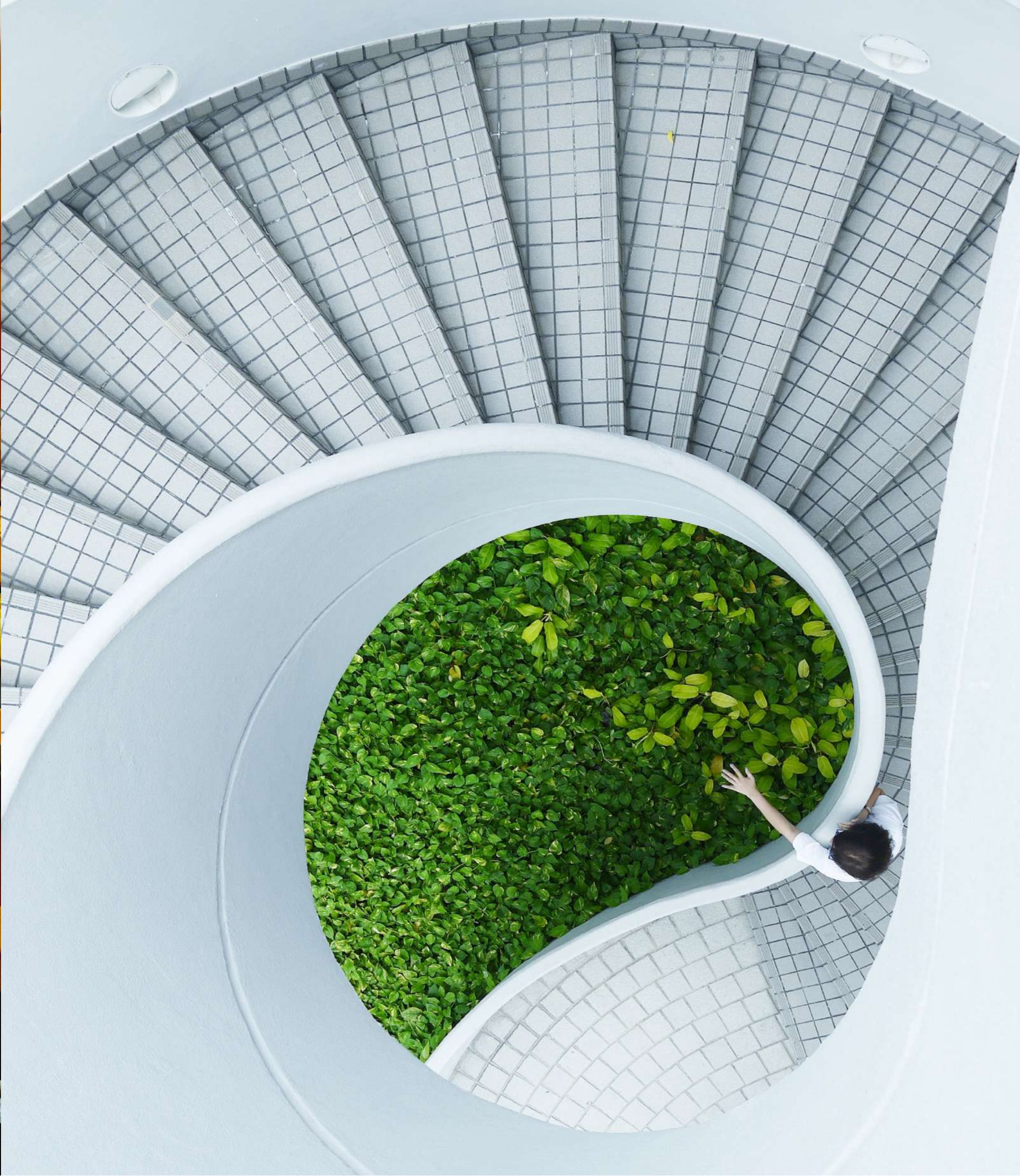




ESG Starter Pack

For construction and related industries



“People don’t have to be convinced environmental sustainability is important, and sustainability also extends beyond its immediate environmental aspects. It feeds into the industry’s financial sustainability and even to its workforce.”

Michael Kilgariff, CEO of Roads Australia

Steps to get your ESG program moving

1. Tone from the top

- Board's involvement and oversight of key ESG risks
 - Cross-functional alignment
 - Shared vision on ESG priorities and culture
-

2. Initial assessment

Understand the current state and establish a baseline:

- Identify gaps between current state and existing standards nationally/globally
 - Segment your vendor database across spend categories and map them to relevant ESG goals
 - Use historical data to assess and estimate targets
-

3. Governance and reporting strategy

Devise a plan to make sure goals are met:

- Ensure a clear framework where accountability and transparency is present
 - Update and create corporate policies with assigned owners
 - Define critical data sources
 - Identify required technology to enable efficient data capture and ESG performance monitoring
-

4. Vendor engagement strategy

Flesh out a plan to collaborate with your vendors/suppliers on joint ESG objectives and timelines.

Steps to get your ESG program moving (cont.)

5. Training

Engage and educate your employees and supply chain:

- Explain the company's position on ESG and everyone's role in achieving targets
- Explain how to calculate and report ESG data, specific levers to achieve ESG objectives, procurement incentives and support

6. Internal grievance mechanisms

Establish mechanisms for reporting breaches or a whistle-blower program.

7. External reporting and stakeholder engagement

- Go through and update existing materials to communicate ESG plan
- Always ensure a clear and consistent narrative across different channels, such as website, annual reports, prospectuses, action plans and marketing materials
- Commit to providing updates at set intervals

ESG topics

From pre-project through to delivery and non-project operations of construction/mining/utilities companies, the ESG umbrella covers a vast range of topics.

However, given the heavy reliance on third-party vendors and suppliers, the following topics could be in focus for these sectors.

Environmental

Carbon emissions

Materials

Biodiversity and land use

Pollution and waste

Renewable energy

Green technology and building

Social

Modern slavery

Diversity and inclusion

Human capital development

Health and safety

Social procurement

Cultural heritage

Governance

Board diversity

Business ethics

Anti-competitive practices

Fraud

Corruption

Cybersecurity

What to look for in periodic reviews

The consensus is that it's no longer enough to pay lip service when it comes to ESG. Worse, greenwashing can result in reputational (if not legal) consequences.

It's not enough to just have a Sustainability section on your annual report, stakeholders and investors are looking for the real substance. Here are some key pointers for success.

Strategic alignment

- Have a sustainability strategy with short, medium and long-term goals
- Link organisational purpose to strategic goals
- Link material ESG risks and opportunities to financial performance and reporting
- Have ESG skills at a Board level

Timeframes for ESG targets

- Have a diversity and inclusion policy with measurable targets and progress against those targets
- Include a Reconciliation Action Plan if relevant
- Disclose a Net Zero target with milestones

Reporting quality

- Formalise review, sign-off controls with appropriate systems in place
- Keep up to date with best practice reporting frameworks/standards
- Have externally assured reporting

Different reporting schemes, standards, bodies, targets

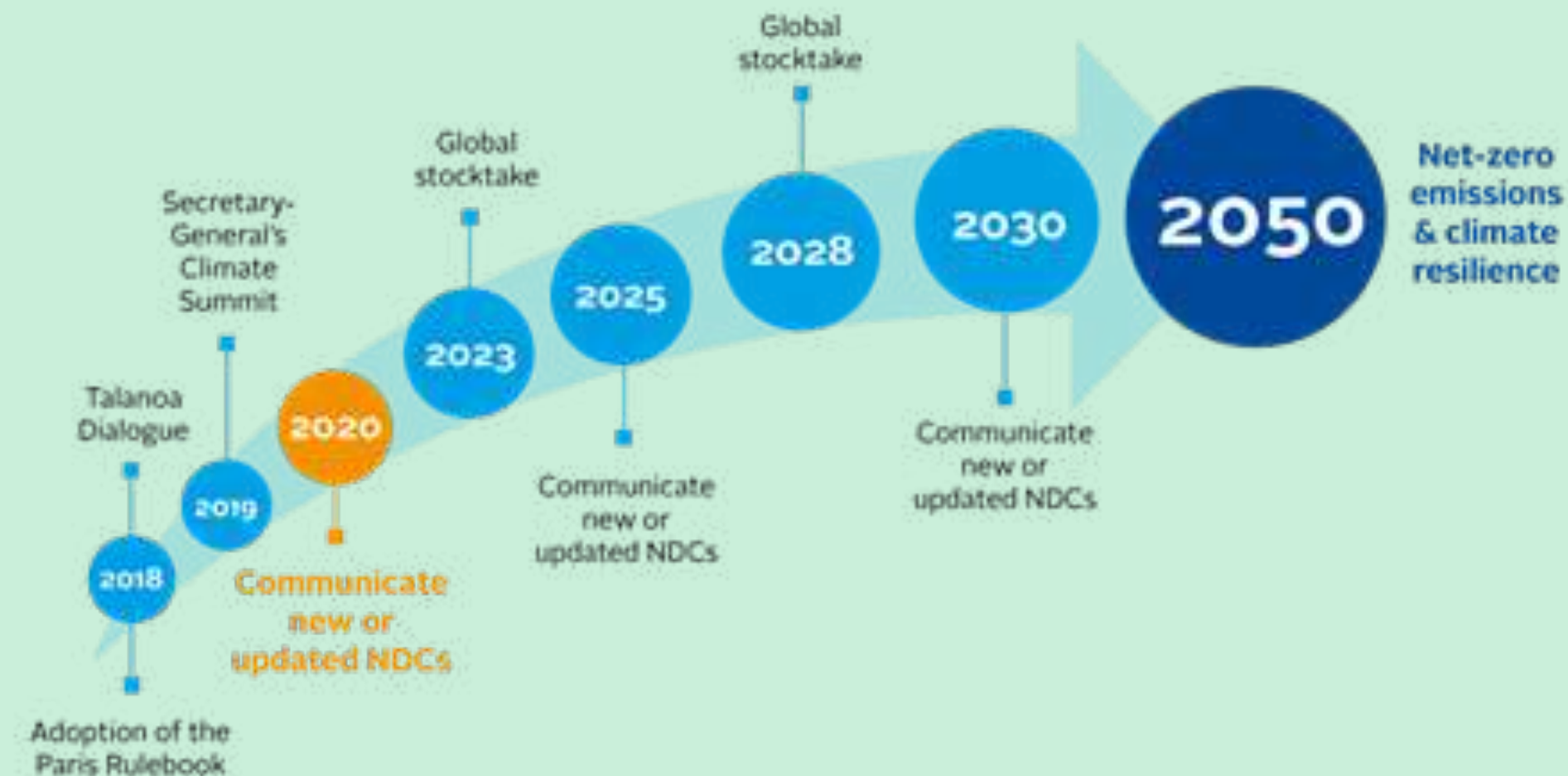
You may have heard these terms thrown around a lot recently. On the following pages are some of the most common ones and what they mean.

Environmental

NDC

Australia must submit emissions reduction commitments known as Nationally Determined Contributions (NDCs) under the Paris Agreement. The Australian Government's NDC is 43% by 2030 and net-zero by 2050.

AMBITION MECHANISM IN THE PARIS AGREEMENT



Source: unfccc.int/process-and-cooperation/negotiations/decision/negotiations/decision/negotiations/decision

Science Based Targets initiative (SBTi)

SBTi applies to all private sectors with sector-specific pathways.

Science-based targets “provide companies with a clearly-defined path to reduce emissions in line with the Paris Agreement goals. More than 3,000 businesses worldwide are already working with SBTi.” Example: [Downer Group](#)

International Sustainability Standards Board (ISSB)

Created “to deliver a comprehensive global baseline of sustainability-related disclosure standards”, the ISSB is working through establishing the IFRS Sustainability Disclosure Standards. This would incorporate existing disclosure standards such as TFCDD (detailed on the next page).

Environmental (cont.)

Task Force on Climate-related Financial Disclosures (TCFD)

TCFD has developed “a reporting framework based on a set of consistent disclosure recommendations for use by companies as a means of providing transparency about their climate-related risk exposures.” Though a voluntary reporting initiative, it’s rapidly becoming mainstream given their endorsement by major investors, regulators and many major companies worldwide.

Core Elements of Recommended Climate-Related Financial Disclosures



Governance

The organization’s governance around climate-related risks and opportunities

Strategy

The actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning

Risk Management

The processes used by the organization to identify, assess, and manage climate-related risks

Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

APRA’s CPG 229

The Australian Prudential Regulation Authority (APRA) released Final CPG 229 on the management of climate change financial risks. The guide also reflects and refers to the TCFD framework.

Environmental (cont.)

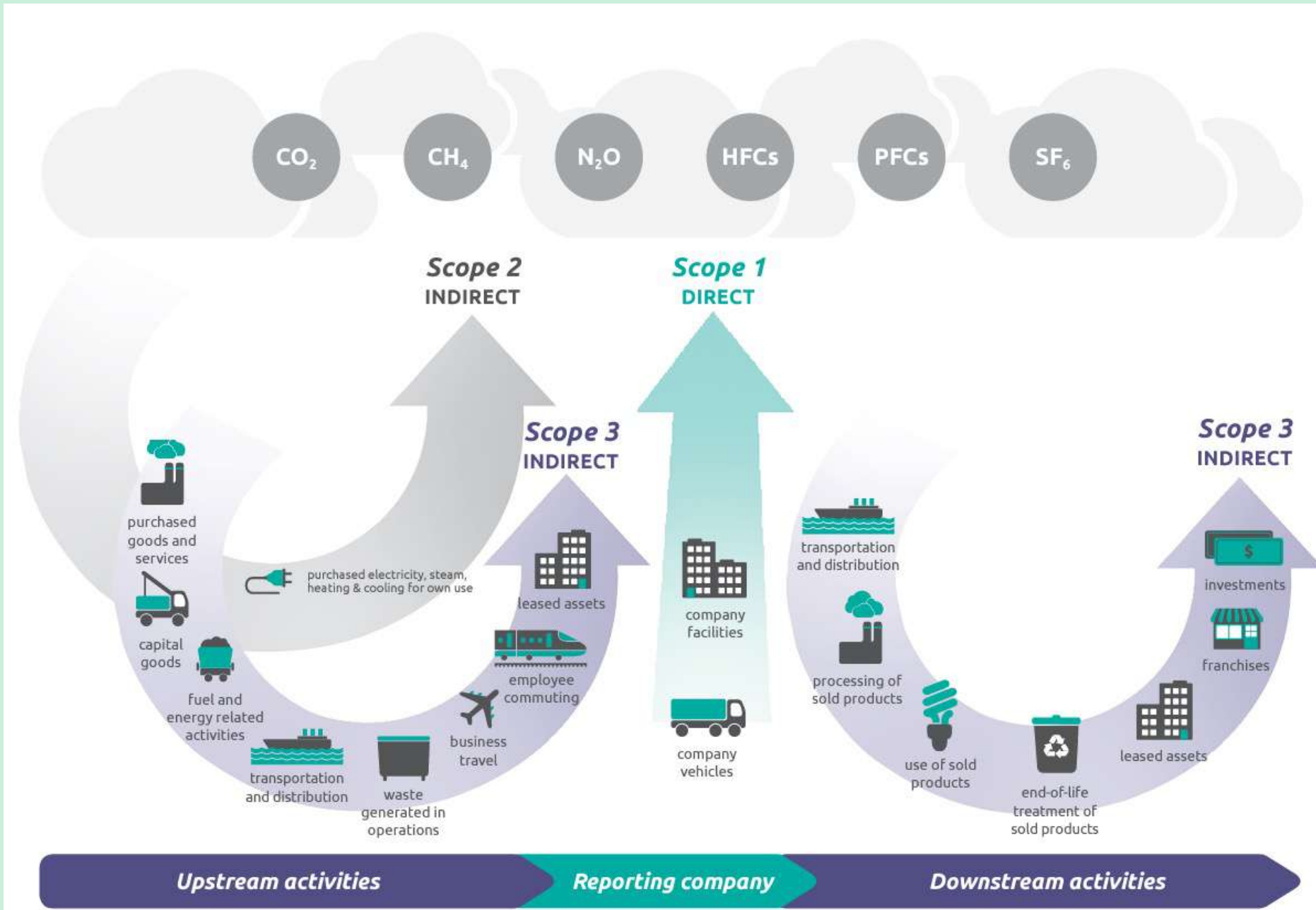
The Greenhouse Gas Protocol Corporate Standard

The GHG Protocol Corporate Accounting and Reporting Standard “provides requirements and guidance for companies and other organisations preparing a corporate-level GHG emissions inventory”, and covers the accounting and reporting of seven greenhouse gases.

Corporate Value Chain (Scope 3) Standard

A supplement to the above standard, the Corporate Value Chain (Scope 3) Accounting and Reporting Standard “allows companies to assess their entire value chain emissions impact and identify where to focus reduction activities.”

Scope 3 emissions are essentially all of the emissions a company is responsible for outside of its own walls – in both upstream and downstream activities (indirect).



Social



Modern Slavery

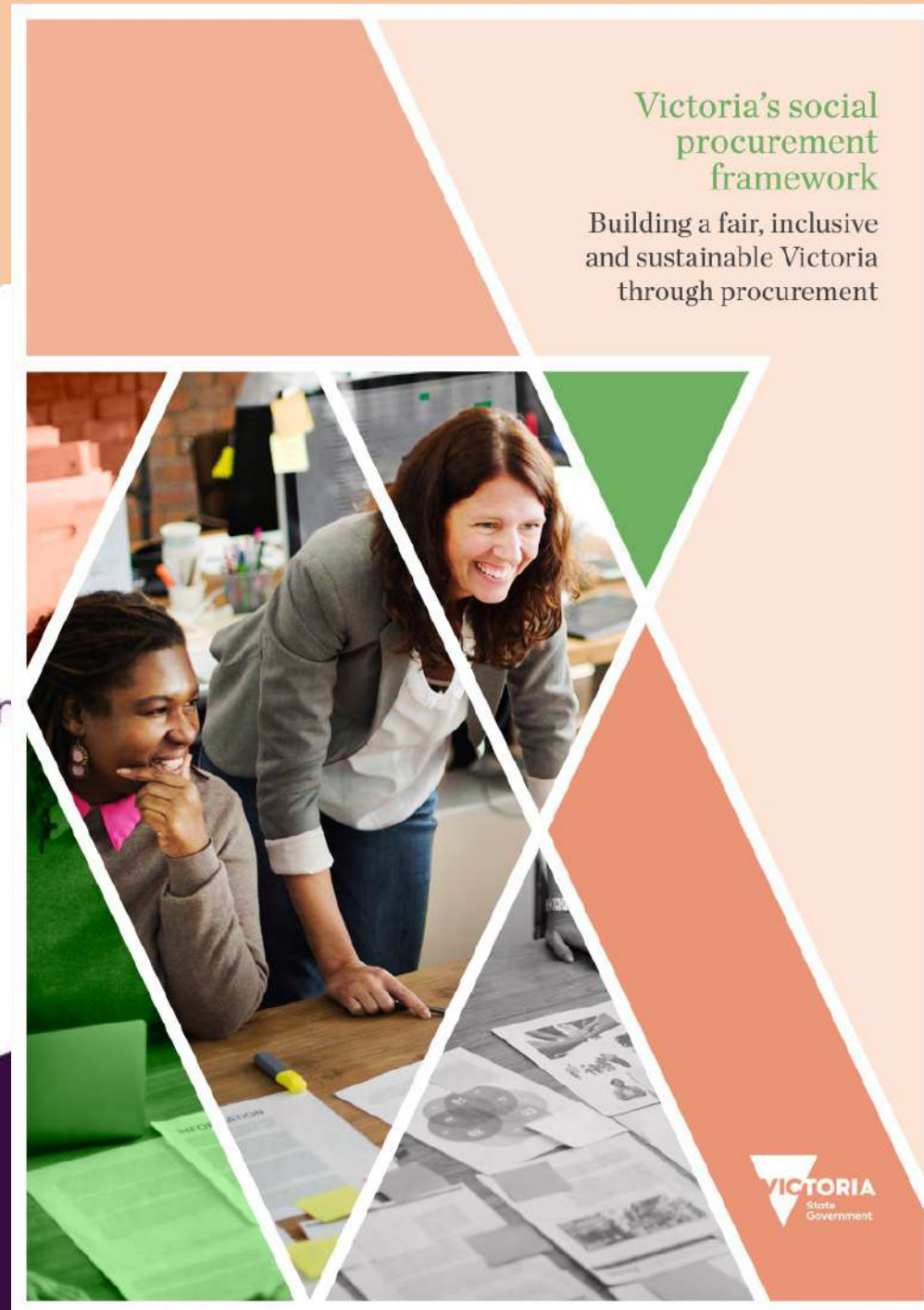
The Commonwealth Modern Slavery Act “requires entities based, or operating, in Australia, which have an annual consolidated revenue of more than \$100 million, to report annually on the risks of modern slavery in their operations and supply chains, and actions to address those risks. Other entities based, or operating, in Australia may report voluntarily.”

There’s an online register for Modern Slavery Statements, both mandatory and voluntary lodgements.

ISO 20400

Although not functioning as a certification standard, the ISO 20400:2017 provides “guidance to organisations, independent of their activity or size, on integrating sustainability within procurement.” The standard also contributes to the Sustainable Development Goals on the left.

Social (cont.)



Social procurement framework

Only currently formalised as a framework in Victoria and Western Australia, this brings together all social procurement policies and priorities “to ensure these are at the centre of value for money decision making in public procurement.”

Indigenous procurement

Existing at both federal and state levels, Indigenous (or Aboriginal) Procurement Policy aims to “stimulate Indigenous entrepreneurship, business and economic development”, via setting targets for procuring entities.

Industry Participation

Both the Federal and various state governments have so-called Industry Participation policy designed to encourage Australian or local business participation. This is sometimes known as or supplemented by local content targets.

Spotlight: Indigenous rights and cultural heritage



In October 2021, the Joint Standing Committee on Northern Australia tabled the final report into the destruction of 46,000-year-old caves at the Juukan Gorge in the Pilbara region of Western Australia.

“The committee recommended new Commonwealth legislation for stricter protection of sacred sites, and improvements to the Native Title Act. It also made eight recommendations, including that new laws for cultural heritage protection be developed with First Nations people.”

In response to the inquiry, Rio Tinto released their first Communities and Social Performance Commitments Disclosure Report which details their progress made against the 11 commitments made in the 2020 Board Review of the destruction of the Juukan Gorge rock shelters.

Governance



ISO 27001 / ISO 27701 / GDPR

These are the sets of standards and rules around data protection. “ISO 27001 relates to the way an organisation keeps data accurate, available and accessible only to approved employees. ISO 27701 relates to the way an organisation collects personal data and prevents unauthorised use or disclosure.”

The General Data Protection Regulation (GDPR) is a legal requirement around the use of personal data that came into force in 2018. It “applies to everyone who processes data – including names, IDs, medical and biometric data, political opinions and more – of people in the EU.”

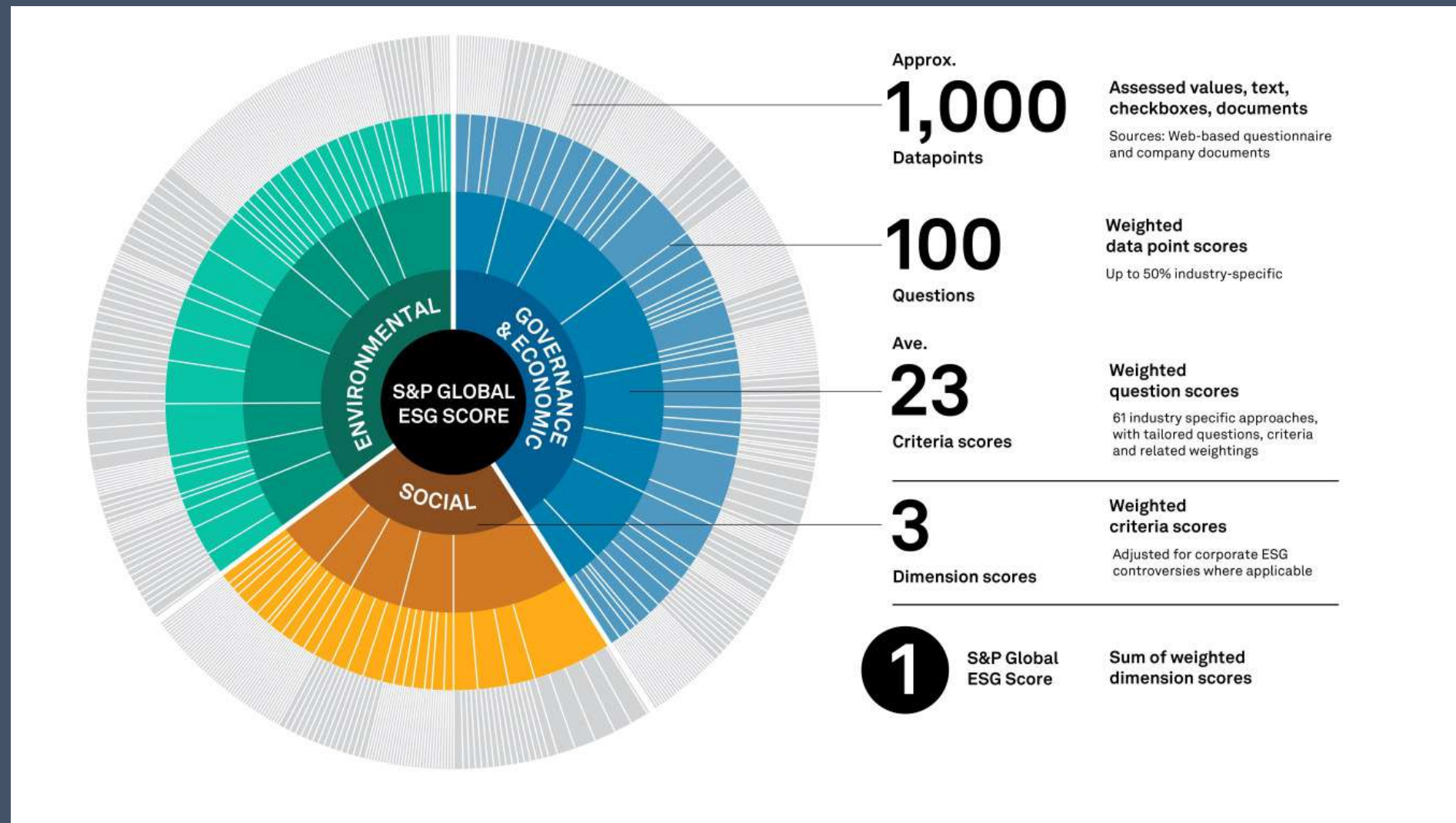
AS 8001:2021

Published by Standards Australia, this standard aims to “provide minimum requirements and additional guidance for organisations wishing to develop, implement and maintain an effective fraud and corruption control system (FCCS).”

Overarching

IS Rating Scheme (IS)

Developed by the Infrastructure Sustainability Council (ISC), the IS is “Australia and New Zealand’s only comprehensive rating system for evaluating economic, social and environmental performance of infrastructure across the planning, design, construction and operational phases of infrastructure assets.”



S&P Global Corporate Sustainability Assessment (CSA)

An annual evaluation of sustainability practices that covers over 10,000 companies from around the world. It's free for the largest global companies but others can also commission a CSA.

Tech checklist

As mentioned previously, it's crucial to have adequate systems to support your ESG journey. Your supply chain plays a big part in helping you achieve ESG goals. Thus, streamlining the processes to manage those relationships would not only help mitigate risks but also increase efficiency and transparency.

Here are a few pointers around such a system:

Centralised, single source-of-truth for vendor data:

- Contains ESG information
- Up to date
- Interoperates with other systems for reporting

Vendor onboarding / prequalification:









- Standardised questionnaire
- Automated and tailored based on various criteria (risk, vendor type)
- Document capture

The screenshot displays a digital checklist interface. At the top, two items are listed: 'Environment' and 'Supplier diversity', each with a green checkmark indicating completion. Below this is a section titled 'Corporate Social Responsibility' with a minus sign icon. Underneath, a question is posed: '1 Have you assessed the risk of modern slavery across your operations?' with a 'Yes / No' response option. A dropdown menu is open, showing two tags: 'Environmentally Sustainable' (with a recycling icon) and 'Indigenous participation & content' (with a flag icon).

Tech checklist (cont.)

#51548 – Earthworks 7001

Contact Details Quotes Deviations Communications

| Vendor | Status | Performance Score |
|---|--------|-------------------|
| 1st Service Solutions Ltd   | Quoted | 81.1 |
| AR Electrical    | Viewed | 32.5 |
| ABC Group    | Quoted | - |

1st Service Solutions Ltd

| | |
|--|-----|
| Do you agree to comply with the Modern Slavery requirements? | YES |
| Do you agree to comply with the Environmental requirements? | YES |

Sourcing / tendering:

- Easily identify vendors with certain attributes to engage with
- Store commitments to ESG
- Evaluate performance and store for future decision-making

Governance:

- Role-based access permission
- Customisable, automated approval workflows
- Audit trails
- ISO certified data platform

67% of participants across all sectors surveyed were involved in contracts or workstreams involving corporate social responsibility style targets or obligations.

71% selected 50% or higher levels of reliance on third parties to meet these targets.

Yet, sourcing suitable third parties is not always easy. 43% of respondents thought it was very challenging.



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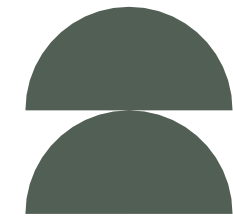
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About Felix

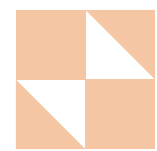
Felix is built to meet the needs of builders and infrastructure contractors to centralise and streamline Vendor Management and project-based procurement processes.

Use one single tool to get visibility across your entire supply chain, driving compliance while simplifying processes and enhancing transparency & collaboration for all parties involved.



Vendor Management

Consolidate insights from multiple systems to form one central view of your vendor relationships. Procurement teams have found that vendor onboarding is up to 90% faster when using Felix.



Procurement Schedule

Streamline planning, execution and auditing of sourcing activities within a single tool.



Sourcing

Efficiently and transparently manage tenders without Excel sheets, Word docs or email chains.



Contracts

Establish a single source of truth with centralised storage to find, manage and report on contracts.



Vendor Marketplace

Build and nurture relationships with new vendors while optimising business spend.

Get in touch to learn more about how Felix can help you manage supply chain ESG.

[Click here](#)

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