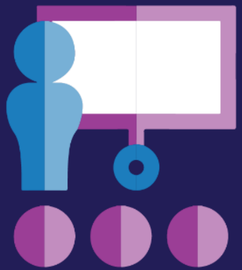
SwissCham

Making Sense of ESG Requirements

Hamilton Locke

RSM

Presentation Scope



Climate-Related Disclosures

Modern Slavery

Pay Related Issues

Major Trends / Developments

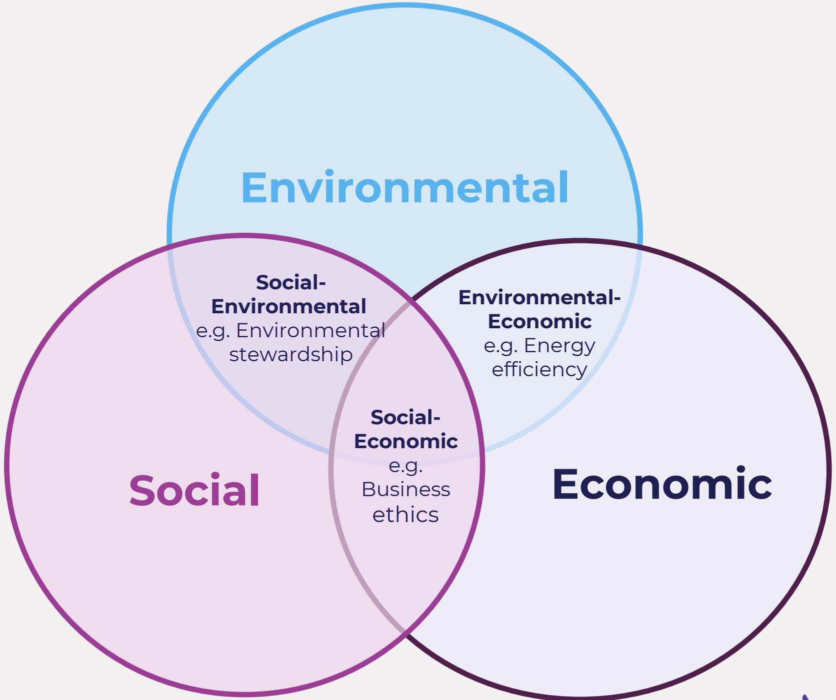
- General
- Australia
- Internationally

What is ESG?
Drivers, developments

"Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

ESG

Sustainability



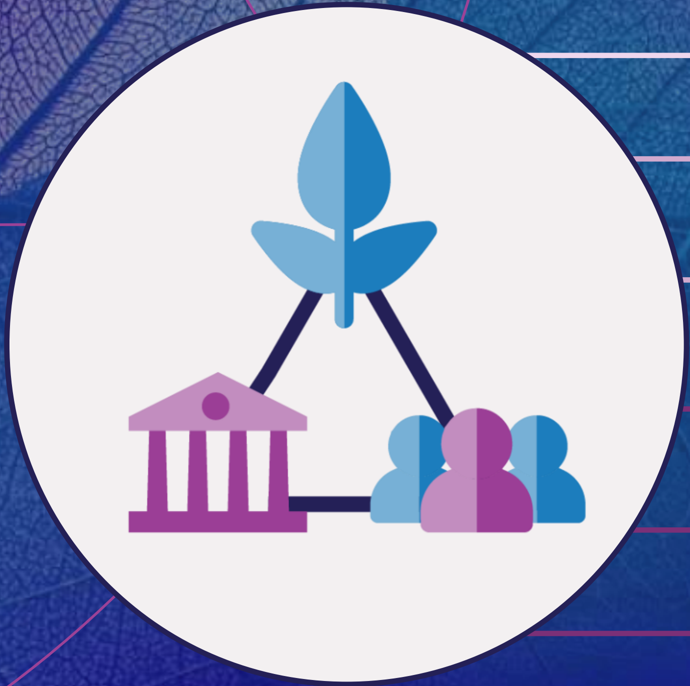
Key ESG topic landscape

E	Climate change mitigation / GHG emissions	Climate Change adaptation / resilience	Natural Capital	Biodiversity and ecosystems	Sustainable use of water and marine resources	Sustainable energy & Energy efficiency	Materials efficiency
	Air pollution	Water pollution	Soil quality and pollution	Noise pollution	Light pollution	Circular economy	Waste management
	Sustainable mobility	Sustainable packaging	Deforestation	Responsible GMO management	Land-use		

S	Human Rights	Gender Equality	Diversity and inclusion	Employee satisfaction	Community engagement & investment	Supporting positive behavioral change	First Nations rights engagement
	Fair remuneration	Client satisfaction	Workplace Health & safety	Consumer health and safety	Education and development	Access to essential services	Labor relations
	Modern slavery	Security	Animal welfare	Fair recruitment	Workplace rights	Employee satisfaction	Freedom of expression

G	ESG governance	ESG in directors' duties	ESG-linked remuneration	ESG risk management	Systemic risk management	Truth in advertising	Truth in labelling
	Fair Taxation	Anti-corruption and bribery	Whistle-blower mechanisms & protection	Supply chain due diligence & management	Sustainable & ethical procurement/ purchasing	Sustainability innovation	Pricing integrity & transparency
	Cyber security	Personal data protection	Sustainable finance	Transparent management of legal & regulatory environment	Business ethics	ESG rating management	ESG in investor/shareholder relations
	Board skills and diversity	Intellectual property protection	ESG opportunities	Regulatory compliance	Fair relationships with suppliers		

Driving Forces of ESG



- Shareholder Activism
- Institutional Investor Requirements
- Public Policy / Regulation
- Peer Pressure
- ESG Risk Awareness
- Litigation over Greenwashing

"Markets can do in **hours** what regulators would not dream of doing in **years**"

Australian developments: Mandatory climate-related financial disclosures

ASRS climate-related disclosures

Key aspects

Aligning with international standards: ISSB's IFRS S1 and S2

Australia (ASRS)	International (ISSB IFRS)
• **Supports the adoption of ISSB's IFRS S1,** where required to give effect to climate disclosure standards	• **IFRS S1 material information about significant sustainability-related risks and opportunities**, including governance, strategy, risk management, and metrics and targets
• **Full adoption of the ISSB's IFRS S2 with modifications** limited to those necessary to ensure standards are fit for purpose for Australia	• **IFRS S2 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.

Annual reporting

- Reported at the same time as financial statement
- Same reporting period as financial statement

Liability framework

- **Existing liability framework** under the Corporations Act and Australian Securities and Investments Commission Act 2001 applies: director's duties, misleading and deceptive conduct provisions, and general disclosure obligations.
- **Limited immunity** applies to climate statements prepared **between 1 July 2024 and 30 June 2027**. After this time the following penalties apply:
  - ASIC to enforce under the civil penalty regime
  - Fault-based offence = **2 years imprisonment**
  - Strict liability offence = up to 300 penalty units for Corporations, up to 60 penalty units for individuals

> *Our changes will establish Australia's climate risk disclosure framework, giving investors and companies the transparency, clarity and certainty they need to invest in new opportunities as part of the net zero transformation*
>
> **Treasurer Jim Chalmers**

Mandatory climate-related disclosures

(Australian Sustainability Reporting Standards)

Australia is in the process of adopting **mandatory climate-related financial disclosures (CRFD)**, with entities meeting large proprietary company thresholds to be required to **report starting from 2025.** This initiative also includes a **phased approach for mid-size and small companies**, promoting a transition towards comprehensive climate accountability across all sectors of the economy. In recent developments, the Australian Government introduced the *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill* to the Parliament on **27 March 2024**. The Bill is primarily consistent with the exposure draft legislation released in January, with key changes including the proposed reporting commencement date for Group 1 entities (beginning on or after 1 January 2025 as stated above).

ESG-related regulation in Australia

ASRS reporting timeline

		FY24	FY25	FY26	FY27	FY28	FY30
Group 1	**Companies that meet at least 2/3 of the following:** Employees: 500+ Gross Assets: $1bn+ Annual Revenue: $500m+ **Entities above NGER report publication threshold**	Prepare	Prepare	Report Scope 1 and 2 Limited Assurance	Report Scope 1 and 2 and 3 Limited Assurance	Report Scope 1, 2 and 3 Limited assurance	Full reporting Reasonable assurance of Scope 1, 2 and 3 disclosures
Group 2	**Companies that meet at least 2/3 of the following**: Employees: [250-500] Gross Assets: [$500m-$1bn] Annual Revenue: [$200-500m] **All other NGER entities** **Asset Owners:** $5bn+		Prepare	Prepare	Report Scope 1 and 2 Limited Assurance	Report Scope 1, 2 and 3 Limited Assurance	Full reporting Reasonable assurance of Scope 1, 2 and 3 disclosures
Group 3	**Companies that meet at least 2/3 of the following**): Employees: [100-250] Gross Assets: [$25m-$500m] Annual Revenue: [$50m-$200m]			Prepare	Prepare	Report Scope 1 and 2 Limited Assurance	Full reporting Reasonable Assurance

*Reporting entities **must keep 'Sustainability records' to provide evidence for sustainability statements** (to explain methods, assumptions and evidence) for 7 years. This is effective immediately once an entity begins reporting.*

ASRS climate-related disclosures

Four pillars of reporting

Governance

- Governance processes, controls and procedures
- used to monitor and manage climate-related financial risks and opportunities
- ..in business model and value chain

Strategy

- Current and anticipated effects on business strategy of climate change related:
  - risks
  - opportunities
- ..in own operations and value chain.

Risk management

- Processes and policies used to identify, assess, prioritise and monitor:
- material climate-related risks:
  - physical risks
  - transition risks
- opportunities to the business

Metrics and targets

- Gross direct emissions and reduction targets
- Adaptation targets
- Pre-defined metrics on:
  - Physical risks
  - Transition risk
  - Opportunities
  - Capital deployment
  - Scope 1, 2, 3 GHG emissions
  - Internal carbon pricing
- Other metrics, e.g. sector-specific or self-defined

Reporting Requirements: Climate-related Financial Disclosures

In-scope entities will also be required to prepare a **‘sustainability report’** for the financial year which must contain:

- the climate statement for the year
- notes to the climate statement
- any statements prescribed by the regulations for the year
- the directors’ declaration about the compliance of the statements with the relevant sustainability standards

Australian Developments: Modern Slavery

ESG-related regulation in Australia

Modern Slavery

Common Modern Slavery Risks in your operation and supply chains include:

On any given day, **41, 000** individuals are **living in modern slavery in Australia**

Australia imports $25 billion in products at risk of being made using forced labour annually

Product at risk of modern slavery	Import value (billions US$)	Source countries
Electronics	8.9	China, Malaysia
Garments	6.4	Argentina, Bangladesh, Brazil, China, India Malaysia
Solar panels	1.3	China
Textiles	0.5	China
Fish	0.4	China, Ghana, Indonesia, Taiwan, Thailand

(sources: Walk Free)

Reporting Requirements: Modern Slavery

Mandatory Reporting Criteria – Modern Slavery Statement

Identify the reporting entity.

Describe the:

- ✓ entity's structure, operations, and supply chain.
- ✓ risk of modern slavery practices within the entity's operations, supply chains, and any entities under its ownership or control.
- ✓ actions taken by the entity and its subsidiaries to evaluate and mitigate modern slavery risks.
- ✓ methods employed by the entity to gauge the effectiveness of these actions.
- ✓ consultation processes with any subsidiaries.

Provide any additional information deemed relevant by the reporting entity.

What is modern slavery?

Modern slavery is an umbrella term used to describe slavery and slavery like practices including:

- Forced Labour
- Human Trafficking
- Debt Bondage
- Deceptive recruitment for labour services
- Servitude
- Forced marriage
- The worst forms of child labour

Reporting Requirements: Modern Slavery

Must comply if they have a consolidated revenue of at least **$100 million** over the 12 month reporting period.

Australian entities at the time of reporting.

OR

Foreign entities carrying out business in Australia at the time of reporting.

Non-compliance

Under the *Modern Slavery Act 2018* (Cth) the Government has the power to **publicly name** entities that fail to comply in certain circumstances or require noncompliant entities to take **remedial action** to ensure compliance.

Australian Developments: Pay Issues Wage theft

Key Issue: Wage Theft

Wage theft may encompass both unintentional and intentional conduct and includes the non-payment or underpayment of the following:

- Wages
  - Penalty Rates
  - Meals and other loading
  - Overtime
  - Allowances
  - Time off in lieu
  - Superannuation

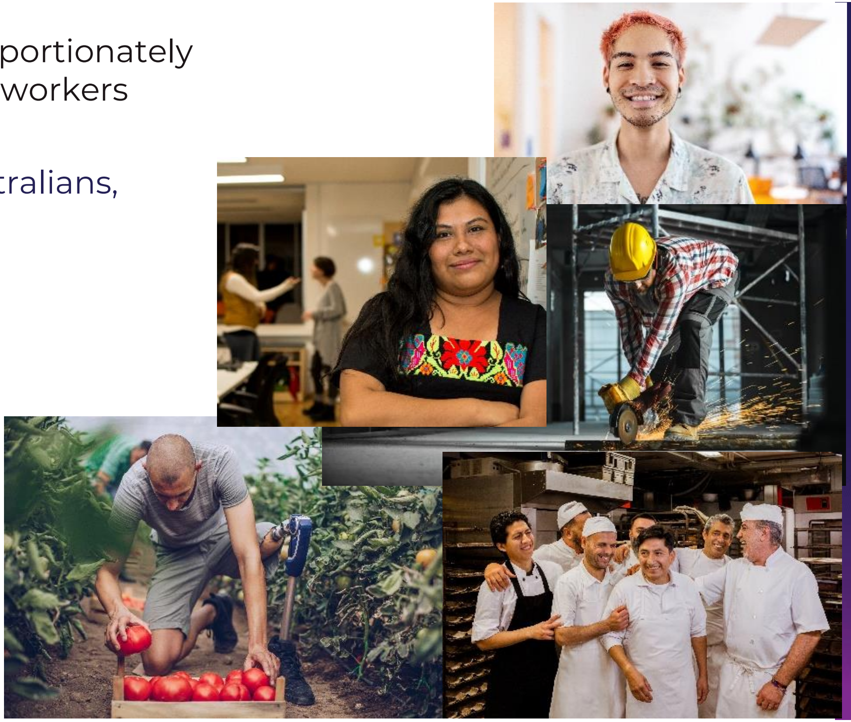
Definition:

'Wage theft', also referred to as 'underpayment' is a term used to describe the unlawful underpayment or non-payment of wages owed to an employee by their employer.

Key Issue: Wage Theft

Wage theft disproportionately affects vulnerable workers including:

- Indigenous Australians,
- Migrants,
- Women, and
- Young people.



21%

of Australian Workers in high-risk industries are affected by underpayment.*

*2020 report by PwC, high-risk industries include construction, healthcare, retail, accommodation and food service.

Criminalisation of Wage Theft

Intentional wage theft will become a criminal offence under the *Fair Work Act 2009* (Cth)

Commences on the later of 1 January 2025 or the declaration of a voluntary small business wage compliance code.

Convicted individuals and body corporates may be fined the greater of:

- 3 times the underpayment amount; or
- $1,565,000 and $7,825,000 respectively.

Individual offenders may also face up to 10 years imprisonment.

A national system employer will commit a criminal wage theft offence if:

1. The employer is required to pay a required amount to, on behalf of, or for the benefit of an employee under the Act or a related instrument; and
2. The employer intentionally engages in conduct that results in a failure to pay the required amount in full on or before the day it is due for payment.

Australian Developments: Pay Issues Gender Pay Gap

ESG-related regulation in Australia

Closing the Gender Pay Gap Bill 2012 / 2023

Reporting Requirements:

- Private **sector entities that employ more than 100 employees** in Australia
- **Commonwealth companies and entities** that employ more than 100 employees in Australia
- Registered **higher education institutions** that are employers

Timeline:

- The Gender Equality **reporting period covers 1 April to 31 March** and **reports have been required annually since 2012**, although the specifics of what needs to be reported have increased.

- Businesses will **receive their gender pay gap results before public release** and can **include a statement with their results** to offer context or outline an action plan.

Key Aspects of the 2023 Amendment:

- Employers must provide **additional information on employees** including age, primary workplace location, CEO, head of business and casual manager remuneration.
- **Reporting on sexual harassment, harassment on the grounds of sex or discrimination will be mandatory.**
- Employers with 500 or more staff **must have a policy or strategy for each of the six gender equality indicators.**

The SIX Gender Equality Indicators

1. Gender composition of the workforce
2. Gender composition of governing bodies
3. Equal remuneration between women and men
4. Availability and utility of employment terms, flexible working arrangements, & support for family & caring responsibilities
5. Consultation with employees on gender equality in the workplace
6. Sexual harassment, harassment on the ground of sex or discrimination

(source: WGEA)

WGEA published the first private sector employer gender pay gaps on 27 February 2024.

Australia's average gender pay gap is 21.7%. Over a year, this equals $26,393.

The largest pay gaps are in Mining, Electricity, Water & Waste and Financial Services Industries

Australian Developments: Sexual Harassment

Key Issue: Sexual and Gender-based Harassment

The duty to prevent, minimise or eliminate sexual harassment in the workplace arises under various pieces of legislation including:

- *Fair Work Act 2009* (Cth)
- *Sex Discrimination Act 1984* (Cth)
- State/Territory Anti-Discrimination Legislation
- State/Territory and Federal WHS Legislation

Organisations and businesses have a **positive duty** under the *Sex Discrimination Act* to take proactive and meaningful action to eliminate, as far as possible:

- sexual harassment
- sex-based harassment
- hostile workplace environments
- related acts of victimisation

Key Issue: Sexual and Gender-based Harassment

The model WHS Code of Practice for Sexual and Gender-based Harassment (Code of Practice) was introduced by Safe Work Australia in January 2024.

1. Perform a risk assessment

Have an up-to-date risk assessment for sexual and gender-based harassment.

2. Consult workers

Consult workers as part of the risk assessment as well as broadly on the management of the risk of sexual and gender-based harassment.

3. Make leadership accountable

Train leadership to be aware that they are accountable for preventing sexual and gender-based harassment.

4. Seek feedback

Investigate the effectiveness of policies and procedures to prevent sexual and gender-based harassment and identify any gaps or areas for improvement.

5. Analyse trends

Review the organisation's statistics in relation to claims/complaints to further identify where improvement is needed.

6. Drive continuous improvement

Form a committee to promote diversity, inclusion and equity initiatives, with members from a wide cross-section of the organisation.

Australian Developments: Greenwashing

ESG-related regulation in Australia

Regulator Scrutiny - Greenwashing

Hamilton Locke RSM

ASIC has released guidance for issuers **"How to avoid greenwashing when offering or promoting sustainability-related products"**

Issuers - responsible entities of managed funds, corporate directors of corporate collective investment vehicles (CCIVs), and trustees of registrable superannuation entities.

What could lead to inquiries by ASIC?

Marketing campaigns that aim to attract investments or promote products to consumers with insufficient substantive backing for their claims or lacking details on how they propose to carry out the transition.

> '**Greenwashing**' is simply misleading and deceptive conduct by another name
>
> **- ASIC Deputy Chair Sarah Court**

Greenwashing interventions

Where our recent surveillance work has identified concerns, including potential misleading marketing and/or greenwashing by entities, we have intervened to prevent harm to investors, consumers and market integrity, and to deter greenwashing misconduct.

Between 1 July 2022 and 31 March 2023, we achieved the following results:

- **23** total corrective disclosure outcomes
- **11** infringement notices issued
- **1** civil penalty proceeding commenced

In the managed funds sector, 14 responsible entities amended their disclosure in 21 PDSs and one fund's name was changed. In relation to listed companies, 9 entities amended disclosure documents, company websites or market announcements.

AFR
ASIC sues Active Super over Russia, coal holdings
The fund marketed itself as ethical and responsible, but held gambling, tobacco and Russian stocks, ASIC alleges.

AFR
ASIC sues Mercer Superannuation in first greenwashing case over investments in fossil fuels, gambling, alcohol
The corporate watchdog has accused retail superannuation giant Mercer of misleading members about the sustainability of its investments in a...

The Sydney Morning Herald
ASIC accuses $11 trillion investment giant Vanguard of greenwashing
The corporate regulator claims that Vanguard's ethically conscious bond index fund may have been exposed to investments with ties to fossil...

ESG-related regulation in Australia

Voluntary: Biodiversity

Nature Positive Plan was adopted by the Federal government in 2022 as a reaction to GBF.
It includes a number of areas of action, including a reform of the Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act). Among **key proposals** is the establishment of National Environmental Standards and a federal Environment Protection Agency.

Nature Repair Market - Nature Repair Act (2023)

Key Aspects:

- It establishes a national and voluntary biodiversity market framework to mobilise private finance to repair and protect of Australia's unique natural habitats facilitating activities for the repair, protection, and restoration of nature on land and in waters across Australia..
- **Key critique:** The use of certificates to compensate for habitat destruction elsewhere could contribute to further environmental degradation.

Reporting Entities:

- Landholders, including First Nations people and organisations, conservation groups and farmers will be eligible to participate in the scheme;

Timeline:

- Over 2024 the department and the Clean Energy Regulator are developing processes and systems to administer the scheme.

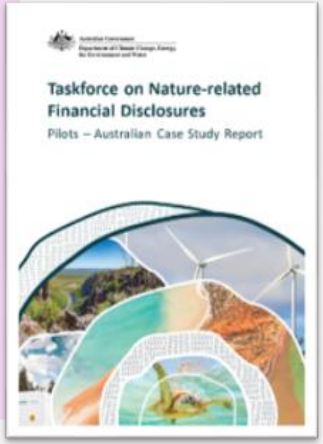
> "It will allow them to buy a quality product: verifiable, well-regulated nature repair certificates – so they can be sure their investments in protection and restoration have big environmental benefits – and those benefits are lasting."
> **Minister for the Environment and Water, Tanya Plibersek**

TNFD Pilots - Australian case study report

The DCCEEW in 2023 sponsored and led the pilot testing in accordance with the TNFD Piloting Guide (TNFD 2022a)

The pilot study included **15 corporations, 8 financial institutions and 6 peak industry bodies** across five case study groups, focused on one of the following nationally significant value chains:

- Critical mineral mining for producing clean energy technologies
- Natural gas extraction for industrial manufacturing
- Domestically sourced fresh beef and salmon sold at a supermarket
- Property development and building construction
- Domestic cultivation of cotton for export



Australian Developments

Timeline

ESG-related regulation in Australia

Timeline

Legend:

Red Dates = Mandatory Reporting Dates
Green Dates = Policy Implementation Dates

= Mandatory

= Voluntary

2006 | 2007 | 2009 | 2010 | 2011 | 2012 | 2016 | 2018 | 2022 | 2023 | 2024 | 2026 | 2027

2006 – Reconciliation Action Plans (RAPs) established

2007 - National Greenhouse and Energy Reporting (NGER) Act

2009 – NSW Energy Savings Scheme (ESS) implemented (New version of Rule commences **19 June 2024**).

2010 - Carbon neutral certification under Climate Active Carbon Neutral Standard introduced

8 December 2011 - Carbon Farming Initiative (CFI) Act enacted

Australian Carbon Credit Units (ACCUs) introduced under CFI Act **2011**

22 November 2012 - Workplace Gender Equality Act implemented **Mandatory Reporting annually**

1 July 2016 - Safeguard Mechanism implemented **Mandatory requirements** for biggest emitters

Modern Slavery Act **2018** – In force **1 January 2019** **Mandatory Reporting** for companies >$100m annual revenue

14 September 2022 - Climate Change Act

30 March 2023 - Workplace Gender Equality Amendment Bill

25 May 2023 - Modern Slavery Act Amendment (**Mandatory Reporting** lowered to >$50m)

1 July 2023 - Safeguard Mechanisms tightened for biggest emitters

ASIC commitments to anti-greenwashing measures

27 February 2024 - WGEA to publish Gender-Pay Gaps of companies with >100 employees **Mandatory Reporting since 2012**

July 2025 - Climate-related Financial Disclosures **Mandatory Reporting period starts** for Large companies (reporting **in 2026**)

July 2026 - Climate-related Financial Disclosures **Mandatory Reporting period starts** for Mid-sized Companies (reporting **in 2027**)

July 2027 - Climate-related Financial Disclosures **Mandatory Reporting period starts** for Small Companies (reporting **in 2028**)

International Developments

International developments and context

ISSB Standards: Adoption of IFRS S1 and S2

1. Australia
Legislation introduced to Parliament (adopting modified IFRS S2 with, S1 not adopted yet).
Implementation date: Staggered implementation July 2025-July 2028.

2. Brazil
Adopting in full (IFRS S1 and S2).
Implementation date: January 2026.

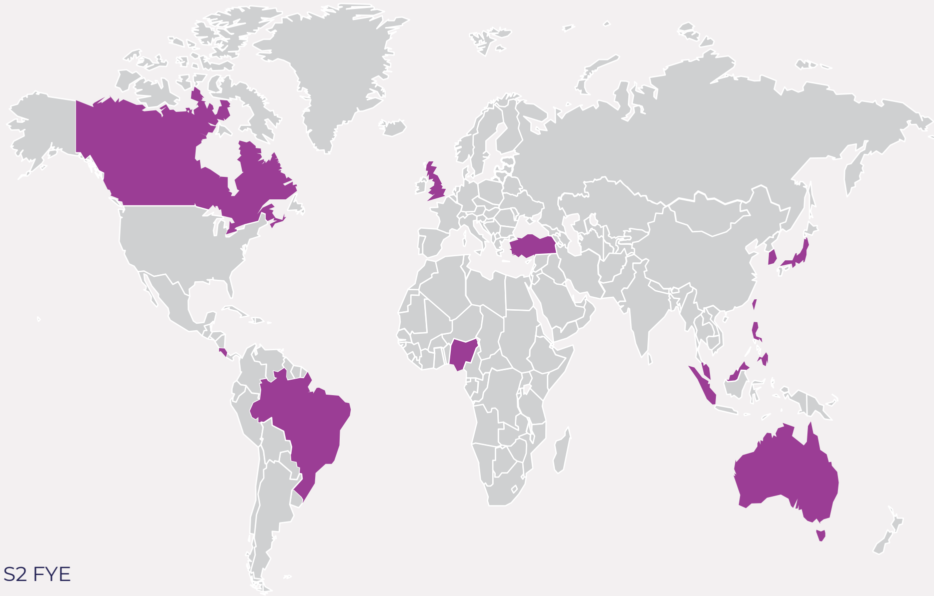
3. Canada
Canadian Sustainability Standards Board (CSSB) released proposals for the first standards.
Consultation open until 10 June 2024
Implementation date: January 2025.

4. Costa Rica
Adopted in full (IFRS S1 and S2) in 2024.
Implementation date: Phased mandatory adoption for public companies (January 2025) and companies classed as large taxpayers (January 2026).

5. Hong Kong
Developing adoption roadmap.
Implementation date: January 2025.

6. Japan
First draft standards have been issued. Consultation open until 31 July 2024.
Implementation date: March 2025.

7. Malaysia
Consultation closed.
Implementation date: public companies: S2 FYE Dec 2025, S1 FYE Dec 2026. Full adoption S1 & S2 FYE Dec 2027.



8. Nigeria
Consulting on adoption roadmap until March 2024.
Implementation date: Phased mandatory adoption for listed companies and SMEs January 2027 - 2030.

9. Philippines
Revising existing sustainability reporting guidelines for listed companies to incorporate IFRS S1 and S2.
Implementation date: January 2025.

10. Singapore
Singapore Exchange recently finished consulting on a Guide
Implementation date: January 2025 for listed companies, January 2027 for unlisted companies with >$1bn.

11. South Korea
First draft standards due in March, standards to be finalised by June 2024.
Implementation date: January 2026 or later.

12. Taiwan
Plan to adopt in full (IFRS S1 and S2).
Implementation date: Phased mandatory adoption for listed companies January 2026-January 2028.

13. Turkey
Adopted in full (IFRS S1 and S2).
Implementation date: January 2024.

14. UK
Consulting on standards until July 2024

International developments and context

Beyond ISSB: other disclosure regimes

1. European Union
Corporate Sustainability Reporting Directive (CSRD) in effect since 5 January 2023. Along with **EU Taxonomy**, **SFDR** and others. Double materiality approach.

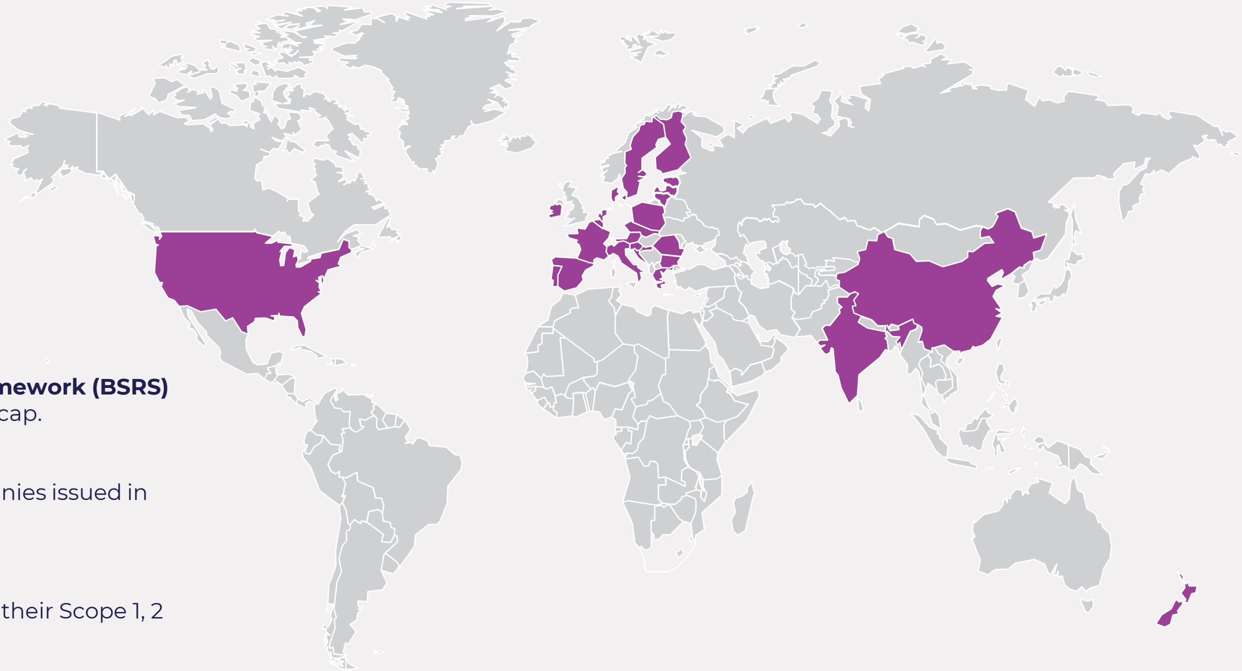
2. New Zealand
Aotearoa New Zealand Climate Standards (NZ CS) in effect 1 January 2023.

3. China
The **Guidance for Enterprise ESG Disclosure** in effect 1 June 2022. Currently voluntary. Double materiality approach.

4. India
Business Responsibility and Sustainability Report Framework (BSRS) in effect July 2023. Top 1000 listed businesses by market cap.

5. United States of America
SEC Rules on climate –related reporting for listed companies issued in March 2024, contested in court

California:
SB 253 - Climate Corporate Data Accountability Act
Private and public institutions >$1B revenue must report their Scope 1, 2 and 3 GHG emissions.
SB 261 - California Climate-related Financial Risk Act
Companies > $500 million revenue, doing business in California, formed in the United States must report on climate-related financial risks (TCFD aligned) and measures taken to mitigate the risks.

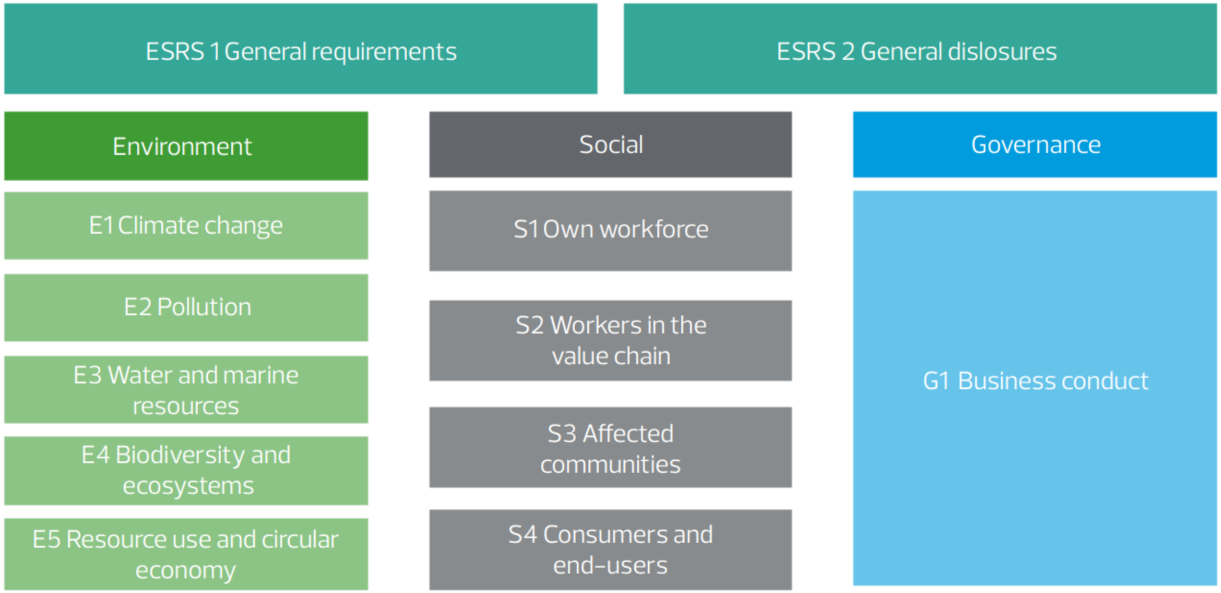


International developments and context

EU CSRD/ESRS

The Corporate Sustainability Reporting Directive (CSRD) and the related European Sustainability Reporting Standards (ESRS) set **mandatory requirements on sustainability reporting** for a large range of EU and non-EU entities.

The reporting requirements in the ESRS are categorised by Governance (GOV), Strategy (SBM), Impact, risk and opportunity management (IRO) and Measures and targets (MT). See below for an abbreviated view.



Key aspects:

- **12** Standards
- **10** Sustainability topics across ESG
- **85** disclosure requirements, over **1000** datapoints/metrics
- Based on **double-materiality principle**
- **Integrates EU Taxonomy** reporting
- Covers entity **value chains**
- **Mandatory assurance** requirements
- Direct and indirect impacts on non-EU entities

Reporting entities:

- **Companies exceeding 2 of the 3 size thresholds:**
  - €50 million in net turnover.
  - €25 million in assets.
  - 250 or more employees.
- **Public Interest Entities** (as defined by EU Member States, typically listed companies and financial institutions)
- **Entities with listed securities or debt** on EU-registered exchanges
- **Non-EU parents of large EU subsidiaries** or branches

Timeline:

- Subject to Member State transposition by mid-2024
- First reporting in 2025 (on 2024 data)

International developments and context

Key **differences** between CSRD and ASRS

	CSRD		ASRS
	10 sustainability topics	01	2 climate-related sustainability topics
	12 standards	02	2 standards
	Double-materiality: financial materiality and impact materiality	03	Single-materiality: only financial materiality
	Integrates EU Taxonomy alignment disclosures	04	No link to AU Sustainable Finance Taxonomy
	Limited assurance over all disclosures from Year 1 Reasonable assurance "towards" 2030	05	Limited assurance on select disclosures only, until 2030 Reasonable assurance foreseen from 2030
	PIEs exceeding 2 of 3: €50m in net turnover, €25m in assets, 250 or more employees	06	Entities exceeding 2 of 3: $500 million in net turnover, $1 billion in assets, 500 or more employees.
	Disaggregation into 7 GHGs required, emission intensity required	07	Disaggregation and emissions intensity not required
	Member States set penalties reporters liable to regulator in each EU country	08	Overseen by ASIC, penalties up to 2 years imprisonment

International Developments

EU (and other) CBAM

International developments and context

CBAMs - EU and UK

The Carbon Border Adjustment Mechanism (CBAM): used to **account for carbon emissions/cost in imported goods,** creating **level playing field with local producers**, **reducing the risk of carbon leakage** and fostering a global effort to cut greenhouse gas emissions.

	European Union Adopted, Currently in transition phase	**United Kingdom** Currently in public consultation
Who has to comply?	Businesses **importing specific goods and precursors,** including: Cement, iron and steel, aluminium, fertilisers, hydrogen, **electricity**	Cement, iron and steel, aluminium, fertilisers, hydrogen, **ceramics**, **glass**
Key requirements	**Transition Phase (2023-2026):** ▪ **Quarterly report**, without financial obligations or mandatory third-party verification ▪ Multiple GHG calculation methods available – but being phased out gradually during transition phase (next change - July 2024) **Definitive Regime (2026 onwards):** ▪ **Quarterly report** on imported goods with **financial obligations** and mandatory **third party verification** ▪ Importers must purchase EU CBAM certificates, first certificate surrendering is due March 2027	Public consultation phase - determining design of mechanism ▪ **No CBAM requirements currently apply** **Planned implementation from 2027** ▪ Importers to be charged on the emissions embodied in relevant imports into any part of the UK on or after 1 January 2027 ▪ The "tax point" to occur at the time the CBAM liability arises i.e. date goods are released from customs or goods first enter the UK
External verification requirements	▪ External verification not required in Transition Phase ▪ During the Definitive Regime, an **external accredited verifier is required – ETS accredited** and needs **access to production facilities**	▪ No information currently available
How are certificates and costs calculated/ liability determined?	▪ Certificate prices determined **based on weekly EU ETS auction prices,** minus the overseas carbon levies ▪ Importers **declare and surrender certificates** corresponding to their imports' emissions for CBAM compliance	▪ CBAM liability calculated by multiplying the emissions value per type of good per production source by **the effective UK carbon price,** minus the overseas carbon price ▪ No certificates involved under this method

International Developments International company example

International company example

Meet the company:

SwissCham International

Swiss Headquarters

Large EU subsidiary:
- Bonds listed on EU exchange
- 1000 staff
- EUR 500m net turnover

AU subsidiary:
- 300 staff
- $205m turnover
- Has one high emitting asset in Australia: steel production plant
  - Uses > 100 TJ of energy per year,
  - > 100,000 tonnes of EO2eq. emissions
  - reached thresholds in 2023
- Exports steel to EU

2023	2024	2025	2026	2027	2028
				CSDDD obligations and reporting	CSDDD obligations and reporting
			Green claims in EU market to be fully justified Verification required	Green claims in EU market to be fully justified Verification required	Green claims in EU market to be fully justified Verification required
			EU Women on Board report	EU Women on Board report	EU Women on Board report
			EU Gender Pay Gap Report	EU Gender Pay Gap Report	EU Gender Pay Gap Report
				1st ASRS report Scope 1,2 (location) Limited assurance	3rd ASRS report Scope 1,2 (location), 3 Limited assurance
		1st CSRD report Max 10 topics Limited assurance	2nd CSRD report Max 10 topics Limited assurance	3rd CSRD report Max 10 topics Limited assurance	4th CSRD report Max 10 topics Limited assurance
	NGER registration May require an audit	1st NGER report Scope 1, 2 Energy use	2nd NGER report Scope 1, 2 Energy use	3rd NGER report Scope 1, 2 Energy use	4th NGER report Scope 1, 2 Energy use
Modern Slavery Statement	Modern Slavery Statement	Modern Slavery Statement	Modern Slavery Statement	Modern Slavery Statement	Modern Slavery Statement
AU Gender Pay Gap Report	AU Gender Pay Gap Report	AU Gender Pay Gap Report	AU Gender Pay Gap Report	AU Gender Pay Gap Report	AU Gender Pay Gap Report
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Note: the example does not account for national obligations in Switzerland, the EU Member State or elsewhere

Taking action

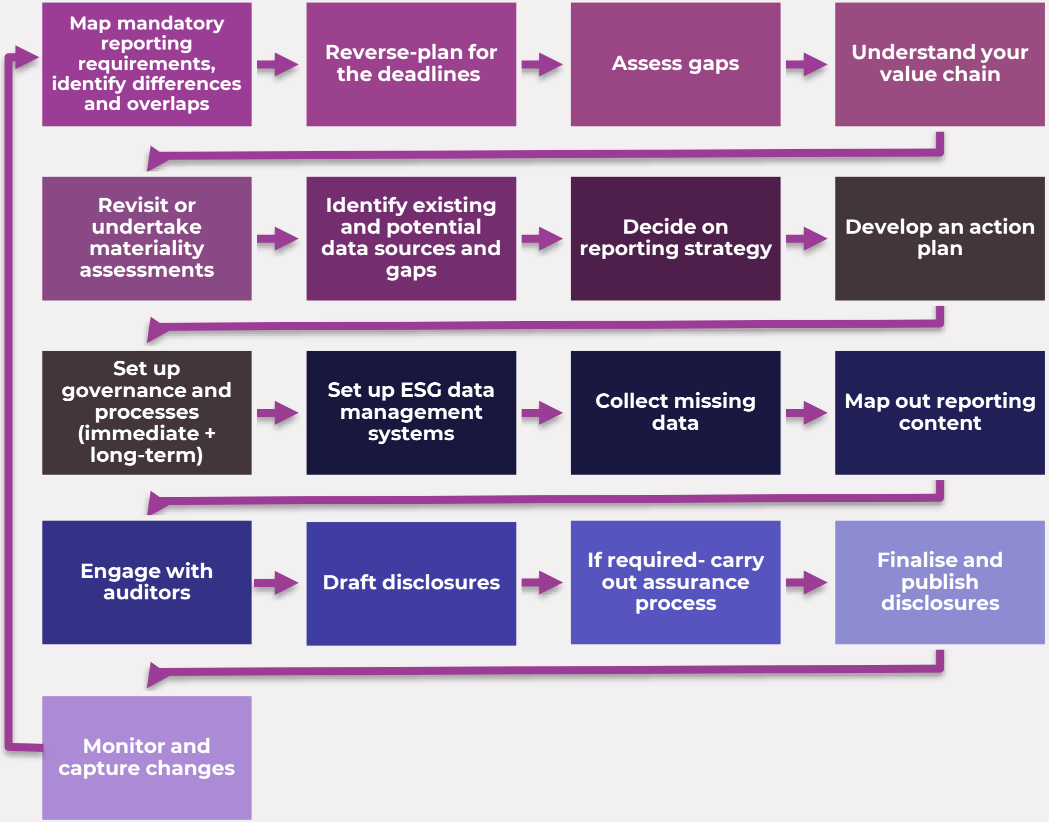
ESG Compliance

Where to Start?

Process Pathway

The process may take 6 to 24 months, depending on:

- The scope of applicable disclosures (one or several jurisdictions, high-impact sectors, etc.)
- Size of the company / group
- Complexity of value chains
- Gaps in data availability and collection
- Existing internal know-how, expertise and resources
- Verification/assurance requirements.



Our Speakers

James Delesclefs, Partner at Hamilton Locke, is a specialist in complex private M&A transactions, inbound investment, fundraisings, management incentive arrangements, corporate governance, joint ventures, international business (re)structures and the decarbonisation industry (including Project development, TCFD/ISSB reporting, policies and charters). James has more than 20 years' domestic and international private practice experience in leading firms in London, New York and Sydney, counselling corporations, private equity sponsors, founders and management, in all forms of corporate activity.

Linda Romanovska, ESG and Climate Services Partner at RSM, is a seasoned specialist in sustainability strategies and reporting, sustainable finance and natural capital. With almost 20 years of experience in the private and public sectors, Linda's expertise extends to a broad range of sustainability considerations including ESG governance, target setting and monitoring, climate change and transition policies and implementation plans, ESG risk integration, adaptation and resilience planning, natural capital accounting, mobilising sustainable finance and designing sustainable investment frameworks.

Michael Tooma, Head of ESG at Hamilton Locke, is Australia's leading health and safety lawyer with specialist expertise in regulatory investigations and environmental, social and governance (ESG) issues. Michael provides strategic crisis management, proactive resilience and ESG advice to companies and boards in Australia and globally, with extensive experience responding to incidents, undertaking investigations, acting in inquiries, and advising on ESG systems, processes and policies. In addition to his extensive legal expertise, Michael is a thought leader on ESG governance and the author of numerous books, including the Wolters Kluwer "Directors' Guide to ESG".

Thank You

Hamilton Locke

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