and fitness for purpose.

GUIDANCE	
Primary:	**Governance**
Secondary:	**Systems**
Tertiary:	**Risk Management**

Definition and Context

High performing commercial corporations are those that are well governed, whose businesses are astutely and competitively planned, managed and operated in furtherance of the corporation's strategic objectives, and which effectively manage those risks which may otherwise impede attainment of those objectives.

Risk is authoritatively defined as:

"the effect of uncertainty on objectives"

which in a strategic sense includes the downside/counter-factual of a desired strategic outcome not being delivered.

Risk management is sometimes referred to as the obverse face of the strategic planning coin. International and national standards (ISO/AS:31000:2018) describes industry accepted principles for organisations to adopt in the form of a risk management framework to guide the organisation in risk identification, analysis and profile weighting and prioritization, leading to risk control, mitigation and treatment initiatives, in the context of the organisation's accepted appetite and tolerance for the relevant risk.

Failure to adequately identify and manage risks is likely to impact adversely on achievement of desired strategic and operational outcomes.

Practices

Commercial corporations should:

(1) adopt and give effect to:

- a risk management policy;
- a risk management framework approach having due regard to ISO/AS 31000:2018;

(2) have clear statements as to their risk appetites and tolerances, as endorsed by their governing bodies;

(3) identify, analyse and prioritise the risks impacting them and their businesses and implement initiatives to manage, mitigate and/or treat those risks in the context of the corporation's accepted risk appetite and tolerance statements;

(4) establish and vest in a committee of the board, oversight responsibility for the corporation's risk management framework and its review from time to time to assure its contemporary relevance and continuing fitness for purpose.

Measurements

(a) The corporation has adopted a risk management policy and an effective risk management framework consistent in all material respects with ISO/AS 31000:2018;

(b) The corporation has clear statements as to its risk appetite and risk tolerance as endorsed by its governing body.

(c) As appropriate, the corporation has established a board committee with clear terms of reference concerning oversight of the corporation's risk management function;

GUIDANCE	
Primary:	**Governance**
Secondary:	**Systems**
Tertiary:	**Remuneration Practices**

Definition and Context

A corporation's remuneration arrangements for its senior executives present an opportunity to incentivise management's focus and encourage behaviours consistent with the corporation's strategic objectives. Depending on how they are structured, the incentivisation can be directed in favour of financial performance outcomes and/or non-financial performance outcomes.

Non-financial performance outcomes commonly include those consistent with EESG principles. Accordingly a corporation with a commitment to EESG principles may wish to include remuneration arrangements for its key management personnel (KMP) conditional against the attainment by the corporation of certain designated EESG performance indicators.

Legislated remuneration reporting requirements for key management personnel (KMP) and requirements for non-binding shareholder voting on a corporation's remuneration report, present as tactical opportunities for ethical investors and ESG activists to agitate and influence a corporation's business operations and affairs consistent with their causes.

Such agitation and influence also have the potential to impact shareholder financial outcomes and value.

Practices

Commercial corporations should:

(1) adopt an effective remuneration governance framework having regard to this Guidance and develop remuneration policies and practices consistent with that framework;

(2) ensure their remuneration arrangements are responsible, market competitive, fair and equitable, and aligned with the corporation's strategic objectives and this Guidance;

(3) structure their remuneration arrangements (especially for its KMP) to incentivise performance outcomes aligned to the corporation's strategic objectives, both financial and non-financial (including EESG as appropriate), by way of base salary and "at risk" remuneration, both short term incentive (STI) and long term incentive (LTI), to be awarded dependent on the satisfaction of key performance indicators (KPIs) that have been agreed in advance;

(4) transparently articulate to the market, its investors and its broader stakeholders the principles upon which is remuneration arrangements are based as well as the relationship between remuneration and corporate performance outcomes, including EESG as applicable), and how it is aligned to the creation of sustainable value to the corporation and its stakeholders.

Measurements

(a) The corporation has adopted an effective remuneration governance framework a well as policies and practices consistent with that framework to assure its application.

(b) The corporation's remuneration's arrangements for its KMP are structured to incentivise performance outcomes aligned to the corporation's strategic objectives:

- financial
- non-financial (including EESG)

by way of base salary and "at risk" remuneration:

- short term incentive (STI)
- long term incentive (LTI)

to be awarded dependent upon the satisfaction of agreed key performance indicators (KPIs).

(c) The corporation's remuneration reporting and accountability to its stakeholders is regulatory compliant and transparent, and explains the relationship between the corporation's approach to remuneration and corporate performance outcomes (including EESG as applicable) and how it is aligned to the creation of sustainable value to the corporation and its broader stakeholders.

GUIDANCE	
Primary:	**Governance**
Secondary:	**Systems**
Tertiary:	**Education and Training**

Definition and Context

The role of education and training in a corporation's EESG setting has several dimensions:

(1) the development of the corporation's employees/workers skills and experience which become embedded in those employees/workers so as to improve the personal worth and capability of those employees/workers for their own future benefit;

(2) through education and training of the corporation's employees/workers, the embedding of enhanced skills, experience and capability in those employees/workers, which enhanced skills, experience and capability are then transferrable and available for the benefit of the community of which the employees/workers are a part;

(3) the development of the corporation's personnel in furtherance of their productive capabilities and application in the performance of their roles for the benefit of the corporation in the pursuit of its strategic objectives, productivity and business outcomes.

Practices

Commercial corporations should:

(1) commit to the development, education and training (on induction and continuing) for its employees and workers to enhance their professional and/or vocational skills, experience and capabilities;

(2) through their human resource management function:

- (a) provide opportunities for development, education and training of their personnel;
- (b) encourage the take up by their personnel of such opportunities;

aligned to the needs of the corporation and for the mutual benefit of the corporation and the employee/worker;

(3) maintain data as to the development, education and training of their personnel for the purposes of:

- (a) human resource assignment in the productive deployment of their personnel;
- (b) recruitment work opportunity promotion and remuneration review practices;
- (c) maintaining safe and healthy workplaces and systems of work;
- (d) evidentiary validation for EESG reporting purposes.

Measurement

(a) The corporation has adopted a policy relating to its commitment to the development, education and training (on induction and continuing) of its employees/workers.

(b) As part of the corporation's human resource function, opportunities for the development, education and training of its personnel are provided and encouraged by the corporation.

(c) The corporation maintains data concerning the development, education and training of its personnel and uses that data in the:

- productive deployment of its personnel;
- recruitment, promotion and remuneration review practices;
- maintenance of safe and healthy workplaces and systems of work; and
- evidentiary validation for EESG reporting purposes.

GUIDANCE	
Primary:	**Governance**
Secondary:	**Culture**
Tertiary:	**Leadership**

Definition and Context

The relevance of culture to corporate performance outcomes must not be underestimated especially in the context of EESG expectations.

Strategy has been described as the formal logic for an organisation's goals, orienting and directing its people towards those goals. Culture on the other hand expresses the values and beliefs that underpin the organisation's pursuit of those goals, guiding its activity through shared assumptions of normative behaviour.

Culture has both a quantitative and qualitative dimension. Qualitatively, the culture needs to be reflective of the organisation's shared values and beliefs which hopefully are reflective of the social ethics and mores of the community served by the organisation. Quantitatively, the culture needs to be shared, pervasive and enduring so as to be embedded throughout the organisation as normative.

Institutions such as the UK Financial Reporting Council and the ASX Corporate Governance Council, and the findings of various Royal Commissions and Authorised Inquiries, have emphasized the importance of organisational culture and the important leadership and oversight role of the organisation's governing body with respect to culture.

Practices

Commercial corporations should:

(1) recognize the importance and value of culture and its alignment with the organisation's purpose, values and strategy to deliver desired sustainable performance outcomes;

(2) develop and clearly articulate the desired culture for the organisation in terms of values and the expected normative behaviours which represent those values;

(3) recognize the importance of "tone from the top" with demonstrable leadership through its senior personnel at all times embodying and displaying the organisation's values and culture by "walking the walk" not just "talking the talk";

(4) instil within its workforce that the organisation's culture is "everyone's responsibility" through the display of personnel leadership.

Measurement

(a) The corporation has developed and has transparently articulated statements of organisational purpose and values against which it is prepared to be held to account.

(b) The corporation's leaders (board, KMP and operational managers) all display "tone from the top" in their behaviours and their decision making by embodying and displaying the organisation's values and culture.

(c) The normative expectation amongst the organisation's personnel is that cultural adherence is "everyone's responsibility" through the display of personnel leadership.

GUIDANCE	
Primary:	**Governance**
Secondary:	**Culture**
Tertiary:	**Values/Practice Alignment**

Definition and Context

The relevance of culture to corporate performance outcomes must not be underestimated especially in the context of EESG expectations.

Strategy has been described as the formal logic for an organisation's goals, orienting and directing its people towards those goals. Culture on the other hand expresses the values and beliefs that underpin the organisation's pursuit of those goals, guiding its activity through shared assumptions of normative behaviour.

Culture has both a quantitative and qualitative dimension. Qualitatively, the culture needs to be reflective of the organisation's shared values and beliefs which hopefully are reflective of the social ethics and mores of the community served by the organisation. Quantitatively, the culture needs to be shared, pervasive and enduring so as to be embedded throughout the organisation as normative.

Organisations, with transparently articulated purposes, values and cultural norms aligned in practice with their strategic objectives and the social mores of the community served by them, enjoy a sustainable competitive advantage to their peers which do not display these attributes.

Practices

Commercial corporations should:

(1) develop and clearly articulate the desired culture of the organisation in terms of the values and the expected normative behavioural principles and practices which represent those values;

(2) align that culture and its associated values and normative behavioural principles and practices with the achievement of the organisation's strategic objectives;

(3) ensure their organisational culture, as reflected in terms of their values and as embedded into the organisation's governance and management systems and practices, is respectful of the generally adopted social mores of the community of which the organisation is a part;

(4) measure, monitor and review its culture and its application in practice to determine its effectiveness and continuing fitness for purpose and suitability.

Measurement

(a) The corporation has developed and has transparently articulated statements of organisational purpose and values against which it is prepared to be held to account.

(b) The corporation has demonstrated how that culture and its associated values and normative behavioural principles and practices:

  (i) align with the achievement of the organisation's strategic objectives; and

  (ii) are respectful of the generally accepted social mores of the community of which it is a part.

(c) The corporation measurers and monitors its culture through its internal audit and HR functions with ongoing analysis and reporting, and periodically reviews its culture and its application in practice to ensure its continuing fitness for purpose, relevance and suitability.

GUIDANCE	
Primary:	**Governance**
Secondary:	**Culture**
Tertiary:	**Normative Behaviour**

Definition and Context

The relevance of culture to corporate performance outcomes must not be underestimated especially in the context of EESG expectations.

Strategy has been described as the formal logic for an organisation's goals, orienting and directing its people towards those goals. Culture on the other hand expresses the values and beliefs that underpin the organisation's pursuit of those goals, guiding its activity through shared assumptions of normative behaviour.

Culture has both a quantitative and qualitative dimension. Qualitatively, the culture needs to be reflective of the organisation's shared values and beliefs which hopefully are reflective of the social ethics and mores of the community served by the organisation. Quantitatively, the culture needs to be shared, pervasive and enduring so as to be embedded throughout the organisation as normative.

The desired culture should be embedded throughout the organisation's governance and management systems, policies and procedures so as to become engrained and normative practice in the behaviours and decision making of the organisation and its people, as part of a continuous self-sustaining outcome.

Practices

Commercial corporations should:

(1) recognize the importance and value of culture and its alignment with the organisation's purpose, values and strategy to deliver desired sustainable performance outcomes;

(2) develop and clearly articulate the desired culture for the organisation in terms of values and the expected normative behaviours which represent those values;

(3) embed the culture throughout the organisation so as to become engrained and normative in the organisation's decision making and behaviours of its people, including by:

  (a) its translation into the organisation's systems, policies, procedures and practices;

  (b) its effective communication;

  (c) reinforcement by appropriate education and training; and

  (d) incentivisation support and non-compliance enforcement discipline.

Measurement

(a) The corporation has translated its cultural values into a set of behavioural principles and practices that it expects to be reflected in the normative behaviours and conduct of its people.

(b) The corporation has adopted and implements systems and processes to ensure the organisation's culture is:

  (i) translated and embedded throughout its governance related systems, policies, procedures and practices;

  (ii) communicated to its people;

  (iii) reinforced through education and training;

  (iv) supported by compliance incentives and non-compliance enforcement disciplines; and

  (v) normative in the behaviours of its people and their decision making on behalf of the organisation.