The state of 'S' reporting in ESG: Locating opportunities for unlocking corporate social impact

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Foreword

Corporate sustainability reporting continues to evolve alongside shifting global perspectives on ESG priorities. As organisations prioritise statutory climate-related financial disclosures, their focus on social (S) topics has declined. S topics can be simply defined as ensuring diversity, equity and inclusion (DEI) and keeping people safe and healthy within the workplace, or more broadly, in the activities companies contribute directly and indirectly to strengthen local communities.

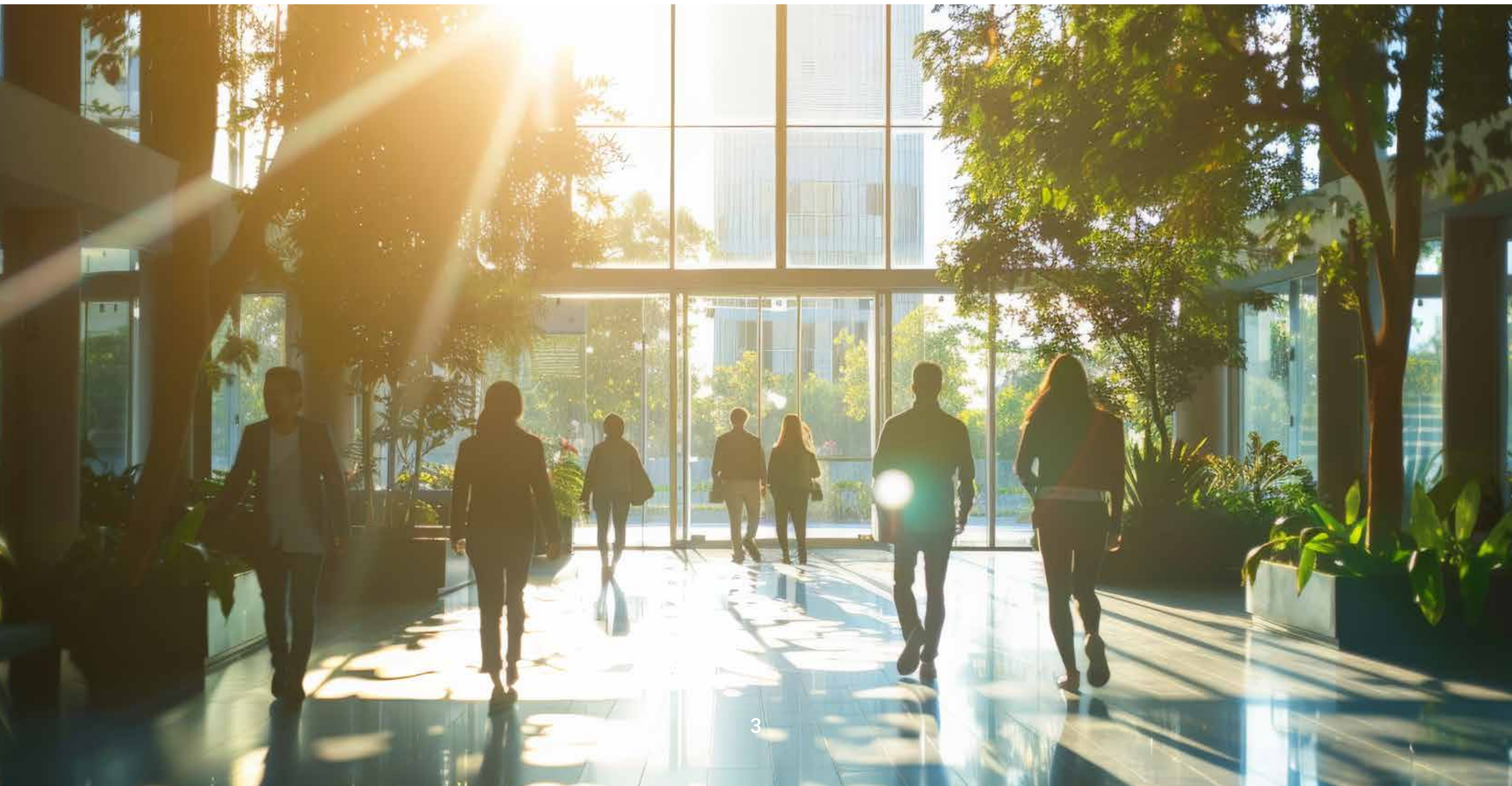
Globally, there have been forces both pushing for more transparency on social disclosures and investment in company social performance, and those pulling away by questioning or withdrawing from the need to prioritise such policies. Currently, the public policy pendulum may be pulling away from DEI, at least in the US.

Our examination of ASX 100 and private company reports, using GRI social indicators, shows Australian organisations maintain comprehensive social impact reporting practices across public and private sectors, with notable emphasis on diversity, equity, and inclusion initiatives. These patterns align with global metrics analysis, including the HEC S&P assessment, indicating a maturity in reporting approaches that spans regional boundaries. And many other studies have also shown positive correlations with financial performance or ratings.

From our analysis, we observe some degree of convergence across S topics that are reported, presenting an opportunity to develop standardised reporting frameworks that will enhance consistency and comparability across sectors. Ultimately, improving the measurement and delivery of social benefits for corporations and their stakeholders.

However, the growing concern about 'purpose washing' - where organisations potentially overstate their social benefits – highlights the potential value for corporate reporters of social impact to draw on lessons and insights from the nonprofit sector, where S reporting is often mandated by funders. The nonprofit sector has long shown that effective reporting requires solid baseline data, methodological transparency, and systematic data collection.

In this report we begin this multi-part investigation by firstly establishing a clear picture of the focus of S reporting, identifying 'S' gaps, and making suggestions about S reporting for Scope 1,2 and 3 boundaries. Setting a challenge for companies to move beyond, and to better generate and sustain a social license to operate.



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Introduction

Australia entered a new era of corporate sustainability reporting on 1 January 2025, as climate-related risk reporting became mandatory for the first time. As of this date, large entities are required under an amendment to the Corporations Act (2001), passed in September 2024, to comply with the Australian Sustainability Reporting Standards for Climate-Related disclosures (AASB S2).

The Australian Sustainability Reporting Standard set the voluntary (AASB S1) and mandated (AASB S2) guidelines and requirements for certain entities under the changed Corporations Act 2001. The Standard AASB S2 "requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term".[1] It provides specific guidance on:

> How to report the effect of climate-related risks on a company's financial position

> Required risk assessment factors

> Climate-related metrics, including specific metrics for greenhouse gas emissions.

The statutory requirements currently only mandate climate-related financial disclosures. However, this limitation is likely to be temporary, with the Government indicating it is taking a 'climate first, but not only' approach, anticipating the legislation will establish an "enduring framework for future sustainability-related financial disclosures".[2] Meanwhile, voluntary sustainability reporting on other aspects of Environmental, Social and Governance (ESG) performance can continue under guidance from the AASB S1, which is currently voluntary. What will motivate companies to continue or commence disclosing social and governance information remains to be seen.

In this report, we draw on analysis of how ASX100 companies had voluntarily reported on their Social (S) performance to see what is most reported and compare this with similar global analysis. Drawing comparisons with the mandating of standards for climate disclosures, we identify several gaps that companies could consider addressing to standardise their S reporting and move beyond inherent social benefits.

1.1 Current trends in sustainability reporting

Voluntary sustainability reporting and the landscape of ESG frameworks is complex, with organisations navigating through more than 2,677 related policies globally.[3] These policies include reporting indicators, frameworks, guidelines, standards, ratings and international benchmarks. Recent developments have brought significant changes to simplify this landscape. The consolidation of three key frameworks[4] under the International Financial Reporting Standards (IFRS) Foundation marks a historic shift toward global standardisation.

KPMG's 2022 survey[5] of the world's largest 250 companies described how the bulk of companies (96%) reported on their sustainability performance. The majority emphasised climate change as high risk (64%), which is unsurprising given that companies were rapidly adopting Taskforce for Climate-related Financial Disclosures standard. In addition, there was in increased focus on biodiversity risks due to the emerging Task Force on Nature-related Financial Disclosures (TNFD). Almost half (49%) of companies understood social issues as business risks.

[1] https://aasb.gov.au/news/australian-sustainability-reporting-standards-aasb-s1-and-aasb-s2-are-now-available-on-the-aasb-digital-standards-portal/

[2] https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22legislation%2Fems%2Fr7176_ems_dd1e1136-f342-4dbf-8eae-9db60d977f84%22
Climate-related financial disclosures will become mandatory for certain corporations starting 1 January 2025. The Australian Sustainability Reporting Standard (ASRS) are set by the Australian Accounting Standards Board, and assurance standards issued by the Australian Auditing and Assurance Standards Board.

[3] Source: Chalmers, Adam William, Robyn Klingler-Vidra, Peter Paul van de Wijs, Margarita Lysenkova & Cornis T. Van der Lugt (2024). Carrots & Sticks: 2024 Annual Report. University of Edinburgh, King's College London, Global Reporting Initiative (GRI), and the University of Stellenbosch Business School (USB). Available at: https://www.carrotsandsticks.net/.

[4] The **International Sustainability Standards Board (ISSB)** provides overarching sustainability reporting standards, develops global baseline standards for sustainability disclosure; the **Sustainability Accounting Standards Board (SASB)** focuses on industry-specific sustainability metrics, helps companies identify and report on material sustainability topics; the **Task Force on Climate-related Financial Disclosures (TCFD)** was established in 2015 to improve and increase reporting of climate-related financial information.

[5] KPMG (2022) "Big Shifts, Small Steps: Survey of Sustainability Reporting 2022".
Available at: https://kpmg.com/xx/en/home/insights/2022/09/survey-of-sustainability-reporting-2022.html

1.2 The environmental-social reporting gap

Environmental reporting has dominated corporate sustainability efforts since the 1980s, while social dimensions have received less attention. Historical analysis[6] shows:

> Early corporate social responsibility focused on social issues

> A shift toward environmental emphasis occurred from the 1980s

> Climate change now dominates shareholder resolutions

> Social issues lack comprehensive disclosure frameworks

> Recent evidence suggests growing interest in social dimension reporting, particularly in the banking sector.

1.3 Our research focus

At the UNSW Centre for Social Impact (CSI), we define social impact as the effects of an organisation's actions and innovations on stakeholders and society at large. These actions and innovations are driven by strategic initiatives and measurable outcomes. Given the recent focus on 'E' topics in the forms of climate-related financial disclosures, our research aimed to delve into the 'S' topics'.

Considering the gap in S disclosure frameworks, the growing interest in S reporting, and the future potential of mandated S reporting under the new Australian legislation, CSI's research examined the current state of play.

We explored how Australian companies in the ASX100, and a selection of large private companies,[7] report on social sustainability through the lens of the Global Reporting Initiative (GRI) social topics ('S' topics). We investigated:

1 The 'S' topics companies prioritised in their reporting

2 The depth and quality of 'S' disclosures

3 The scope of reporting across: internal activities (Scope 1), immediate supplier interface (Scope 2), and broader value chain activities (Scope 3).

As mandatory sustainability reporting takes effect with a focus on the 'E' – climate-related financial disclosures of risks and opportunities – we reflect on learnings from the 'E' that can be applied to 'S' reporting challenges and its future evolution. We propose how a company's social impact and positive contribution to sustainable futures can manifest through all of E, S and G factors.

1.4 Applying the GRI to explore 'S' topics

The Global Reporting Initiative (GRI), founded in 1997, has emerged as the most widely adopted sustainability reporting framework globally.[8] In 2024, KPMG identified that 72% of ASX100 companies that engaged in sustainability reporting had adopted the GRI standard. According to the GRI itself, the standards are used by more than 14,000 organisations in over 100 countries.[9]

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6 Bosi, M., Lajuni, N., Wellfren, A., and Lim, T. (2022). Sustainability Reporting through Environmental, Social, and Governance: A Bibliometric Review. Sustainability. 14. 10.3390/su141912071.Brooks, C. and Oikonomou, I. (2018). "The effects of environmental, social and governance disclosures and performance on firm value: A review of the literature in accounting and finance". The British Accounting Review, vol. 50, no. 1, pp. 1-15, https://doi.org/10.1016/j.bar.2017.11.005; Moufty, S., Al-Najjar, B. and Ibrahim, A. (2024). "Communications of sustainability practices in the banking sector: Evidence from cross-country analysis". International Journal of Finance & Economics, vol. 29, no. 1, pp. 135-161. https://doi.org/10.1002/ijfe.2679; Raghupathi, V., Ren, J. and Raghupathi, W. (2020). "Identifying Corporate Sustainability Issues by Analyzing Shareholder Resolutions: A Machine-Learning Text Analytics Approach". Sustainability, vol. 12, no. 11: 4753. https://doi.org/10.3390/su12114753.

7 Private companies were extracted from the IBIS world database. We extracted the Top 100 private companies by total annual revenue (2023) and looked to identify which companies had a sustainability report publicly available. Of the Top 100, 19 had a publicly available sustainability report and so were included in the analysis.

8 The GRI reporting standards have evolved over time and are now developed by the GRI Global Sustainability Standards Board (GSSB) which is a 15-member independent operating entity under the auspices of GRI. The most recent edition of the standards, featuring the addition of Universal Standards, was released in 2021. The complete set of standards includes the Universal Standards (GRI1), the Sector Standards (GRI 2), and Topic Standards (GRI 3).

9 Global Reporting Initiative (2024) "Catalyst for a sustainable world", webpage. Available at: https://www.globalreporting.org/about-gri/

The GRI framework has many benefits,[10] but for assessment of social impact, and in the context of the new Australian legislation, it is unique as:

1 Unlike many other ESG frameworks, it is consistent with the principle of double materiality. Double materiality, distinct from traditional determinations of materiality in accounting, implies that a company should report on ESG matters not only when these factors have a direct effect on its financial performance, but also where their broader societal impact is significant. Thus, where frameworks might focus solely on how environmental or social issues affect a company's bottom line, the GRI requires organisations to assess and report on how their operations impact stakeholders, society, and the environment. For example, when reporting on labour practices, GRI guides companies to consider both the financial risks of poor labor relations and their company's own impact on workers' lives and communities.

2 It is one of two sources of additional guidance recognized under AASB S1 (see Appendix C of the Standard). Under the Standard, entities can refer to the GRI if they deem a sustainability-related risk or opportunity material that is not covered elsewhere in an Australian Sustainability Reporting Standard (ASRS).

In Australia, 97% of ASX100 firms reported on sustainability in some form in 2024,[11] with around 67% of these obtaining external assurance over sustainability information. The most frequently reported item was climate risk, at 90%, with firms making increasing reference to the ASRS climate reporting standards as the date for mandatory disclosures approached. It is noted that this reporting almost exclusively takes the form of narrative description rather than quantitative data. While social risks were the most often identified form of ESG risk in 2023, the number of firms reporting on these risks dropped from 84% to 79% in 2024. Presumably these trends are due to companies anticipating the mandated climate-related disclosures which came into effect in 2025.

[10] The framework's effectiveness is further strengthened by its open access nature, stakeholder consultation processes, and alignment with the UN Principles for Responsible Investment. We suggest these, coupled with its robust quality assurance mechanisms, makes GRI particularly valuable for organisations seeking to demonstrate genuine commitment to sustainability and social responsibility.

[11] KPMG (2023) "Status of Australian Sustainability Reporting Trends: December 2024 Update". Available at: https://kpmg.com/au/en/home/insights/2024/11/sustainability-reporting-survey-2024.html.

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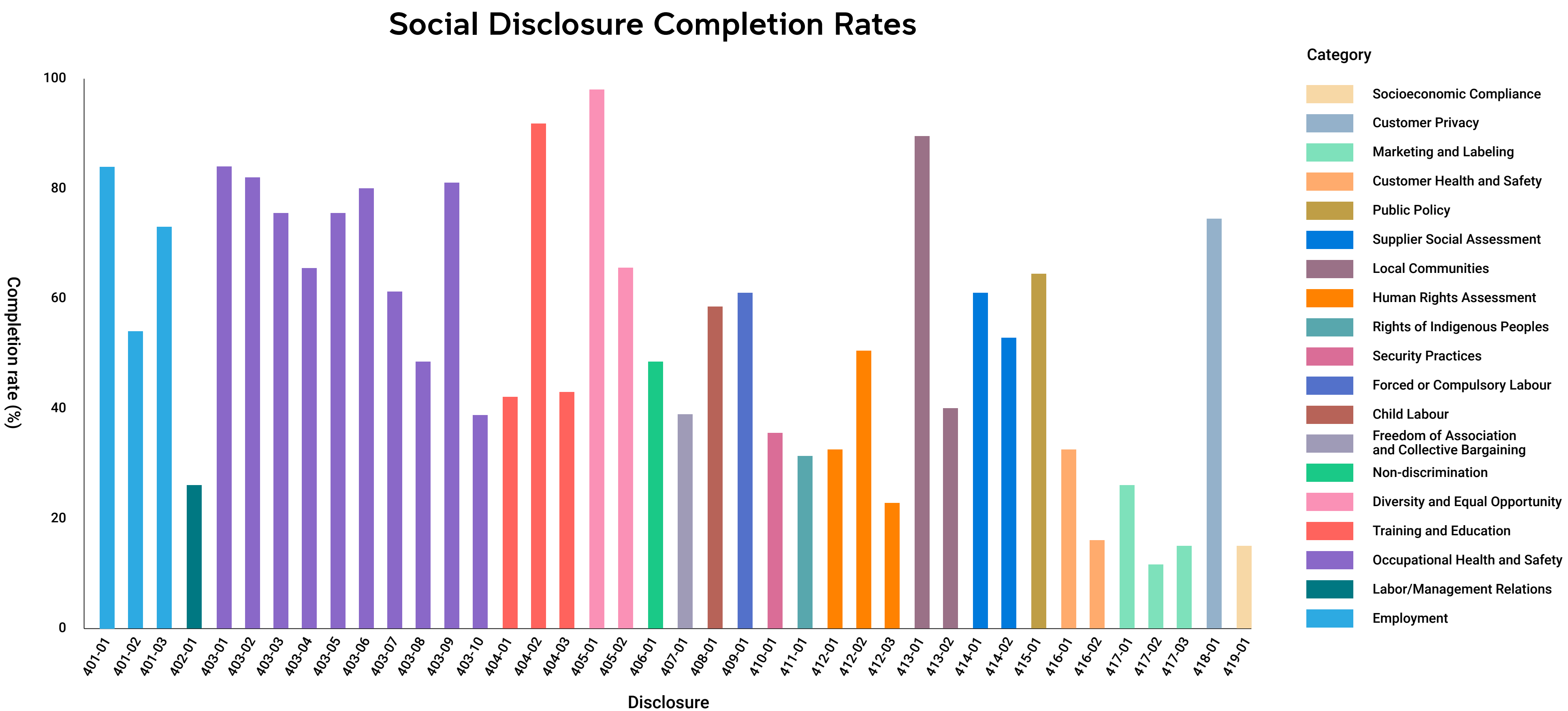
Our analysis: ASX100 Reporting on the 'S' in ESG

2.1 The focus of 'S' topics - ASX100 Companies

We viewed the reports of companies in the ASX100 for FY2023 and assessed them against the GRI Disclosures Analytical Framework to delve into how 'S' topics were reported.[12]

On average, companies reported against 55.4% of the full set of 'S'-related GRI Disclosures (or 22 out of the 40 topics).[13] Figure 1 below shows the level of reporting for each of the 'S' indicators in our framework.

Figure 1: ASX100 companies: frequency of reporting of each 'S' measure



[12] Within the ASX100, 93 companies provided sustainability reporting so are included in the CSI review. For a detailed explanation of the methodology we used, see Appendix 1.

[13] Details of reporting by industry sector is provided in Appendix 1.9

2.2 The depth and quality of 'S' topic reporting of 'S' – ASX100 companies

2.2.1 The most common 'S' disclosures

The most reported-on disclosures include a diverse group of topics, although there is a significant emphasis on employment and other matters internal to the corporation. The most frequent disclosures (with share of firms reporting) are as follows:

> Diversity of governance bodies and employees: 401-01 Diversity & EO (97.85%)

> Programs for upgrading employee skills and transition assistance programs: 404-02 Training & Education (91.40%)

> Operations with local community engagement, impact assessments, and development programs: 413:01 Local Communities (89.25%)

> New employee hires and employee turnover: 401-01 Employment (83.87%)

> Occupation health and safety management system: 403-01 Occupational Health & Safety (83.87%)

> Hazard identification, risk assessment, and incident investigation (Occupational Health & Safety).

Disclosure 405-01, which concerns the Diversity of governance bodies and employees, has the highest reporting rate, being included in reports for 97.85% of the companies in the set.

While the GRI Standards provide a framework for assessing a corporation's impacts, they are not prescriptive as to the evidence base required or how corporations should report against each topic. To understand what type of information is being reported against each dimension and the depth of the disclosures, we undertook a further qualitative review of each annual report.

The diagram below highlights the main topics reported. Details of the type of information provided for each of these topics, with examples and quotes from company reports provided in Appendix 2. An important observation from our review of these examples is the limited nature of reporting against the one non-employment related topic in the set: *413-01: Operations with local community engagement, impact assessments, and development programs*. The evidence presented for this topic tends to extend no further than charitable contributions and donations to community programs. The GRI topic envisages a deeper and more structured engagement with local communities, including impact assessments and development programs.

Figure 2: Main topics for the most reported 'S' topics in the ASX 100 2023 Company Report Analysis

405-01: Diversity of governance bodies & employees

> Implementing gender targets & action plans
> Offering mentorship & sponsoring programs
> Celebrating diversity through events & awareness campaigns
> Providing training & education on diversity & inclusion

404-02: Programs for upgrading employee skills and transition assistance programs

> Programs for upgrading employee skills & transition assistance programs
> Leadership development programs
> Technical & job-specific training programs
> Mentoring & coaching programs
> Digital learning platforms & resources

413-01: Operations with local community engagement, impact assessments, and development programs

> Supporting local charities & community organisations
> Offering education & training programs
> Employee volunteering & skills-based support
> Promoting health & wellbeing
> Engaging with Indigenous communities
> Disaster relief & recovery efforts

401-01: New employee hires and employee turnover

> Employee training & development programs
> Diversity and inclusion initiatives in recruitment and retention
> Employee engagement surveys and feedback mechanisms
> Talent identification & succession planning
> Graduate and internship programs

403-01: OHS management system

> Regular inspections & audits
> Employee training & education programs
> Incident reporting & management systems
> Contractor safety management
> Health & wellness programs
> Leadership safety observations & engagement
> Critical risk management program
> Employee Assistance Programs

403-02: Hazard identification, risk assessment, and incident investigation

> Employee training & development
> Comprehensive risk assessment & management systems
> Specific hazard identification & control programs
> Incident reporting & investigation procedures
> Focus on mental health & psychosocial risks
> Use of technology & data in risk management

2.2.2 The least common ‘S’ disclosures

The least reported ‘S’ topic is 417-02: Incidents of non-compliance concerning product and service information and labeling which appears in only 11.83% of company reports. The other least reported topics are:

> Non-compliance with laws and regulations in the social and economic area: 419-01 Socio-economic compliance (13.98%)

> Incidents of non-compliance concerning marketing communications: 417-02 Marketing & Labelling (15.05%)

> Incidents of non-compliance concerning the health and safety impacts of products and services: 416-02 Customer Health & Safety (16.13%)

> Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening: 412-03: Human Rights Assessment 22.58%)

> Minimum notice periods regarding operational changes: 402-01 Labour/Management Relations (25.81%)

> Requirements for product and service information and labelling: 417-01 Marketing & Labelling (25.81%).

The disclosure subcategory Marketing & Labelling features prominently with three disclosures on the list of least reported, including the single least-reported measure *417-02*.

Qualitative analysis of the evidence base being presented for each of these least reported topics to find the common themes, with detailed examples, is provided in Appendix 2. Two observations stand out from a review of these examples:

> Some companies are recognising the risk of greenwashing in their reporting against *Disclosure 417-02: Incidents of non-compliance concerning product and service information and labelling*. While this is currently one of the least reported Disclosures, ASIC’s focus on greenwashing in relation to financial products should mean that the risk of greenwashing is of increasing materiality for some companies.

> The importance of applying a human rights lens to organisations in the supply chain and monitoring issues of modern slavery has been recognised by some companies within *Disclosure 412-03: Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening*. The establishment of the national Modern Slavery Reporting Requirement for large corporations, and the consolidation of Disclosure 412 into the 2021 GRI Universal Standards, should mean that human rights issues are elevated further in future corporate reporting.

Figure 3: ASX100: Main topics for the most reported 'S' topics in the ASX 2023 Company Report Analysis

417-02: Incidents of non-compliance concerning product & service information and labelling

- Customer advocacy & awareness
- Addressing greenwashing risks

417-01: Requirements for product & service information & labelling

- Providing clear & transparent product information
- Responsible product labeling & packaging
- Ensuring product safety & compliance

417-03: Incidents of non-compliance concerning marketing communications

- Responsible marketing practices

416-02: Incidents of non-compliance concerning the health & safety impacts of products and services

- No significant incidents of non-compliance

419-01: Non-compliance with laws and regulations in the social & economical area

- Risk management & monitoring
- Stakeholder engagement & grievance mechanism

412-03: Significant investment agreements & contracts that include human rights clauses or that underwent human rights screening

- Conducting human rights assessments on suppliers
- Incorporating human rights provisions in agreements
- Expanding mental health services

402-01: Minimum notice periods regarding operational changes

- Compliance with local legislation & agreements
- Providing appropriate notice for significant operational changes

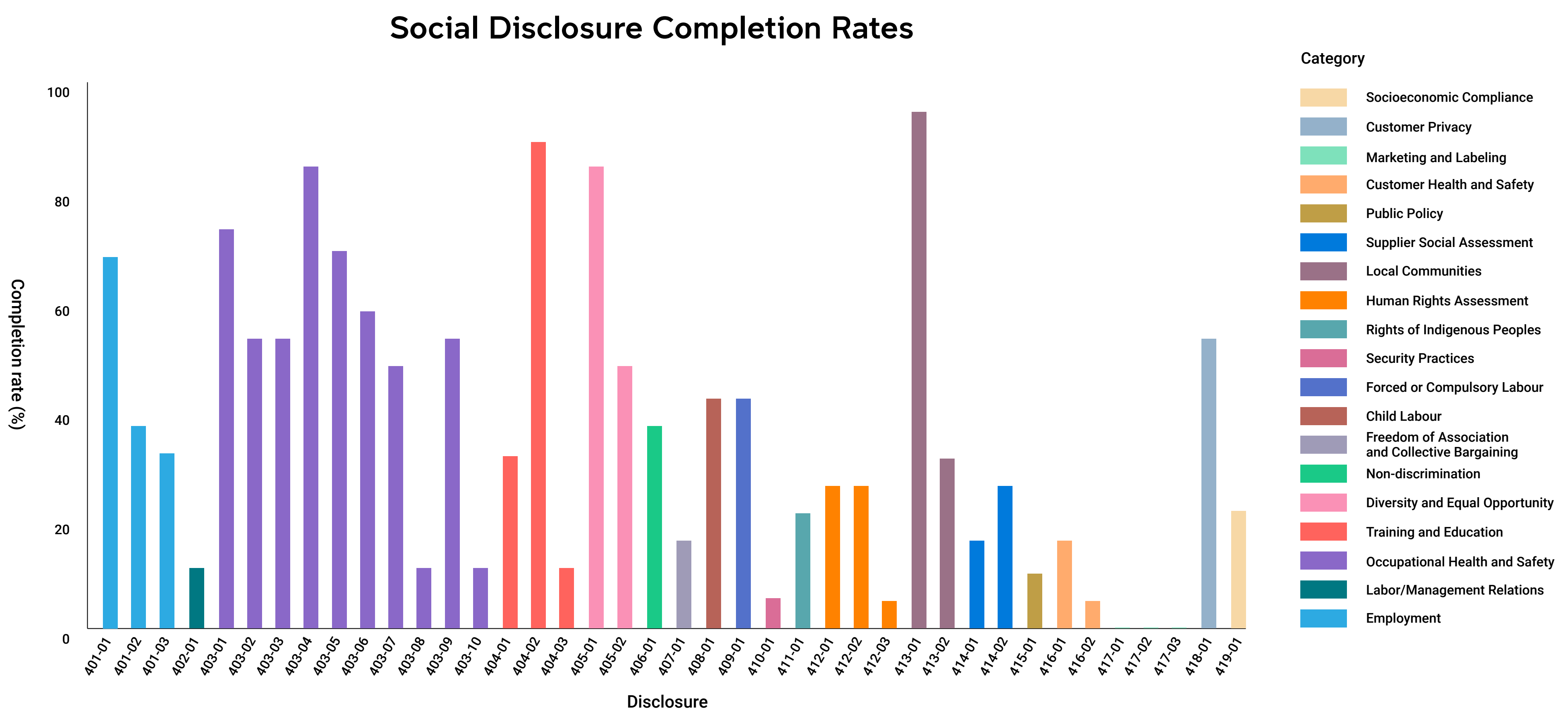
2.3 A comparison with top private companies: ‘S’ topic focus

To broaden our assessment, we reviewed the reports of 19 large private companies, using their most recent publicly available reports.

2.3.1 The focus of reporting on ‘S’ topics – Private Companies

On average, the 19 private companies in our sample provided reporting against 35.4% of the set of ‘S’-related GRI Disclosures (or 14 out of the 40 topics). The figure below shows the level of reporting for each of the ‘S’ indicators in our framework.

Figure 5: Private companies: frequency of reporting of each ‘S’ topic



2.3.2 The depth and quality of reporting of ‘S’ topics – Private Companies

The most reported ‘S’ disclosures

The most reported ‘S’ topics for the private companies in our dataset are broadly similar to those for public companies, with a few minor differences:

> Operations with local community engagement, impact assessments, and development programs: 413-01 Local Communities (18%)

> Programs for upgrading employee skills and transition assistance programs (Training & Education)

> Worker participation, consultation, and communication on occupational health and safety (Occupational Health & Safety)

> Diversity of governance bodies and employees (Diversity & Equal Opportunity)

> Occupation health and safety management system (Occupational Health & Safety)

> New employee hires and employee turnover (Employment)

> Worker training on occupational health and safety (Occupational Health & Safety).

In both lists, all the top items belong to the five categories of ‘Local Communities’, ‘Training & Education’, ‘Occupational Health & Safety’, ‘Diversity & Equal Opportunity’, and ‘Employment’. Private companies are more likely to report on their investments in the local community and development programs.

All the items from the ASX100 list appear in the private list except for *403-02: Hazard identification, risk assessment, and incident investigation*. The Private companies tend to have a different emphasis on occupational health and safety as two items that appear on the private list and not on the ASX100 list both relate to that category:

> Worker participation, consultation, and communication on occupational health and safety

> Worker training on occupational health and safety.

This suggests that while both private and public companies prioritise reporting on occupational health and safety, they have slightly different emphases in how they do so. Hazard identification, risk assessment, and incident investigation reporting (commonly reported on by the ASX100 companies) is slightly more outcomes-focused and likely requires a higher level of data and analysis than reporting on training and communications, so this difference may reflect the typically greater resources available to – and greater scrutiny faced by – public companies.

Qualitative analysis of the evidence base being presented for each topic most commonly disclosed, reveals the themes for which information was reported (are set out in Figure 6, below), with detailed examples provided in Appendix 2.

Figure 6: Private companies: main topics for the most reported 'S' topics w

413-01: Operations with local community engagement, impact assessments, & development programs

> Indigenous Community Partnerships & Reconciliation

> Enabling staff volunteering

> Grants & support for community groups

403-04: Worker participation, consultation, & communication on occupational health and safety

> Mental health & wellbeing program

> Structured safety training & education

> Employee resource groups & peer support

> Health-focused events and campaigns

405-01: Diversity of governance bodies and employees

> Conducting human rights assessments

> Gender diversity targets

> Formal diversity & inclusion frameworks

> Employee resource groups and networks

> Early career & pipeline development

404-02: Programs for upgrading employee skills and transition assistance programs

> Leadership development programs

> Digital learning platforms & e-Learning

> Graduate & early career programs

> Sustainability & ethical conduct training

403-05: Worker training on occupational health & safety

> Comprehensive safety induction & compliance training

> Mental health & cultural safety training

403-01: Occupation health & safety management system

> Safety first corporate values & culture

> Formal safety governance systems

> Holistic approach to safety

401-01: New employee hires and employee turnover

> Graduate programs & development pathways

> Diversity & inclusion initiatives in recruitment

The least reported 'S' disclosures

The list of the least common 'S' items reported on for private companies differs from the public list in terms of individual items, but similar patterns emerge. The least reported disclosures are:

> Assessment of the health and safety impacts of product and service categories: Customer Health & Safety (10.53%)

> Minimum notice periods regarding operational changes: Labour/Management Relations (10.53%)

> Workers covered by an occupational health and safety management system: Occupational Health & Safety (15.97%)

> Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk: Freedom of Association & Collective Bargaining (15.79%)

> New suppliers that were screened using social criteria: Supplier Social Assessment (15.79%)

> Non-compliance with laws and regulations in the social and economical area: Socio-economic compliance (21.05%)

> Incidents of violations involving rights of Indigenous peoples: Rights of Indigenous Peoples (21.05%).

Items under the categories of 'Socioeconomic Compliance', 'Labour/Management Relations', and 'Customer Health and Safety' appear in both lists. The least reported items for both private and public companies tend to be those for which it is more difficult to collect data and those which may attract a greater degree of controversy, particularly the less-regulated aspects of labour relations and incidents of non-compliance.

2.4 The scope of reporting on 'S' topics

Beyond the level of 'S' reporting, we looked to understand the scope of the disclosures and the reach of the activities being reported on.

Drawing on learnings from the 'E' and mandated climate-related financial disclosures, we drew on the Greenhouse Gas (GHG) Protocol, a global framework that is commonly used as the basis for environmental reporting of GHG emissions. The GHG Protocol categorises emissions across three levels: Scope 1 are direct greenhouse emissions that occur from the company's own sources, such as fuel combustion in furnaces or vehicles; Scope 2 are indirect emissions associated with the purchase of electricity, steam, heat or cooling; Scope 3 emissions are the result of activities from assets not owned or controlled by the company but that the company indirectly affects in its value chain, either upstream or downstream.[14]

If similarly applied to 'S' disclosures, the following categories could apply:

> **Scope 1:** social measures that are directly related to a company's internal activities

> **Scope 2:** measures related to activities that occur at the interface of the company and its immediate suppliers

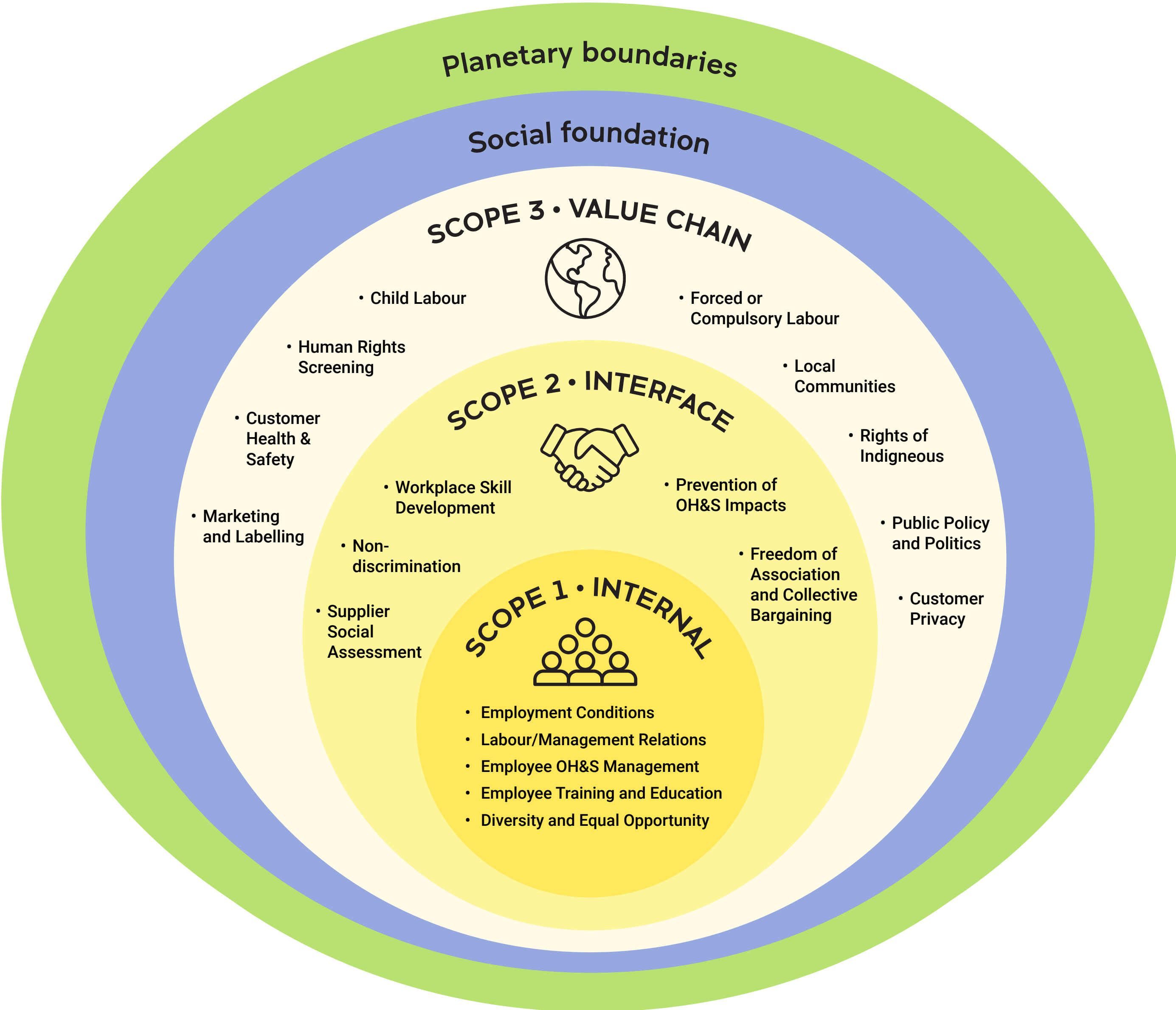
> **Scope 3:** measures that relate to activities that occur more broadly, along the company's value chain.

We then used these labels to categorise GRI S' disclosures. Our framework is presented in the figure below.[15]

[14] EPA Center for Corporate Climate Leadership (2024). "Scopes 1, 2 and 3 Emissions Inventorying and Guidance". Available at: https://www.epa.gov/climateleadership/scopes-1-2-and-3-emissions-inventorying-and-guidance.

[15] We have developed this draft framework to develop a more nuanced understanding of social disclosures and in this way to advance public discussion of 'S' topics. We anticipate developing this framework further through discussion and feedback.

Figure 4: Scopes of social indicators



Our model embeds **corporate social impacts** within the **social foundations** and **planetary boundaries** signalling their inherent interdependencies.

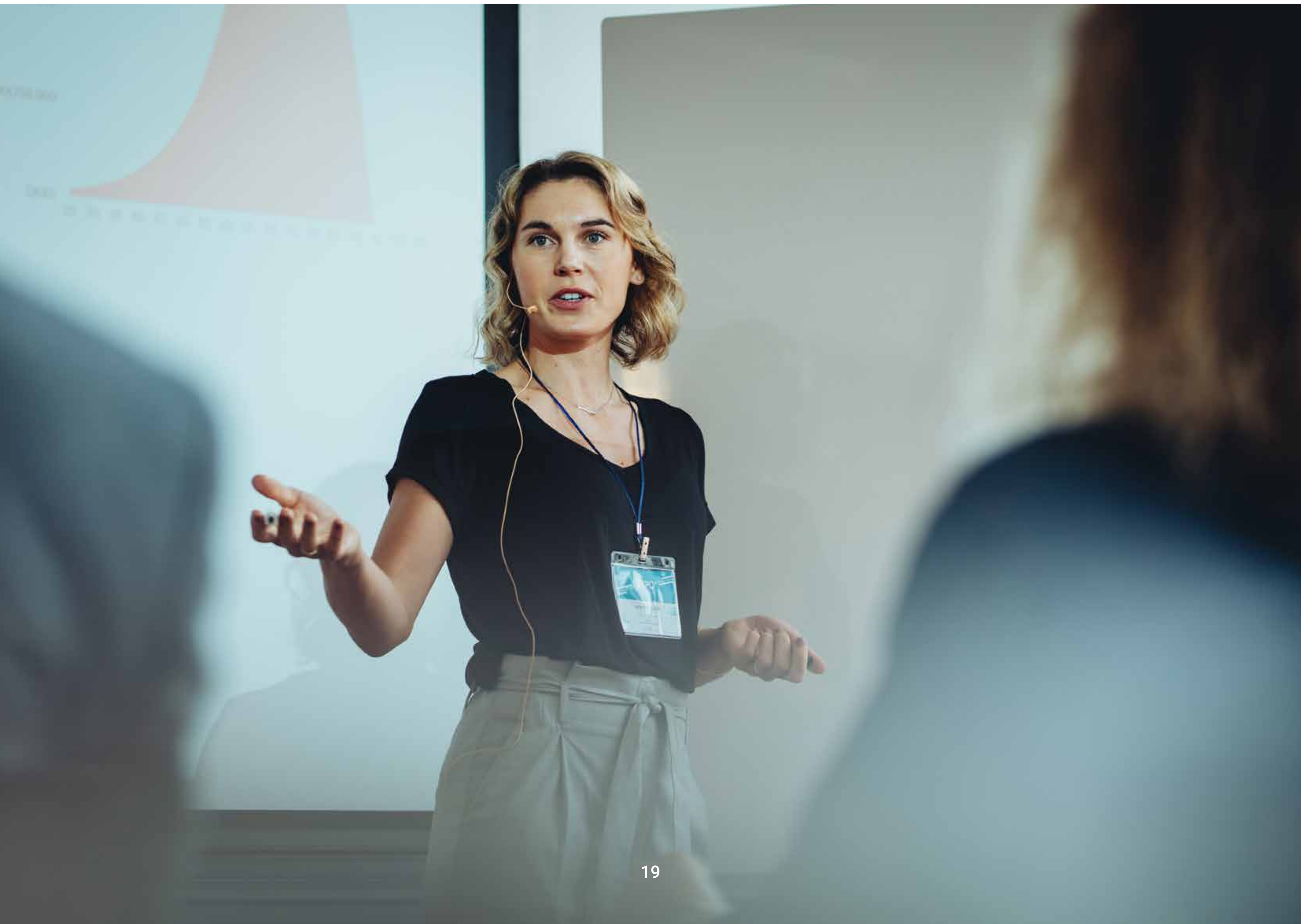
2.4.1 The common focus of reporting scopes on ‘S’ topics – Public and Private Company disclosures

If the most and least commonly reported ‘S’ topics are viewed through this scope framework, clear trends appear for both public and private companies (see Appendix 3 for detailed breakdown).

Across both public and private companies, the most commonly reported topics were scope 1. The only exception being the common emphasis for both company types on the engagement of local communities in decisions related to impact and development of operations (Standard 413-01). Notably this broader engagement with the local community was the most reported topic for private companies, suggesting the greater need for positive impacts to be felt by community stakeholders.

There was less convergence on the least reported topics for private and public companies, but a clear pattern for public companies is that all but one of their least reported topics were scope 3.

While these insights would require repeated analysis to validate the trend, we can conclude from one year of reports that companies were more likely to focus on scope 1 (internal) ‘S’ topics over the more difficult to control scope 3 (value chain).



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Gaps and opportunities in reporting on 'S' factors

3.1 Developing a typology of ‘S’ topics: consensus and divergence

Companies investing resources into ‘S’ topics are looking for guidance on what topics matter most. To answer this question, we compared ASX reporting practices with findings from a global study on social (‘S’) reporting and valuation frameworks.

The study in question was conducted by HEC Paris and S&P Global Ratings – Sustainable Finance in 2022 – and reviewed 18 ESG frameworks to identify emerging areas of consensus and divergence around ‘social’ topics[16] (see Appendix 1, section 1.4) for details of their analysis). They found that ‘S’ topics related to diversity and inclusion, pay inequalities, and responsible employee practices – associated with the categories of *Employment Practices* and *Employee Health & Safety* – tended to receive strongest coverage from most frameworks. By contrast, social factors that relate to the categories of *Labor and Human Rights at Work* (such as sanctions, legal action and regulatory compliance, and ethical supplier relations) and Community & Business Ethics (like community relations and impacts on vulnerable groups) account for the vast majority of the factors with least focus or priority in reporting.

We compared the HEC analysis with the social factors commonly reported by ASX100 companies.[17]

We found that all the ASX100 most-reported topics were also in the top 10 ‘S’ topics in the global frameworks. Of note, Diversity and Inclusion topics held the number one position in both our Australian and the HEC global study. Additionally, the HEC global study supports our finding that Scope 1 topics, particularly those related to employment practices, dominate reporting. As employment-related matters are ‘internal’ to corporations, these measures are relatively easy for corporations to control and gather data on, making them relatively easy reporting topics.

Overall, the HEC study has less overlap with our own with regards to the least-reported topics. However, it is of concern that compliance with laws and regulations in social and economic areas (GRI Standard 419) falls into the least reported categories in both studies. This was reported on by only 14% of the ASX100 companies and is a topic area rated as having lowest coverage by the HEC study. It is surprising that this measure remains underreported given the 2021 update to the GRI Standards moved and expanded this item, making it a requirement for all reports.[18] Given this is now a material consideration for all companies applying the GRI standards, companies need to lift their reporting on this topic.

Another observation of the analysis of ‘S’ factors across frameworks is the inconsistencies in what constitutes a ‘S’ factor and how it is differentiated from an economic or governance factor. Five of the HEC Factors with least coverage[19] have no clear correspondence to GRI Social Disclosures, with some located in other parts of the GRI Standards. For example, the GRI Standards classify the topics of tax, anti-competitive behaviour and anti-corruption as Economic or ‘E’ Disclosures, whereas the HEC review shows that they are treated as social factors by some ESG frameworks. This reflects the difficulty of achieving consensus as to what constitutes specifically ‘social’ accountability indicators.

Appendix 4 compares the most-reported ‘S’ topics from our analysis of ASX100 companies with the high-consensus ‘S’ topics identified by the HEC report in greater detail.

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16 The different types of frameworks reviewed by the HEC team were:
- ESG Standards and Reporting Frameworks (e.g., GRI, SASB, and the European Guidelines for Nonfinancial Reporting).
- ESG Evaluation Frameworks (e.g., S&P Global ESG Scores, MSCI ESG Ratings, and Sustainalytics).
- ESG Impact Measurement Frameworks (e.g., Impact-Weighted Accounts and Cambridge’s Investment Leaders Group).

17 Details of the mapping undertaken by CSI to compare the GRI Disclosures to the HEC Factors are provided in Appendix 1.

18 Item was moved into Disclosure 2-27 (Compliance with laws and regulations in GRI 2: General Disclosures 2021).

19 These are: Social Issues Controversies; Crisis Management; Ethical Supplier Relations; Work-related Fatalities; and Tax Planning & Contributions.

3.2 Standardising information to shape 'S' topics and demonstrate impact

Beyond legislation for mandated disclosures, adoption of 'S' topics and the priority placed on selecting and investing in 'S' initiatives, improve through consistency in standards and the information provided. Globally, taxonomies and other forms of sector-led guidance as to what should be measured and how, as well as government provision of data, can assist in the adoption of 'S' topics as companies can achieve greater certainty that their investment is making a difference.

There are currently several major developments underway in the space of impact measurement, both in Australia and globally. Among others, these include the Australian Sustainable Finance Institute's Sustainable Finance Taxonomy and the EU's Social Taxonomy, which seek to standardise terminology and expectations for sustainable investment.

Three key developments are shaping the future of social sustainability reporting and measurement as summarized in the table below with further details in Appendix 5.

Trend	Key features	Current status
EU Social Taxonomy	> Focus on three stakeholder groups: workforce, consumers, communities > Measures "substantial contributions" to social benefits > Includes "do no significant harm" criteria > Aims to direct capital to human rights-respecting activities	Framework proposed but not yet implemented by EU
Australian Sustainable Finance Taxonomy	> The Australian taxonomy is one of many such taxonomies being developed for global markets > Initially focuses on climate change mitigation > Covers six priority sectors > Includes social safeguards and a "do no significant harm" framework > Aims for consistent definitions in green finance	Draft in public consultation; Release expected 2025
Public Sector Initiatives	> Australia's "Measuring What Matters" framework > Five themes: Healthy, Secure, Sustainable, Cohesive, Prosperous > 50 key indicators	Currently being implemented across government levels

Investor expectations and demands are also developing. As awareness of 'greenwashing', or 'purpose washing' and other misleading statements increases, there is increasing expectation that sustainability claims should be audited and assured. Consistent definitions, metrics and data sources, which can be tracked over time, will ensure the information presented is valid and meaningful.

3.3 Strengthening 'S' reporting systems

The introduction of mandatory sustainability reporting on climate-related risks and opportunities for Australian companies places corporate reporting on the 'E' in ESG into sharper focus. The 2024 KPMG analysis shows an upwards trend in companies disclosing information about climate risk. However, it has come alongside a decline in focus on social risks, which may suggest that companies reduced the resources directed towards measuring social impact as the change in legislation placed higher priority on emissions measurement.

Given the Australian government's stated 'climate-led but not only' strategy on sustainability reporting, how could companies prepare if we are to anticipate future mandated 'S' reporting? We identify some current gaps in 'S' reporting which could improve the quality of information and provide the basis for double materiality as a foundation for an organisation's social impact strategy.

3.3.1 Consistency and comparability of reporting

Social ('S') factors lack equivalent standardised metrics and measurement methodologies. The voluntary AASB S1 Standard does not identify specific targets or metrics, and recommends that users refer to its global equivalent in the SASB Standards, which offer specific metrics by industry. Alternatively, entities can apply requirements of other standard-setting bodies whose purposes are for the general financial reports or other industry standard metrics. GRI Standards can also be applied (under additional guidance specified in Appendix C of the AASB S1). While GRI suggests some quantitative metrics, many social disclosures require descriptive information and the methodologies on how this information is prepared are not standardised.

Key 'S' gap
Standardised S metrics and qualitative measurement methodologies must be established before mandatory social impact reporting can be implemented. In a potential future mandate for 'S' reporting in Australia, 'S' metrics might be organised under 'core' and 'other', whereby 'core' factors would be universally-relevant and financially-material items, such as those related to pay compliance, and 'other' factors could include a broader set of measures aligned with a double materiality approach.

3.3.2 Breadth of impacts to consider

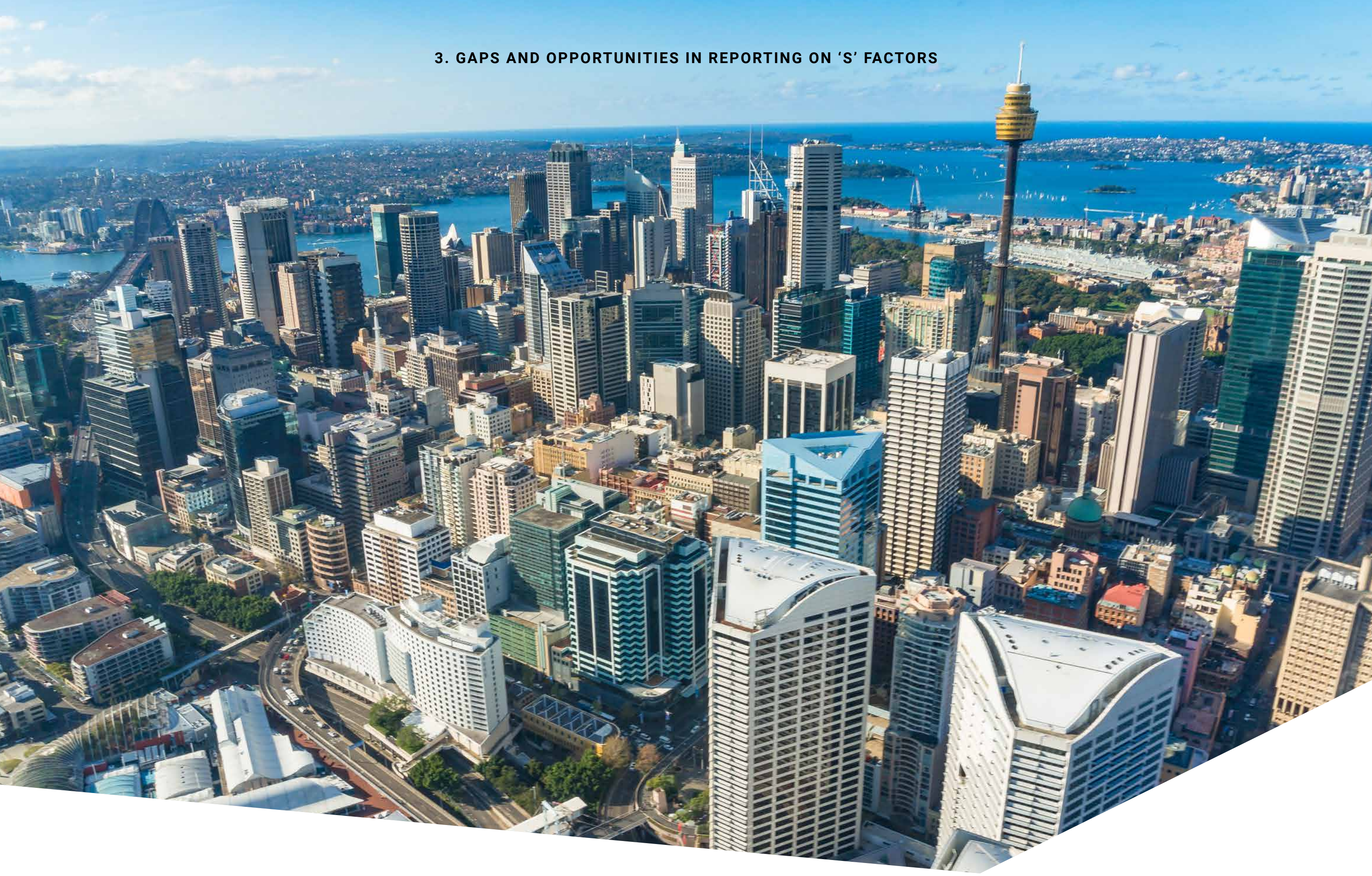
AASB S2 requires broad consideration of all climate risks and opportunities across an entity's entire value chain that could reasonably be expected to affect an entity's prospects. AASB S1 described sustainability-related risks as arising from dependencies over the short, medium and long term that are inextricably linked to the interactions between the entity and its stakeholders, society, the economy and the natural environment throughout the entity's value chain, and which effect its ability to generate cash flows. This includes a materiality component on the nature or magnitude, or both, of information presented which is entity-specific. GRI Standards assess company impacts on economy, environment, and people, including human rights. Our analysis of ASX100 most-reported factors in 2023 were narrowly focused on social factors within the internal business model controls.

Key 'S' gap
Companies need to expand their S reporting to incorporate a definition of materiality which considers dependencies along their value chain and broader societal impacts (i.e. equivalent of Scope 2 and Scope 3).

3.3.3 Assurance

Climate risk reporting will require external assurance under standards developed by the AUASB (Auditing and Assurance Standards Board). This aligns with ASIC and ACCC's focus on preventing greenwashing. In contrast, GRI Standards for ESG reporting encourage but don't require external assurance through internal controls, external verification, or stakeholder panels.

Key 'S' gap
Lack of mandatory assurance requirements reduces stakeholder confidence and utility of social impact reporting.



3.3.4 International alignment

The ASRS S2 is similar to the IFRS S2 Standard from the ISSB, which aims to create a high quality, global baseline for climate-related risk and opportunity disclosures. Although the ISSB has also published the IFRS S1 Standard, which uses a broader definition of sustainability, it is far less prescriptive and therefore offers minimal standardisation, as the ISSB has prioritised climate reporting. Consequentially, no global equivalent to the IFRS S2 exists for social measures. Our analysis of ASX100 found companies only report against 55.4% of the GRI S topics.

Key 'S' gap
Development of consolidated S disclosure standards could drive improved social impact reporting and reduce the burden of complex regulatory requirements.

4

Conclusion: From ESG to holistic social impact

The evolution of climate-related 'E' reporting has established a pathway that could be followed for strengthening 'S' measurement and reporting. While ASX100 companies primarily focus on internal, direct (Scope 1) social impacts related to workforce metrics like safety, diversity, and employment, the broader social impacts along value chains remain significantly underreported.

The successful implementation of climate disclosure and reporting frameworks provides valuable lessons for advancing social impact reporting. The 'E' domain has benefited from established frameworks, mandatory reporting requirements, standardised scenarios for determining risks, and external assurance processes. Most importantly, it has developed clear scope definitions that help companies understand and report on their direct and indirect impacts. These developments offer a blueprint for enhancing social impact measurement.

To bridge the current gap in 'S' reporting, companies need to expand beyond internal metrics to consider impacts across their entire value chain. This requires developing standardised measurement methodologies and implementing robust assurance frameworks. Companies must also create comprehensive data collection systems that can capture both financial materiality and broader social impacts.

The focus should shift from simple workforce metrics to understanding how business activities affect communities and stakeholders throughout the entity's value chain.

We set a challenge for a significant shift in how ESG is conceptualised as a component of strategic value creation. All ESG factors ultimately affect societal outcomes. That is not only S factors: E and G also invariably have social consequences and impacts. Corporate Social Impact (CSI) represents this more holistic approach, where social value is embedded across the core business models rather than treated as a separate dimension of corporate reporting. CSI holistically and strategically considers the social impact of corporate activities, considering both direct and indirect effects, aligning business activities with positive social and environmental goals, and measuring impacts comprehensively across the value chain.

By adopting this holistic approach to social impact, companies can better position themselves to avoid future regulatory breaches while strengthening their social value creation. More importantly, it enables organisations to generate and measure positive impact across all stakeholder groups, moving beyond compliance to creating meaningful societal benefits.