SODALI & CO

2024 YEAR IN REVIEW: AUSTRALIA

The latest in corporate governance, sustainability and AGM voting trends including remuneration, director elections, diversity, ESG activism, and more

MARCH 2025

EXECUTIVE SUMMARY

EXECUTIVE REMUNERATION

The number of remuneration 'strikes' remained elevated in 2024.

DIRECTOR ELECTIONS

Fewer instances of high protest votes against directors, although the areas of scrutiny remain broad.

SUSTAINABILITY AND E&S ACTIVISM

Lack of progress on climate continued to be a focus of shareholder resolutions, alongside the emergence of nature-related concerns.

INVESTORS, ESG ASSOCIATIONS AND REGULATORY BODIES IN 2024

A month-by-month review of actions by investors, ESG associations and service providers, and regulatory bodies throughout 2024.

FOREWORD

Companies continue to face a dynamic corporate governance and sustainability landscape, driven by evolving stakeholder expectations and regulatory shifts.

2024 was a milestone year for our business, as we became Sodali & Co. Following several acquisitions across our global business over the past few years, our rebrand was part of a strategy to bring them all together under one name – creating a world-class advisory firm across shareholder services, corporate governance, ESG advisory, and strategic communications. This change represents our unwavering dedication and commitment to excellence for our clients, supporting them to adapt and thrive in an increasingly volatile, uncertain, complex, and ambiguous world.

In Australia, we saw a relatively buoyant sharemarket, moderating inflation and low unemployment in 2024. However, cost-of-living pressures and stagnating economic growth persisted throughout the year, with business insolvencies hitting record highs.

In this context, we continued to a see an elevated number of remuneration 'strikes' across the ASX300 in 2024 (40), which may suggest a 'new norm' after the record 41 strikes recorded in 2023 since the introduction of the 'two-strikes' rule in 2011. Investors and proxy advisors alike continued to use the remuneration report vote to voice concerns with the misalignment between pay relative to company performance and shareholder returns, or to protest major governance controversies and other non-financial factors.

Despite a notable decline in instances of high protest votes (>20%) against director re/elections in 2024 (32 vs. 46 in 2023), directors continued to be held accountable for the perceived inadequate oversight of various factors, including remuneration, governance, conduct risk, company performance and capital management decisions.

In addition, the expectations on directors' skills and duties continue to evolve in conjunction with the proliferation of regulatory policies and governance guidelines on emerging risk areas, such as cyber-security and artificial intelligence (AI).

There was a slight uptick in the number of ESG-related shareholder resolutions in 2024 (21 vs. 17 in 2023), mainly related to climate-related commitments and disclosures. However, for the first time we witnessed the emergence of nature-related shareholder resolutions requisitioned by a new ESG activist. In 2024, large companies were busy preparing for the introduction of Australia's mandatory climate-related reporting regime (from 1 January 2025), as well as Australia becoming the world leader in greenwashing lawsuits.

In 2025, Australian companies will need to navigate prevailing macroeconomic headwinds, the potential geopolitical impacts of a new U.S. President, and the aftermath of the upcoming Australian Federal Election. While it remains to be seen what impact this may have on future votes at company meetings, it's evident that investor and proxy advisor scrutiny of Australian companies across various financial and non-financial factors will endure. Companies must remain vigilant and responsive to stakeholder concerns to avoid negative outcomes at their 2025 AGMs, and ultimately ensure that executive remuneration is well aligned with shareholder interests.

Our 2024 Year in Review – Australia, provides a snapshot of the voting outcomes, sentiments, and key reasons for proxy advisor recommendations and shareholder voting patterns, with a focus on S&P/ASX300 companies. It also provides an overview of important industry and regulatory trends in Australia and globally, across various remuneration, governance and sustainability themes. We hope you find this 2024 analysis useful to support your planning for 2025, and we welcome any feedback or follow up.

32

Number of directors in the ASX300 who attracted more than 20% votes against their re/election at AGMs (compared to 46 in 2023)

40

Number of ASX300 remuneration strikes in 2024; 1 less than the record number in 2023

21

Number of shareholder resolutions lodged across 11 different companies at 2024 AGMs

EXECUTIVE REMUNERATION

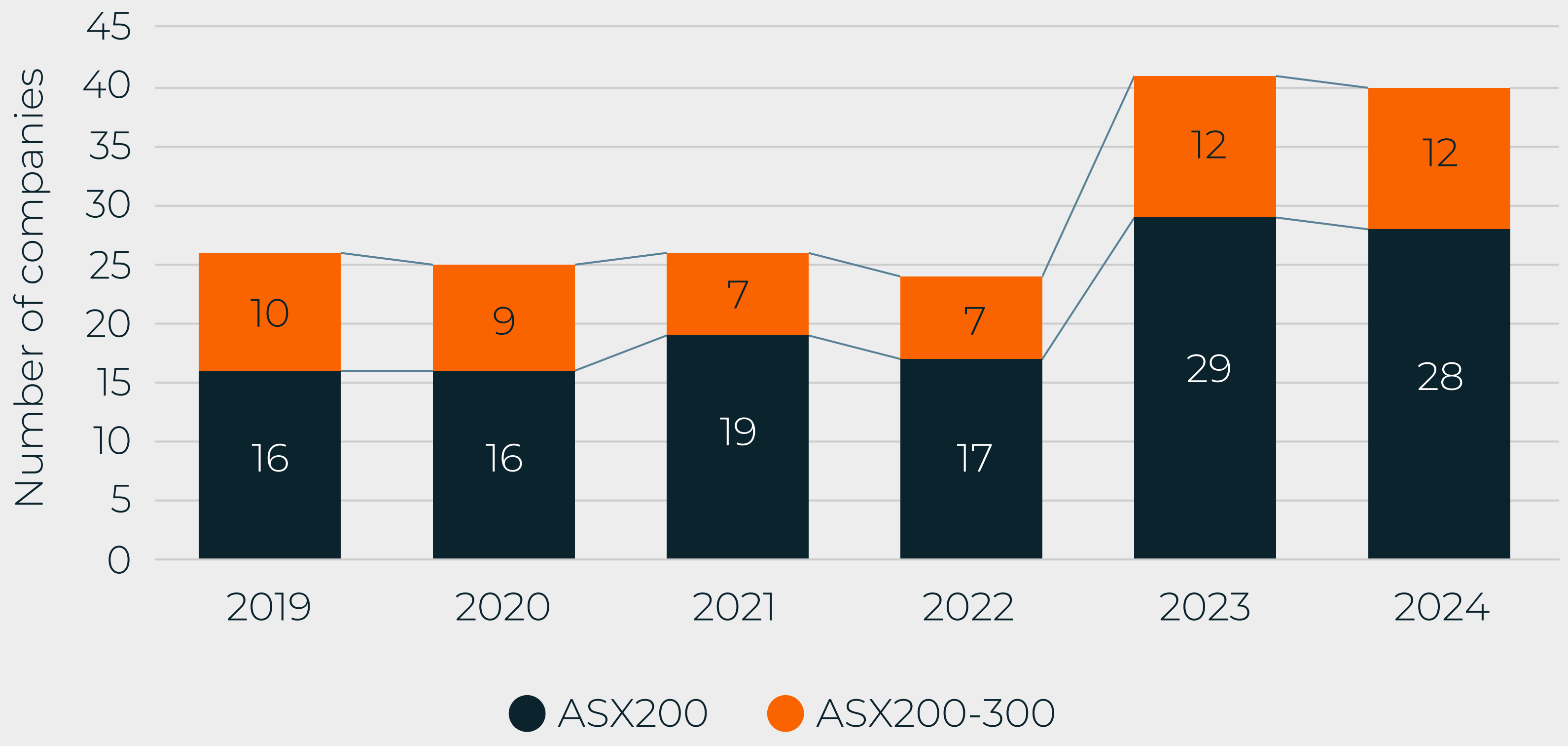
Overview

The record number of remuneration 'strikes' across the ASX300 in 2023 (41), highlighted investors' willingness to oppose the annual remuneration report due to a wide array of governance, strategic and performance concerns. Whilst the 2023 strikes represented a 71% increase to the strikes recorded in 2022 (24), it was unclear whether this reflected a temporary spike or a sustained trend.

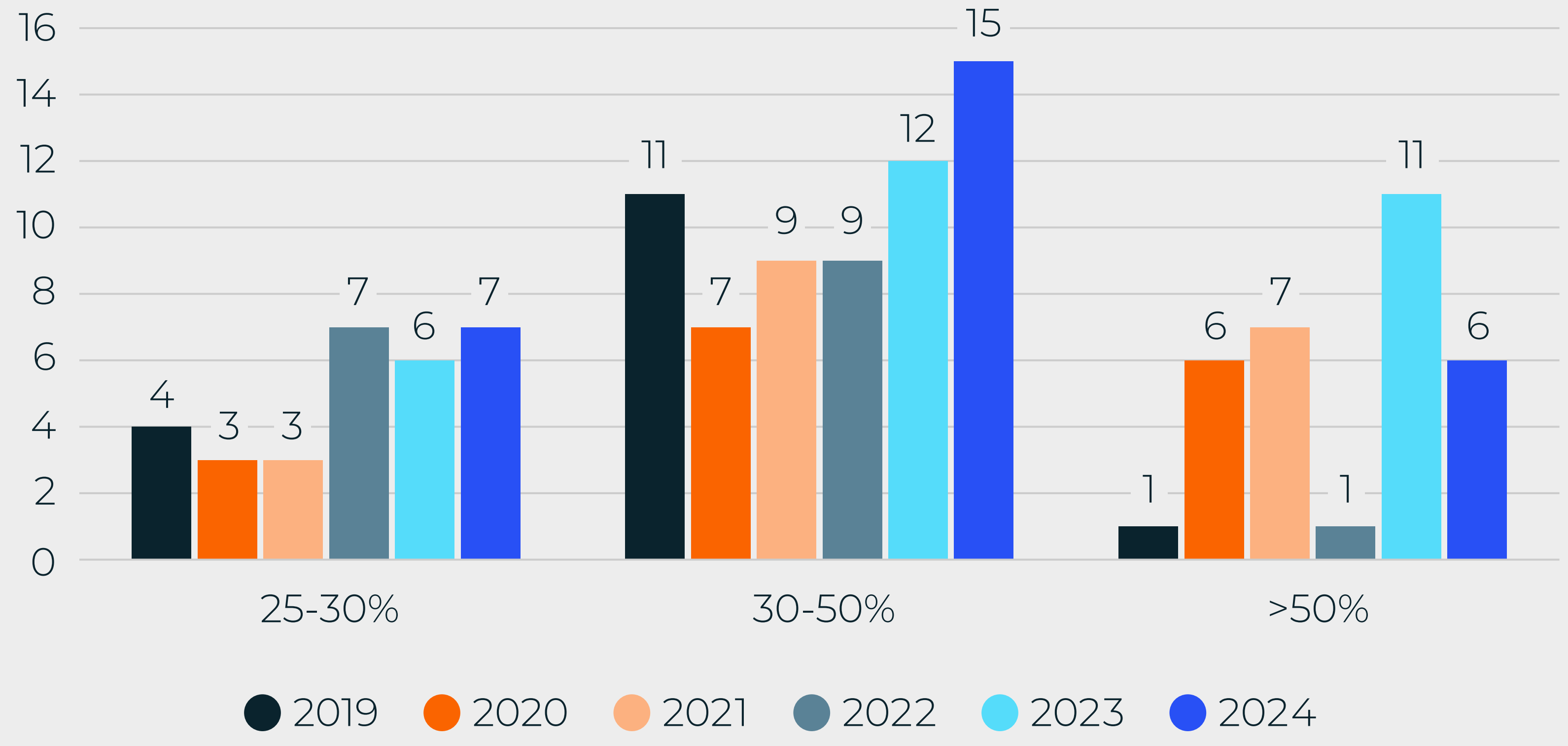
Companies entered 2024 facing persistent inflation, high interest rates and ongoing geopolitical uncertainty, which compounded cost-of-living pressures and sustained pressure on company performance. Against this backdrop, the ASX300 recorded 40 remuneration strikes in 2024[1], with 30 companies receiving more than 30% of votes against their remuneration reports – suggesting that the elevated number of strikes may be here to stay. Consistent with this trend, 13 companies received their second strike, compared to just 5 in 2023. Two companies received their fourth strike (Dicker Data, Lovisa Holdings), whilst NRW Holdings received its seventh strike in a row.

1. Includes two ASX-listed companies that are domiciled in the U.S. (James Hardie, Life360) and are technically exempt from the legal requirements of the 'two strikes' rule under the Corporations Act.

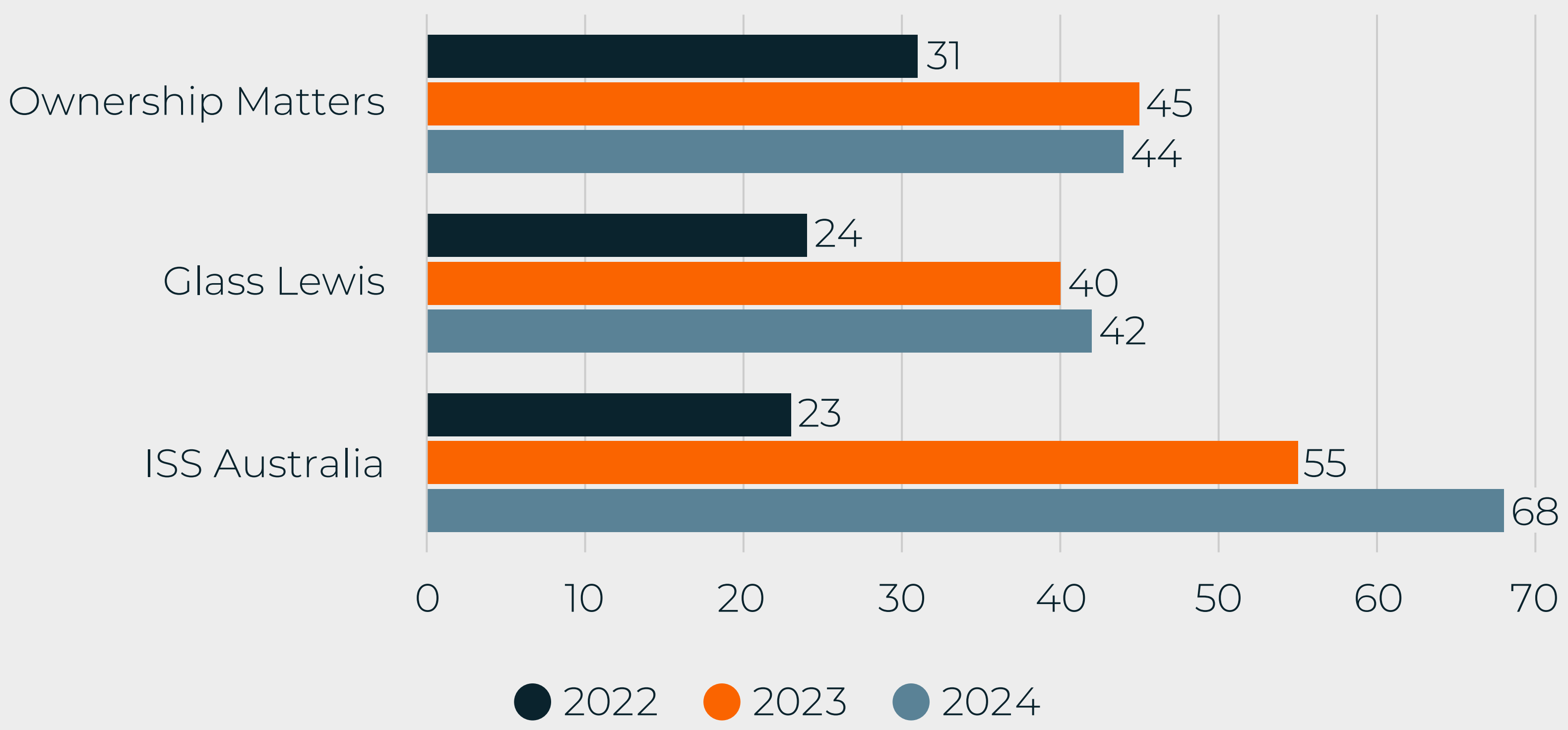
REMUNERATION STRIKES



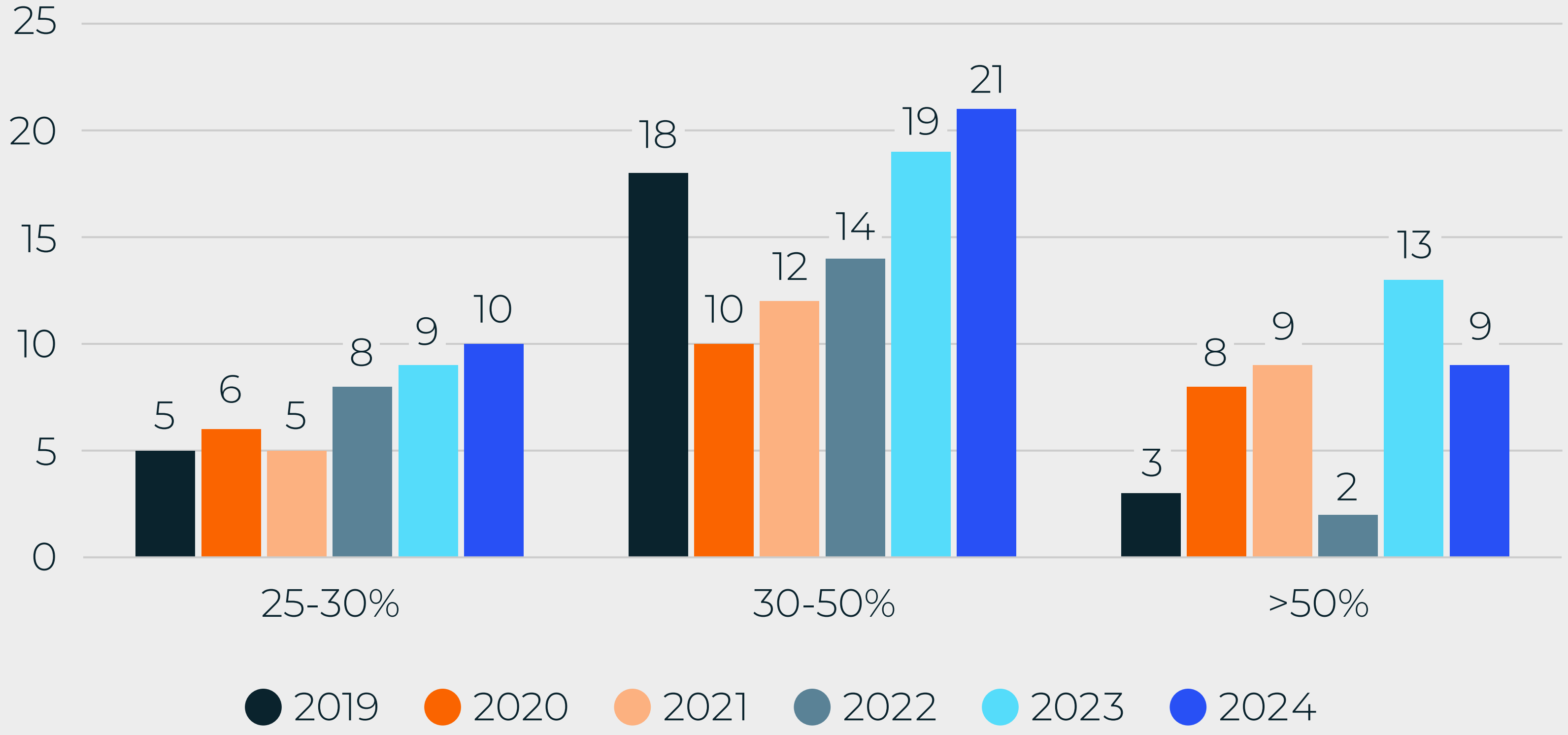
ASX200 REMUNERATION STRIKES – LEVELS OF DISSENT



PROXY ADVISOR RECOMMENDATIONS AGAINST ASX300 REMUNERATION REPORTS



ASX300 REMUNERATION STRIKES – LEVELS OF DISSENT



The number of proxy advisor recommendations Against remuneration reports of ASX300 companies also remained elevated. We observed a notable increase in Against recommendations (▲24%) from ISS in 2024 compared to 2023 (and a staggering 3 times the number in 2022), whilst Ownership Matters (OM) and Glass Lewis (GL) issued approximately the same number of Against recommendations – signalling that scrutiny on ASX300 remuneration reports may persist in 2025. For the 2024 strike companies, negative recommendations from proxy advisors were primarily due to concerns with executive pay increases and overall pay quantum, misaligned pay and performance, and the provision of retention and other one-off awards. Other areas of concern included the approach to executives' termination benefits and excessive board discretion applied in determining incentive outcomes.

In addition, investors and proxy advisors continued to use the remuneration report vote as a protest for broader governance, culture and/or risk management issues – particularly if the consequences to remuneration outcomes were considered insufficient. Furthermore, stakeholder scrutiny of the rigour of ESG performance measures persists, as these measures continue to increase in prevalence across ASX300 remuneration frameworks.

Key Themes

The most common issues referenced by proxy advisors that influenced recommendations Against remuneration-related resolutions for strike companies in 2024 included the following:

1. High executive pay quantum
2. Retention/one-off awards
3. Pay and performance misalignment
4. Persistency of remuneration outcomes
5. Inappropriate board discretion
6. Generous termination benefits
7. Poor disclosure of short-term incentive (STI) or long-term incentive (LTI) targets
8. Inappropriate variable incentive structure
9. Inappropriate weighting/nature of non-financial measures
10. Lack of rigour of performance targets

Key trends observed from Sodali & Co's analysis of 2024 remuneration reports and proxy advisor research:

EXCESSIVE PAY INCREASES AND OVERALL PAY QUANTUM

High fixed remuneration increases and overall pay quantum were key drivers of negative proxy advisor recommendations and remuneration strikes in 2024. Concerns were often raised when pay quantum was considered above the median of relevant peers, or when increases have been applied year-on-year (e.g., above the average wage growth in Australia). Given fixed pay is not 'at-risk', proxy advisors and investors expect a strong justification for any increases and clear alignment with company performance and/or peers. Several ASX300 companies received negative proxy advisor recommendations and incurred a strike in 2024, driven by concerns with the MD/CEO's fixed pay quantum (Scentre Group, NRW Holdings, Elders, Ingenia Communities, Champion Iron, IDP Education, Australian Clinical Labs), with proxy advisors calling for greater disclosure of the benchmarking policy and specific peers going forward, to help mitigate their concerns.

Proxy advisors commonly raised concerns when the remuneration package of an incoming MD/CEO was set higher than their predecessor. They generally prefer new MD/CEO pay to be set at or below their predecessor, to allow for incremental increases as the new MD/CEO demonstrates proficiency and performs in the role over time.

Fixed pay quantum is often scrutinised for companies that operate a 'combined incentive plan'[2], or offer a high variable remuneration opportunity to executives as a percentage of fixed pay – given incremental increases in fixed pay will have a significant compounding effect on the dollar value of variable remuneration offered.

PAY AND PERFORMANCE MISALIGNMENT AND PERSISTENT OUTCOMES

Excessive executive remuneration amidst poor company performance and/or shareholder returns remained a key driver of dissent from investors and proxy advisors in 2024; concerns were amplified where there was **insufficient variability in incentive outcomes** year-on-year.

Even in cases where variable incentive outcomes appear justified in the current financial year in light of performance measures achieved, proxy advisors (particularly OM and the Australian Council of Superannuation Investors (ACSI)), will retrospectively analyse the trend in incentive outcomes over multiple years. For a number of strike companies in 2024 (Scentre Group, Dexus, ANZ, Perpetual), negative proxy advisor recommendations were driven by the view that incentive outcomes had been consistently achieved at above-target levels for consecutive years, which questioned whether performance targets were sufficiently challenging, or that there may be excessive board discretion in determining outcomes.

Concerns around the persistence in incentive outcomes are exacerbated when specific targets had not been disclosed, precluding proxy advisors from being able to independently assess the rigour of measures. Where performance targets are clearly disclosed, proxy advisors will generally assess them against various reference points to determine if they are sufficiently challenging (e.g., market guidance, analysts' consensus estimates, comparison to prior year targets and actual outcomes). The perception that performance targets were weak or 'softened' from the prior year, yet resulted in substantial outcomes, drove a number of ASX300 strikes in 2024 (Dexus, Goodman Group, Reece, CSL, Infomedia).

PREVALENCE OF RETENTION AND OTHER ONE-OFF AWARDS

The provision of **retention or other one-off awards** (e.g., sign-on awards) to executives attracted strong scrutiny from investors and proxy advisors (particularly Glass Lewis and ISS), influencing several ASX300 strikes in 2024 (Healius, Clinuvel Pharmaceuticals, Perpetual, Elders, Ingenia Communities, Sigma Healthcare, Star Entertainment, IDP Education, Platinum Asset Management, Australian Clinical Labs). Investors and proxy advisors generally expect the total remuneration packages for executives to be structured in a way that supports the attraction and retention of key talent, without the requirement for additional, one-off awards.

However, for Australian companies with an increasing global footprint and/or that operate in certain industries experiencing protracted labour shortages (e.g. mining sector in Western Australia), boards remain under pressure to offer additional remuneration to executives to align with competitors in their global markets for talent. Considering the differing constraints across markets (e.g., by geography, industry sector, ownership structure, etc.), there can be a large gap between what is being offered by competitors and what is reasonably possible at the company, and therefore, one-off retention awards are provided as an interim solution. One-off awards are also commonly used to retain key executives throughout a period of M&A to ensure management stability,

2. Variable remuneration is provided under one plan, instead of a separate STI and LTI plans, with the total opportunity set as a percentage of fixed pay. Typically, a one-year performance period determines the quantum of the incentive payment, with a portion paid as cash and a portion deferred into equity (to vest at a later date).

however, proxy advisors are generally critical of this practice.

OM acknowledges that recruiting executives from a global talent pool can be challenging for ASX-listed companies due to differences in pay structures – such as the common use of service-based restricted stock units (RSUs) and generally significantly higher quantum of equity-based awards for U.S. executives compared to Australian executives. However, OM believes that for Australian-incorporated companies with a primary listing on the ASX, there are benefits to being in the Australian market and while Australian companies may seek to recruit executives in the U.S., it is generally uncommon to see Australian executives recruited by competitors in the U.S. or other global markets. For companies with a secondary ASX listing, OM does not view them against Australian market standards and provides greater leniency to them.[3]

Common issues raised by proxy advisors regarding one-off awards include the following:

- **Excessive quantum:** as they are provided in addition to the existing remuneration opportunities, and therefore, inflate executive remuneration packages to levels exceeding their ASX-listed peers.
- **Lack of appropriate performance measures:** awards with service conditions only are seen to undermine the alignment between executive pay and performance, and are of particular concern when they are provided in years when payment/vesting under the regular STI or LTI plans are minimal.
- **Discretionary nature:** as one-off awards are often provided due to unique business circumstances or retention risks, they are generally perceived as discretionary, without a clear link to relevant market benchmarking in determining quantum.
- **Cash delivery:** the use of cash-based awards rather than equity, reduces the perceived alignment with shareholder interests.

INAPPROPRIATE BOARD DISCRETION IN DETERMINING REMUNERATION OUTCOMES

The application of board discretion in determining remuneration outcomes has been a highly contentious issue for investors and proxy advisors over the past few years. Whilst there were fewer cases of upward board discretion in 2024 compared to prior years, we saw more protests against remuneration reports where **downward adjustments were considered insufficient** to reflect accountability for major ESG controversies or risk management issues, contributing to a number of strikes in 2024 (Mineral Resources, Sandfire, ANZ).

Concerns with the use of underlying/normalised profit measures remained a common bugbear for proxy advisors in 2024, especially OM and ACSI. This is due to the view that underlying measures allow for excessive board discretion in determining outcomes, particularly when adjustments are applied inconsistently or the reconciliation between statutory and underlying profit is unclear. For two strike companies (Ingenia Communities, Perpetual), proxy advisors were of the view that impairments resulting from prior acquisitions should not have been excluded from the calculation of underlying profit measures used in determining STI outcomes.

3. Source: Director Briefing with Ownership Matters, Guerdon Associates, 9 December 2024

ONGOING SCRUTINY OF ESG AND OTHER NON-FINANCIAL MEASURES

The inclusion of **ESG measures in remuneration frameworks** continues on an upward trajectory, with 54% of companies in the ASX200 now including a climate-related metric into either their STI or LTI structures, compared to just 10% in FY20[4]. Despite this upward trend, proxy advisors still prefer to see ESG and other non-financial measures in the STI rather than the LTI, as it can be more difficult to set quantifiable long-term targets with ESG priorities often changing over time due to evolving stakeholder expectations, strategic priorities and regulatory updates. ESG measures in LTI frameworks are often considered more opaque and less objective/quantifiable, driving a perception that such measures are largely discretionary.

ISS remains sceptical of non-financial/ESG measures altogether, viewing them as a reward for 'day job' responsibilities and/or subject to excessive board discretion in assessments. This concern is exacerbated when **non-financial measures are being achieved amidst deteriorating share price and/or business performance**.

In 2024, investors and proxy advisors had a keen interest on the new LTI structures of the 'Big Four' major banks, which began to vest in 2024. These LTI plans were previously introduced to align with the requirements under APRA's CPS 511 Remuneration Standard (CPS511) to apply a 'material weight' to non-financial measures in determining remuneration outcomes; specifically, by including a RSU component subject to ongoing service and discretionary board assessments of various non-financial indicators (e.g., prudential soundness, risk management, material adverse events). Proxy advisors and investors had their first opportunity in 2024 to assess the rigour and extent to which boards considered these non-financial factors in determining RSU vesting outcomes.

Notably, ANZ incurred a strike in 2024, largely due to the perceived inadequate remuneration consequence for executives to reflect the risk issues identified in ANZ's Market business and other non-financial risk matters.

EXCESSIVE TERMINATION BENEFITS

The scrutiny on termination benefits to executives has also increased from prior years, with proxy advisors holding companies accountable for **termination benefits to departing executives considered inappropriate** (Dexus, Ingenia Communities) or recommending against resolutions to approve **future termination benefits seen as overly generous** relative to the maximum under the Corporations Act (The Star).

Typical concerns that influenced negative proxy advisor recommendations include the following:

- The former MD/CEO retaining certain benefits/incentive awards that pertained to remaining employed for the full year, despite being on 'gardening leave'.
- Seeking approval of termination benefits in advance is typically questioned, with proxy advisors preferring that companies seek approval at the time of the executive's departure, particularly when it appears that an M&A event is imminent. Furthermore, when companies are seeking approval of future termination benefits or have disclosed an incoming executive's contract, certain provisions may be scrutinised, such as the treatment of remuneration upon 'trigger' events such as a change of control.
- Assessing whether the quantum of termination benefits is reasonable, considered with respect to the reason for the executive's departure, performance over their tenure, and any circumstances that arose during their tenure that may have impacted shareholder value. Termination benefits may be considered excessive following an executive's abrupt resignation from a company, against a backdrop of a major corporate controversy and reputational damage.

4. Source: Measuring and rewarding climate progress, ACSI, June 2024
5. Under Section 200B of the Corporations Act 2001 (Cth), termination benefits provided to departing executives require shareholder approval if they exceed one year's base salary.

Notable questions from shareholders relating to remuneration at 2024 AGMs

1. Why are executives being paid bonuses, given poor company performance?
2. How does the board benchmark executive remuneration?
3. Given the trend among many other companies to extend the timeframe under the LTI plan, will the board consider increasing the performance period beyond three years?
4. Why does the relative TSR hurdle allow vesting for performance below the median?
5. Would the board consider implementing a greater percentage of STI deferral, to increase the proportion of equity-based remuneration?
6. Why are performance hurdles based on the underlying results rather than statutory, removing the impact of impairments?
7. Given the operating environment, will the board revise the STI plan to prioritise financial measures over ESG measures?
8. Your STI is currently weighted 30% to decarbonisation and 70% to shareholder return. Would the board consider reversing those percentages to place greater emphasis on decarbonisation?
9. Will the board consider adding a second measure to the LTI plan, so that the outcomes are not wholly determined by share price?
10. Will you consider implementing a minimum shareholding requirement for directors?

DIRECTOR ELECTIONS

Overview

Continuing market and economic pressures during 2024 have driven ongoing scrutiny of directors over financial and non-financial performance. In 2024, 32 ASX300 directors received dissenting votes of over 20% against their re/elections. While representing a 30% decrease from 2023 (46), this remains elevated compared to 2022 (25) and 2021 (22).

Concerns over remuneration decisions/ outcomes, as well as inadequate director oversight of risk, governance and company performance, remained key focus areas for investors and proxy advisors in assessing directors. However, in some notable instances, director re/elections at companies in the midst of major corporate governance controversies still received strong support.

Looking forward, board capabilities to provide oversight of emerging risks and potential opportunities will continue to be tested as market and regulatory expectations evolve and mature.

711

Number of ASX300 director re/elections in 2024

32

Directors in the ASX300 who attracted more than 20% votes against their re/election at AGMs (compared to 46 in 2023)

95%

Average support for directors at 2024 AGMs (compared to 96% in 2023)

Key considerations and voting trends in 2024:

DIRECTOR ACCOUNTABILITY FOR INADEQUATE OVERSIGHT OF COMPANY STRATEGY AND PERFORMANCE

While the average level of director support has remained steady over the last few years (95% in 2024; 96% in 2023; 96% in 2022; and 95% in 2021), 32 director re/elections across the ASX300 received dissenting votes above 20%, representing 5% of all board-endorsed director elections held (711). Although lower than the 46 recorded in 2023 (representing 6% of the 744 director re/elections held), dissent remains elevated compared to the prior years (25 in 2022 and 22 in 2021; both representing 3% of all director re/elections held). As sluggish economic conditions continued to place a strain on companies and investors, boards' oversight of remuneration, governance and business performance were strong contributors to dissenting votes against directors in 2024.

Alongside an elevated number of remuneration strikes over the past two years, investors and proxy advisors consistently held directors accountable for **remuneration practices that appeared unwarranted** due to poor execution of company strategy, capital allocation decisions and/or historical business underperformance, and have led to shareholder value destruction. We observed some directors receiving close to 50% dissenting votes where this misalignment was considered particularly egregious or long-standing, including votes against remuneration committee members often made in addition to votes against the remuneration report. This practice reflects the voting policies of proxy advisors, including Glass Lewis and ISS.

Five of the 40 companies that received a remuneration strike in 2024 (Brainchip, Clinuvel Pharmaceuticals, Karoon Energy, Kogan, NRW Holdings) also recorded significant dissenting votes against the re-election of their remuneration committee chairs (with levels of dissent ranging from 19% to 49%). Notably, dissenting votes at Karoon Energy's 2024 AGM formed part of a broader activist campaign by Sandon Capital and Samuel Terry Asset Management, who combined efforts to encourage investors to vote against five of the nine AGM resolutions. Two strike companies in 2024 (Australian Clinical Labs, Nine Entertainment) also recorded notable dissenting votes against the re-election of their board chairs (23% and 17%, respectively). While narrowly avoiding a strike, the board chair of Deterra Royalties received a dissenting vote of 34%.

Long-tenured directors were also held accountable for prolonged deteriorating company performance, raising questions over their stewardship and the potential need for board succession. For one company, despite significant ongoing board and executive renewal and efforts to improve performance, proxy advisors and investors did not consider the steps taken to date as sufficient and called for further renewal of all incumbent directors. In contrast, having received significant dissent against long-tenured director re-elections in 2023, LendLease Group reversed this trend in 2024 (with the remuneration report and both director elections receiving over 90% support), owing to improved business performance, robust succession planning and/or stakeholder engagement efforts.

Director overcommitment remains a contentious issue for investors and proxy advisors, challenging whether directors can appropriately manage competing needs in difficult market conditions or a corporate crisis. Concerns were often amplified when the director in question served as the board chair, chaired a key board committee (such as audit) and/or also served as an executive at another company. Overcommitment concerns contributed to some directors receiving over 20% of votes against their re/elections in 2024 (NexGen Energy, Lotus Resources, Arafura, Light & Wonder, Fisher & Paykel). This may reflect the increasing practice of investors developing their own overcommitment policies, which may deviate and sometimes be stricter than proxy advisors. Additionally, proxy advisors are increasingly considering the number and size of a candidate's external commitments at large unlisted entities.

Board independence concerns also influenced director re/elections for non-majority independent boards, resulting in dissenting votes over 20% in some cases (NexGen Energy, Sayona Mining, Bellevue Gold, Latin Resources, Harvey Norman, Lotus Resources, Nickel Industries).

'TONE FROM THE TOP' IN ESG AND RISK MANAGEMENT

Overall board performance remains a key focus area for proxy advisors and investors. For example, Blackrock retained board quality, performance and effectiveness as their number one engagement priority for 2024.[6]

In particular, boards' oversight of and response to **major governance controversies** (including accounting/tax scandals, regulatory investigations, and sexual harassment allegations) again came under close examination in 2024 (Mineral Resources, ANZ, Star Entertainment, Nine Entertainment, Wisetech Global). Often these controversies resulted in reputational and financial impacts to the company and shareholders and may have amplified existing concerns with the company's strategic execution or governance processes.

In some cases, mounting external stakeholder pressure on companies following a major controversy drove swift resignations of incumbent board directors and executives. However, the elections of recently appointed directors of these companies were generally supported, as proxy advisors and investors will consider a director's tenure in determining their performance and culpability for a controversy. However, we may see higher dissent for these directors as they come up for re-election in future years, as the implications of these events unfold (e.g., findings from regulatory investigations).

The potential adoption of **annual director elections** continues to be a discussion topic for proxy advisors and investors, as a way to enforce greater accountability at the board level; beyond the typical three-year re-election cycle for Australian companies. ACSI's voting policy guidelines recommend that directors submit for annual elections to "drive better accountability and allow a regular and timely opportunity for boards and investors to consider director performance" and "assist in maintaining a culture of engagement with investors and promotes responsiveness". Blackrock's 2024 Australian proxy voting guidelines also support annual elections, as it enables investors to reaffirm support or hold directors accountable in a timely manner, as well as provide opportunities for boards to adjust their composition to ensure it remains fit-for-purpose.

We continue to see the legacy of especially high-profile corporate governance controversies on director re/elections in 2024 (e.g., directors that previously sat on the Qantas board), as proxy advisors and investors consider **directors' track records** at other companies or boards in their voting policies and decision-making. Notably, there appears to be no limitation period in their assessments, meaning events that occurred several years earlier may still have a tangible impact on voting outcomes today.

The APRA-ASIC jointly administered Financial Accountability Regime (FAR) will look to further strengthen the accountability of the boards and executives of banks, superannuation licensees and insurers. FAR became effective for banks in March 2024 and will be effective for superannuation licensees and insurers in March 2025[7]. In light of recent and ongoing regulatory action by both APRA and ASIC, it remains to be seen when and how the regime will be applied in practice, including enforcing the obligations for accountable companies and persons to take reasonable steps to prevent events that would adversely affect the company's prudential standing or reputation.

BOARD GENDER DIVERSITY CONTINUES TO PROGRESS AMIDST THE DEI DEBATE

Despite the enduring debate over the merits of diversity, equity and inclusion (DEI), **gender diversity** continues to remain a priority for Australian boards, proxy advisors and investors. There are now no zero women boards in the ASX200, compared with 34 in 2015[8]. Research by Watermark Search International and the Governance Institute of Australia (GIA) indicates that across the ASX300, there are 13 boards with no women in 2024 (down from 15 in 2023), and 123 boards (41%) have now achieved a gender balance of 40:40:20.[9]

However, given the concentration of women holding board roles, with 19% of female directors holding 45% of board seats occupied by women across the ASX[10], there may be potential for this concentration to increase without deliberate action to expand the existing talent pool.

Gender diversity has been identified as a priority for large Australian institutional investors, such as ACSI-member AustralianSuper. In 2024, AustralianSuper expanded its voting policy to advocate for 30% female board representation on ASX200 boards. For these companies, AustralianSuper will engage where there is less than 30% female representation on their board and will vote against the next male director up for re-election, where no reasonable and timely commitment is made[11]. For ASX201-300 companies, AustralianSuper will engage where there are less than two women on the board. Having strengthened their gender diversity policy in 2023 that expects a minimum of 30% female board representation, ACSI recommended against 12 directors in the ASX300 due to a lack of improvement in board diversity in FY23-24, more than double in the prior period (5)[12]. ACSI has also used company engagement to focus on gender diversity within senior executive teams in recent years, in line with the '40:40 Vision'.[13]

6. Source: BIS Engagement Priorities, BlackRock, January 2025
7. Source: APRA and ASIC issue final rules and information for the Financial Accountability Regime | APRA, APRA, 11 July 2024
8. Source: ACSI-2023-24-Stewardship-Report.24-September-2024.pdf, ASCI, September 2024
9. 40% male, 40% female, 20% identifying as any gender.
10. Source: 2024 Board Diversity Index.pdf, Watermark Search International and GIA, 2024
11. Source: FY24 Annual Report, Governance and reporting | AustralianSuper, AustralianSuper, September 2024
12. Source: ACSI-2024-Annual-Report.30.10.24.pdf, ACSI, October 2024
13. An investor-led initiative founded by superannuation fund HESTA, which seeks to achieve gender balance of 40% female, 40% male and 20% identifying as any gender across all ASX 300 executive leadership teams by 2030.

The **gender pay gap** represents another aspect of broader DEI factors that has gained increasing scrutiny in recent years. In February 2024, the Workplace Gender Equality Agency (WGEA) published the gender pay gaps for nearly 5,000 Australian private sector employees for the first time, with findings including that across all employers, 50% have a gender pay gap over 9.1%[14]. However, WGEA's Equality Scorecard for 2023-2024 indicates employers are taking greater action to review their pay gaps, with 68% of employers conducting a gender pay gap analysis (up from 55%) and 75% taking action based on their results (up from 60%) in 2024[15]. WGEA will publish data for both the private (second round) and the Commonwealth public sectors (first round) in 2025.

While tangible progress continues to be made on gender diversity on ASX300 boards, **other areas of diversity (such as cultural background, sexual orientation and disability)** have remained stagnant. Board representation by culturally diverse directors across the ASX has remained flat at 9%, with directors of Anglo-Celtic backgrounds comprising the remaining 91%. Similarly, there has been no increase in Indigenous directors (4), representing 0.3% of all ASX 300 board positions[16]. While research from the Diversity Council of Australia[17] has highlighted the need for an intersectional approach to diversity, this is yet to be realised amongst ASX boards.

EVOLVING BOARD SKILLS AND CHARACTERISTICS SPURRED ON BY EMERGING EXPECTATIONS

Research by the Australian Institute of Company Directors (AICD) indicates domestic economic conditions, cyber-crime and data security are tied for first place as the issues keeping directors awake at night in 2024. Meanwhile, compliance and regulation, cost-of-living pressures and inflation, and cyber-attacks rank as the top three factors impacting boards' risk appetites[18]. These results reflect the tension for directors between navigating complex business conditions and evolving risks.

In 2024, we saw **regulatory expectations on evolving risks** continue to grow on several fronts. Notably, the long-awaited passage of the bill introducing mandatory climate reporting for large Australian businesses and financial institutions[19], as well as the introduction of the Cyber Security Act to help the Australian government achieve its vision of becoming a global leader in cybersecurity by 2030.[20]

Furthermore, given the rapidly growing use of AI, government efforts to understand and regulate AI continue to accelerate, including new policies on AI use within government[21] and the public consultation on mandatory guardrails for AI in high-risk settings (which received 279 published public responses).[22]

As industry understanding and legislative frameworks on these issues take shape, these are clear reminders of boards remaining subject to their **fundamental directors' duties**. ASIC's enforcement activities on greenwashing and the state of the market review in AI provide recent examples. In their commentary following the review, ASIC identified the potential for a "governance gap" between existing AI governance frameworks and the adoption and use of AI, reiterating the onus on directors to ensure appropriate governance frameworks and compliance measures are in place to manage new technologies.[23]

The tension between regulatory and business expectations was clearest in 2024 in the ongoing debate around capturing board diversity characteristics, under the proposed **5th edition of the ASX Corporate Governance Council (ASX CGC) Principles and Recommendations (Principles and Recommendations)**. While the consultation draft proposes changes intended to strengthen governance practices and transparency across all recommendations[24], the proposals to disclose board diversity characteristics and increase board gender diversity targets to reflect a 40:40:20 gender balance, have attracted significant backlash from investors, business leaders and other external stakeholders. The discourse has also widened to question the role of the Principles and Recommendations themselves and the balance between creating shareholder value and more non-financial ESG practices. While the 5th edition was originally intended to become effective for companies with financial years commencing on or after 1 July 2025, in February 2025, the Council announced that following the consultation process, the current 4th edition of the Principles and Recommendations will remain in effect with no change, given "broad consensus has not been reached in support of the proposed changes"[25]. As political rhetoric in the U.S. and increasingly in Australia turns against DEI and other ESG issues, questions remain on whether the momentum to date will continue.

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14. Source: Employer gender pay gaps published for the first time | WGEA, WGEA, 27 February 2024
15. Source: WGEA Gender Equality Scorecard | Latest results employer reporting, WGEA, 20 November 2024
16. Source: 2024 Board Diversity Index.pdf, Watermark Search International and GIA, 2024
17. Source: CARM women in leadership - Diversity Council Australia, Diversity Council of Australia, 6 September 2023
18. Source: Directors Sentiment Index 2H 2024, AICD, October 2024
19. Source: 24-205MR ASIC urges businesses to prepare for mandatory climate reporting | ASIC, ASIC, 18 September 2024
20. Source: Cyber Security Act, Department of Home Affairs, 14 February 2025
21. Source: Responsible choices: a new policy for using AI in the Australian Government | Digital Transformation Agency, Digital Transformation Agency, 16 August 2024
22. Source: Introducing mandatory guardrails for AI in high-risk settings: proposals paper - Consult hub, Department of Industry, Science and Resources, 2024
23. Source: 24-238MR ASIC warns governance gap could emerge in first report on AI adoption by licensees | ASIC, ASIC, 29 October 2024
24. Source: ASX CGC Principles and Recommendations 5th Edition Consultation Draft, ASX CGC, 27 February 2024
25. Source: ASX CGC closes consultation on draft 5th Edition Principles and Recommendations, ASX CGC, 20 February 2025

Gender Diversity of ASX300 Directors

64%

Male board members in the ASX300

36%

Female board members in the ASX300

69%

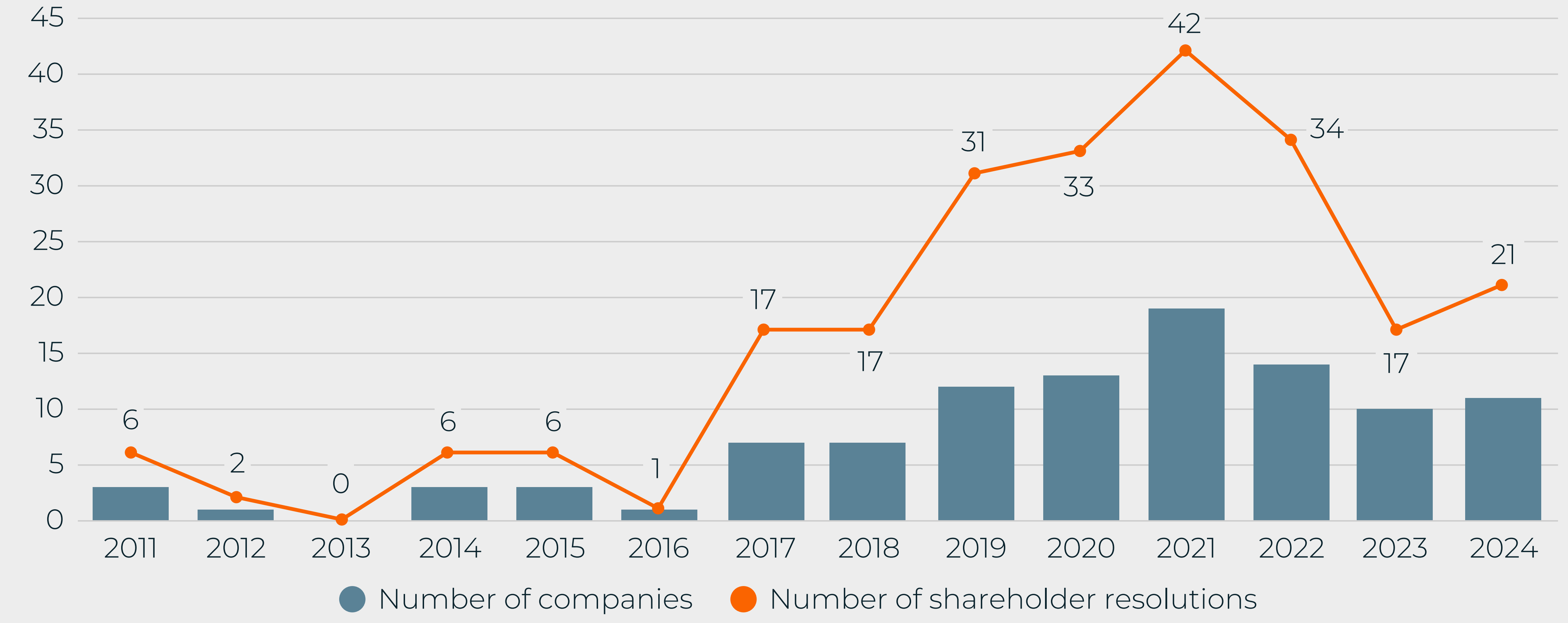
of boards in the ASX300 have 30% or more female representation

Notable questions from shareholders relating to directors at 2024 AGMs

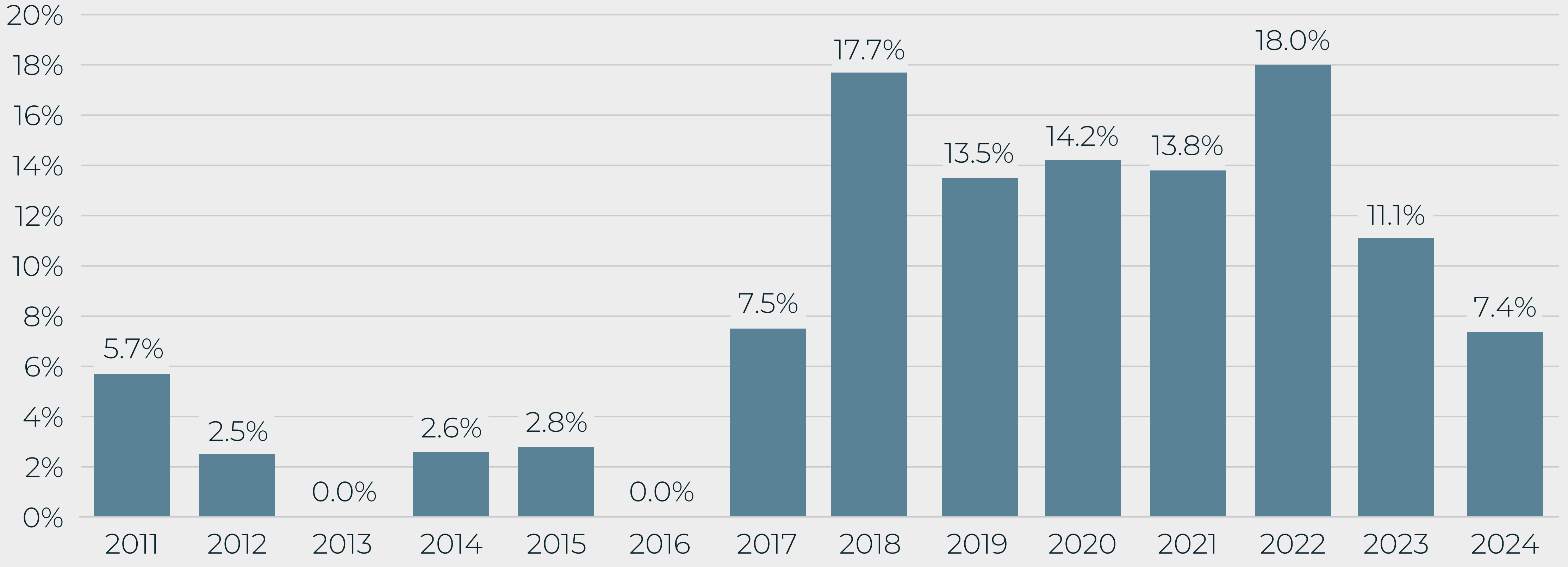
1. How do you manage your current workload given your several other commitments?
2. Can you explain the process and due diligence used to appoint new directors? What skills will these directors bring to help guide the company over the next few years?
3. Can you justify why there is no Indigenous representation on the board? We continue to see the re-election of the same faces, are we running out of talent?
4. Do you agree that companies should move to annual director elections?
5. What strategies do you have in place to prevent and/or minimise the risks from cyber-attacks or service provider outages?
6. Was your board skills matrix reviewed by an independent authority?
7. What do you see as the opportunities and risks of AI, including the potential reputational damage the company may face?
8. What are you doing to combat the risk of cyber-hacking, especially with the influence of AI adding to the sophistication of hackers? What safeguards do you have in place and is there any expertise on the board?
9. What is the personal responsibility of the board when government regulations are breached? Are you held accountable?
10. How often have you tendered the auditor? Have you considered putting the auditor up for tender considering the long tenure of the current auditor?

SUSTAINABILITY AND E&S ACTIVISM

SHAREHOLDER RESOLUTIONS IN THE ASX300



AVERAGE SUPPORT OF SHAREHOLDER RESOLUTIONS (NON BOARD-ENDORSED)



Summary

- 21 ESG-related resolutions lodged across eleven different companies in the ASX300. Lack of progress on climate continued to be a driver, along with nature-related concerns.
- One company (Woodside Energy) put forward a revised Say on Climate plan to an advisory vote. This was rejected by the majority of shareholders (58.36%).

ESG RELATED SHAREHOLDER RESOLUTIONS

The 2024 season was another reasonably quiet year for ESG-related shareholder resolutions in Australia.

Shareholders lodged 21 ESG-related resolutions across 11 different companies in the ASX300 during 2024, versus 17 resolutions across 10 companies in 2023. This was primarily led by Market Forces, who lodged nine shareholder resolutions targeting APA Group and three of the Big 4 banks – ANZ Group Holdings (ANZ), National Australia Bank (NAB) and Westpac Banking Corporation (Westpac). The average support of non board-endorsed resolutions has decreased from 11.1% in 2023 to 7.4% in 2024.

For several years, Markets Forces has targeted the Big 4 banks and their role in financing coal, oil & gas/energy companies. This continued in 2024, with the activist pressuring banks to demonstrate how their lending practices align with the goals of the Paris Agreement. In the cases of ANZ, NAB and Westpac, Market Forces sought further disclosure to confirm if all fossil fuel companies will need to have a credible transition plan and how transition plans would be assessed to receive bank financing, under their respective climate reports.

During the year, Market Forces targeted a new high-emitting sector with a campaign against Australia's largest gas pipeline operator – APA Group (APA). The advocacy organisation put forward two shareholder resolutions in response to concerns that an investment in the Beetaloo basin pipeline would jeopardise the credibility of APA's existing transition plans.

In a first for Australia, the Sustainable Investment Exchange (SIX)[26] emerged as a key ESG advocacy group in 2024, with six shareholder resolutions targeting improved performance on nature-related issues. The share trading platform lodged resolutions against Woolworths Group (Woolworths) and Coles Group (Coles), seeking disclosure on the environmental impacts of salmon farming, and a phasing out of farmed salmon in Tasmania. While the proposals to cease procuring farmed salmon did not receive significant support, the request to identify and report on the impacts of farmed seafood by 30 April 2025 received 30.42% voter support at Woolworths and 40.06% voter support at Coles. However, as the amendment to the constitution resolutions were not passed, neither of the resolutions were actually put forward to shareholders at the AGMs.

While biodiversity and natural capital have climbed up to the top of the list of focus areas for ESG-investors, it remains to be seen if nature-related issues will drive more shareholder resolutions in the coming years.

Although a rise in nature-related resolutions has been observed in other jurisdictions[27], the adoption of the Taskforce on Nature-related Financial Disclosures (TNFD) framework should standardise nature-related disclosures and support more effective shareholder engagement on these issues.

Another, usually vocal civil society group – the Australasian Centre for Corporate Responsibility (ACCR) – has been noticeably subdued in Australia with only one resolution filed in 2024[28], at BHP Group Limited. This resolution sought enhanced transparency to enable shareholders to better assess how the company is addressing reducing its Scope 3 emissions in the steel value chain and positioning as the global demand shifts towards green steel. The resolution was later withdrawn prior to the AGM following BHP's release of its Climate Transition Plan.

In other jurisdictions, ACCR filed three climate-related resolutions against one company, being Japan's largest steelmaker – Nippon Steel Corporation. Despite having a quiet year, the ACCR did agitate for change in Australia using an alternative method of shareholder advocacy in the form of a 'members' statement'. Pursuant to Section 249P of the Corporations Act 2021, a group of shareholders holding at least 5% of the voting rights or numbering at least 100 shareholders may request a company to give all its shareholders a statement as provided by the group of shareholders. This tactic was used by ACCR during 2024 to include a statement against the re-election of directors in the notice of meetings of Santos and Woodside Energy (Woodside), whilst Market Forces filed members' statements against the approval of the remuneration report at Santos, Whitehaven Coal and Woodside. Neither of these companies received a remuneration strike in 2024.

26. Co-founded by Adam Verwey, founder of Future Super and former director of ACCR.
27. Source: https://www.netzeroinvestor.net/news-and-views/briefs/asset-managers-dropping-support-for-biodiversity-resolutions
28. Together with Denmark's largest pension fund, PFA Pension Fund, and Vision Super.

COMPANY	AGM DATE	RESOLUTION TYPE	PROPONENT	SUPPORT FOR – PROXY VOTES	SUPPORT FOR – POLL VOTES
ANZ Group Holdings	19/12/2024	Amendment to the Constitution	Market Forces	7.09%	7.10%
		Transition Plans Assessment	Market Forces	27.22%	Not put to meeting
APA Group	24/10/2024	Amendment to Constitution - APA Infrastructure Trust	Market Forces	6.90%	6.92%
		Amendment to Constitution - APA Investment Trust	Market Forces	6.89%	6.92%
		Climate Risk Safeguarding	Market Forces	12.35%	Not put to meeting
ASX	28/10/2024	Elect Shareholder Nominee (not Board-endorsed) - Philip Galvin	Self	3.09%	3.39%
		Elect Shareholder Nominee (not Board-endorsed) - Robert Caisley	Self	3.09%	3.76%
AUB Group	31/10/2024	Elect Shareholder Nominee (not Board-endorsed) – Stephen Mayne	Self	0.22%	0.23%
Coles Group	12/11/2024	Amendment to Constitution	SIX	6.40%	6.54%
		Farmed salmon sourcing	SIX	6.67%	Not put to meeting
		Farmed seafood reporting	SIX	40.06%	Not put to meeting
National Australia Bank	18/12/2024	Amendment to the Constitution	Market Forces	3.88%	4.22%
		Transition Plans Assessment	Market Forces	15.27%	Not put to meeting
News Corporation	21/11/2024	Recapitalisation Plan	Starboard Value		35.16%
Perpetual	17/10/2024	Elect Shareholder Nominee (not Board-endorsed) - Rodney Forrest	Self	4.34%	4.42%
Platinum Asset Management	12/11/2024	Elect Shareholder Nominee (Board endorsed) – James Simpson	Self	98.60%	99.50%
Westpac Banking Corporation	13/12/2024	Amendment to the Constitution	Market Forces	6.20%	6.57%
		Transition Plans Assessment	Market Forces	34.21%	Not put to meeting
Woolworths Group	31/10/2024	Amendment to Constitution	SIX	3.16%	3.17%
		Farmed salmon sourcing	SIX	4.89%	Not put to meeting
		Farmed seafood reporting	SIX	30.42%	Not put to meeting

An update on the Taskforce on Nature-related Financial Disclosures (TNFD)

The TNFD was a launched in 2021 to support companies as they assess nature-related risks and opportunities.

Following this, several key developments have been led by the Taskforce. To assist companies, disclosure guidelines have been prepared for 13 sectors that are most susceptible to significant nature-related risks and impacts. Guidance has also been published to assist financial institutions as they apply the TNFD recommendations.

Mapping tools have been prepared and are now available to support the interoperability of the TNFD's recommended disclosures with two other standards – the Global Reporting Initiative (GRI) and the European Sustainability Reporting Standards (ESRS).

Looking back on 2024, five listed Australian companies were recognised as early adopters and have committed to providing TNFD-aligned disclosures by 2025 – Brambles, GPT Group, NEXTDC, Qantas and Telstra. Two of these companies (GPT Group and Telstra) have now fully aligned their nature-based reporting with the TNFD recommendations.

In the coming year, it is expected that the Taskforce will issue further sector-based guidelines to assist companies as they assess nature-related issues using the LEAP (locate, evaluate, assess, and prepare) method. New resources are also due to become available to assist companies when developing nature transition plans.

Sodali & Co's analysis has found that many Australian companies are beginning to acknowledge the TNFD as an important framework in their most recent sustainability reporting. With the development of these resources, we expect that investors and proxy advisors will pressure companies to begin locating nature-related impacts of their businesses, especially in those sectors where guidelines were first published.[29]

SAY ON CLIMATE

Since 2020, several companies globally have held non-binding advisory votes asking investors to approve their climate transition strategies – or Say on Climate (SoC) proposals. The 2024 season was a quiet year in Australia, with only Woodside putting their plan forward to a SoC resolution, two years after Woodside's plan was presented to shareholders at the AGM for the first time.

In a world-first, Woodside's SoC plan was rejected in April 2024 with 58.36% of shareholders voting against their proposed strategy. This result for a SoC resolution surpassed Woodside's previous result in 2022, when 48.97% of shareholders voted against its plan.

Two key themes emerged from this shareholder dissent, including Woodside's reliance on carbon offsets and undeveloped technologies to meet targets, and its expansion of fossil fuel production that many shareholders viewed as misaligned with the objectives of the Paris Agreement.

As we look ahead, there are several takeaways for other companies as they put their second round of SoC plans to shareholders:

1. Companies are advised to set clear, measurable, and achievable goals that demonstrate progress toward decarbonisation. This includes prioritising initiatives that directly and immediately reduce emissions, such as investing in renewable energy, and phasing out the most carbon-intensive aspects of their operations.
2. Companies should provide shareholders and other stakeholders with a platform to voice concerns and suggestions.
3. Companies are encouraged to respond to new changes in climate science, regulation, and public expectations. In the case of Woodside, it was argued that unrealistic LNG demand scenarios were used as the basis for their SoC plan that did not reflect recent demand forecasts set by the International Energy Agency.

Five Australian companies have previously committed to putting a second SoC plan to shareholders in 2025, including AGL Energy, Rio Tinto, Santos, Sims and South32. It remains to be seen if ACCR and other activists will continue to agitate these first movers to set more ambitious climate targets ahead of their second SoC vote planned this year. Two companies that will be closely watched in 2025 are Santos and AGL Energy, where 37.11% and 30.69% of shareholders voted against their first SoC plans in 2022. We expect to see a greater focus on climate transition planning in the coming year, as these companies prepare revised SoC plans.

Looking ahead, it is unlikely that new companies will prepare SoC proposals given the introduction of Australia's climate-related reporting regime (AASB S2) and the associated requirement for statutory sustainability reports to be tabled at AGMs.

29. These sectors include Aquaculture, Biotechnology and Pharmaceuticals, Chemicals, Electric Utilities and Power Generators, Food and Agriculture, Forestry and Paper, Metals and Mining, and Oil and Gas.

YEAR	COMPANY	RESOLUTION	SoC RESOLUTION RESULT – SUPPORT FOR (POLL VOTES)
2024	Woodside Energy	Advisory Vote to support Climate Transition Action Plan and 2023 Progress Report	41.64%
2023	Westpac Banking Corporation	To support the Climate Change Position Statement and Action Plan	92.31%
2023	Orica Limited	Advisory Vote on Climate Action Report	91.92%
2023	Incitec Pivot	Progress on Climate Change Transition	89.93%
2022	Origin Energy	Approve Climate Transition Action Plan	93.55%
2022	Sims Limited	Approval of Climate Transition Plan	89.66%
2022	South32	Approve Advisory Vote on Climate Change Action Plan	89.57%
2022	Rio Tinto	Approve Climate Action Plan	84.30%
2022	APA Group	Approval of Climate Transition Plan	79.40%
2022	AGL Energy	Approve Climate Transition Action Plan	69.31%
2022	Santos	Advisory Vote On Climate Change	62.89%
2022	Woodside Energy	Approve Climate Report	51.03%
2021	BHP	Approve Climate Transition Action Plan	84.90%

Transition planning in focus

The Transition Plan Taskforce (TPT) was initially launched at the COP26 Climate Summit in Glasgow in 2021, to develop a 'gold standard' for climate transition plans in the UK. Their work has been extensive and includes the development of transition plan guidelines for 30 financial and real economy sectors, along with detailed guidelines for seven high emitting sectors.

In June 2024, the International Sustainability Standards Board (ISSB) assumed responsibility for continuing the development of these disclosure materials, effectively approving the TPT's work as the global standard for disclosure on climate transition plans.

With the AASB S2 now legislated in Australia, companies will need to consider preparing robust transition plans to comply with new requirements. To assist companies, Treasury has committed to developing best practice guidelines by the end of 2025. It is expected that Australia's future approach on climate transition planning will closely resemble TPT's model, following the ISSB's endorsement.

Sodali & Co.'s analysis has found that very few Australian companies[30] mentioned the Transition Plan Taskforce in recent climate disclosures. We predict that climate transition planning is one area that many companies will need to focus on to comply with AASB S2 requirements, which will require considerable time and resources.

30. Five of Australia's largest 50 companies mentioned the Transition Plan Taskforce.

The Rise of ESG Data Governance

In 2024, the landscape of corporate reporting underwent significant changes, with sustainability reporting becoming increasingly crucial due to upcoming climate reporting requirements. The review of company reporting in 2024 indicates a gap in timing, emphasising the need for greater ESG data governance.

While financial data governance has matured over decades, ensuring accuracy and reliability, ESG data governance is still in its infancy. Our research focuses on the timing of climate reports as a critical aspect of data governance, revealing the challenges and progress made in 2024.

KEY FINDINGS FROM 2024

- **Lack of Climate Reporting:** In 2024, 23% of ASX 300 companies did not produce a climate report, an improvement from 2022 when a third of companies did not report. However, the number remains high, with more than one in five companies not reporting (Chart A).
- **Timing Challenges:** Among companies that do produce climate reports, only 56% published them simultaneously with their financials in 2024, up from 45% in 2022. Despite this improvement, 44% still published climate data later than their financials (Chart B).
- **Delayed Reporting:** In 2024, 27% of companies that published climate reports did so nine weeks or more after their financials. This trend has shown only marginal improvement over the three years, with a small proportion reporting in the first week (5%) and a larger group in the fifth week (21%) (Chart C).

CHALLENGES IN DATA PRODUCTION

A major concern is whether companies can produce the required climate data within the specified timeframe and with the expected accuracy. Our findings indicate a pressing need for improved ESG data governance to expedite the publication of climate reports. This acceleration must be accompanied by a focus on accuracy, reliability, comparability, verification, understandability, and linkage to financial data.

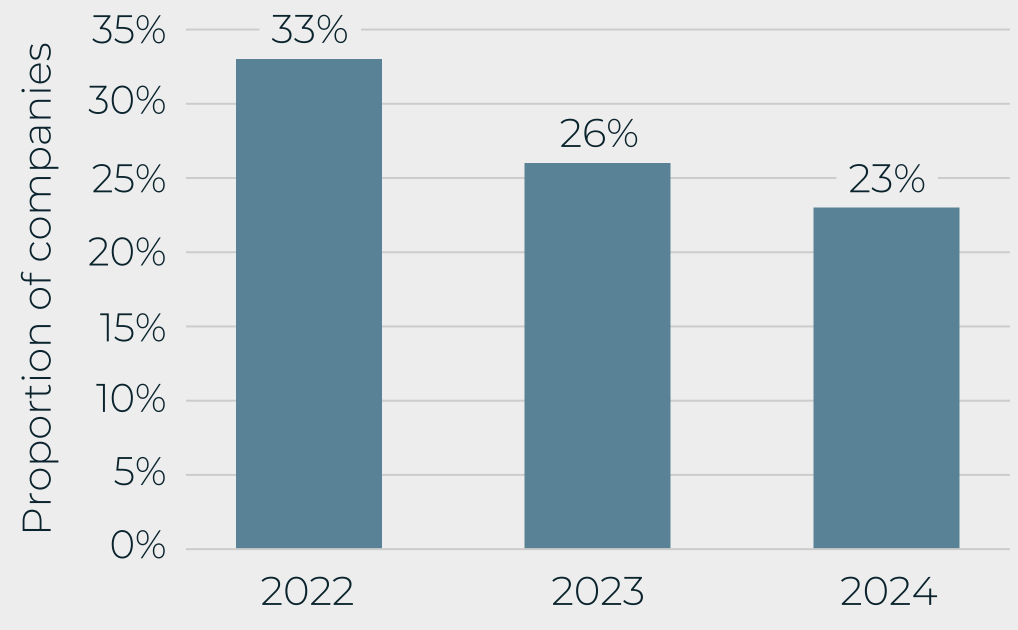
LOOKING AHEAD TO 2025

In 2025, companies will need to prioritize the development of mature ESG data governance frameworks to meet reporting requirements. Enhanced data accuracy, timeliness, relevance, and reliability will be essential, requiring robust systems, processes, and procedures that are verifiable.

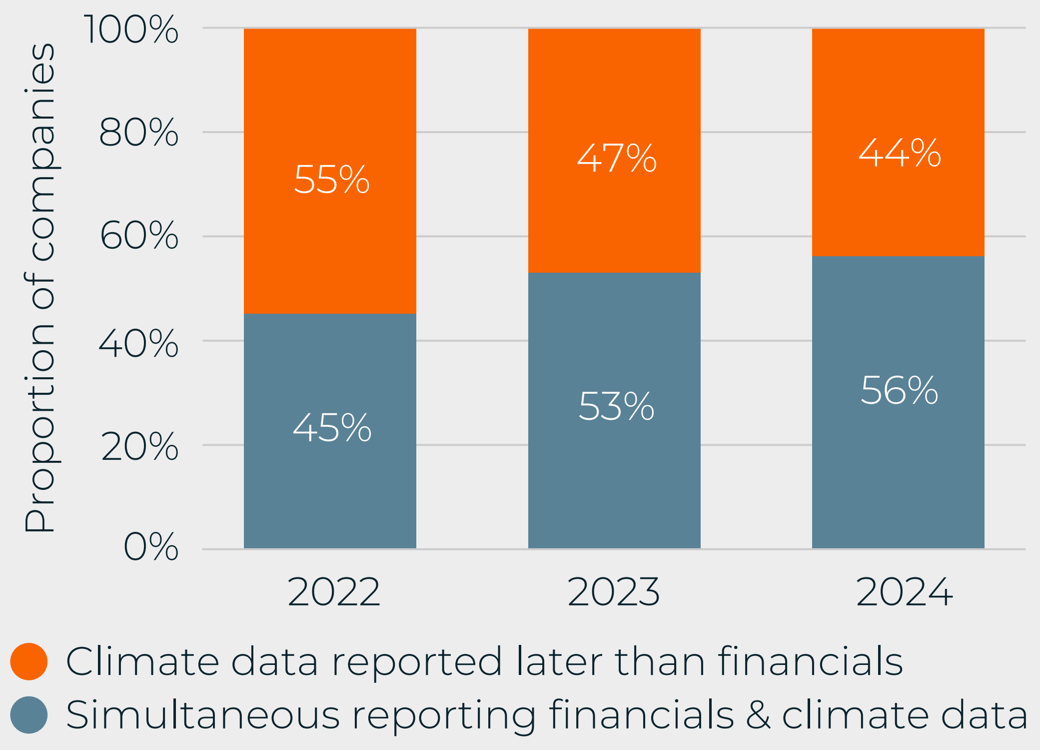
To align climate-related financial disclosures with financial statements, companies must enhance their data governance practices. This includes incorporating estimates, forward-looking scenario analysis, and value chain metrics for a comprehensive representation of the entity's activities.

2024 marked a pivotal year for ESG data governance, setting the stage for even greater importance in 2025 and beyond. Companies must continue to evolve their reporting practices to ensure transparency, accountability, and alignment with financial reporting standards.

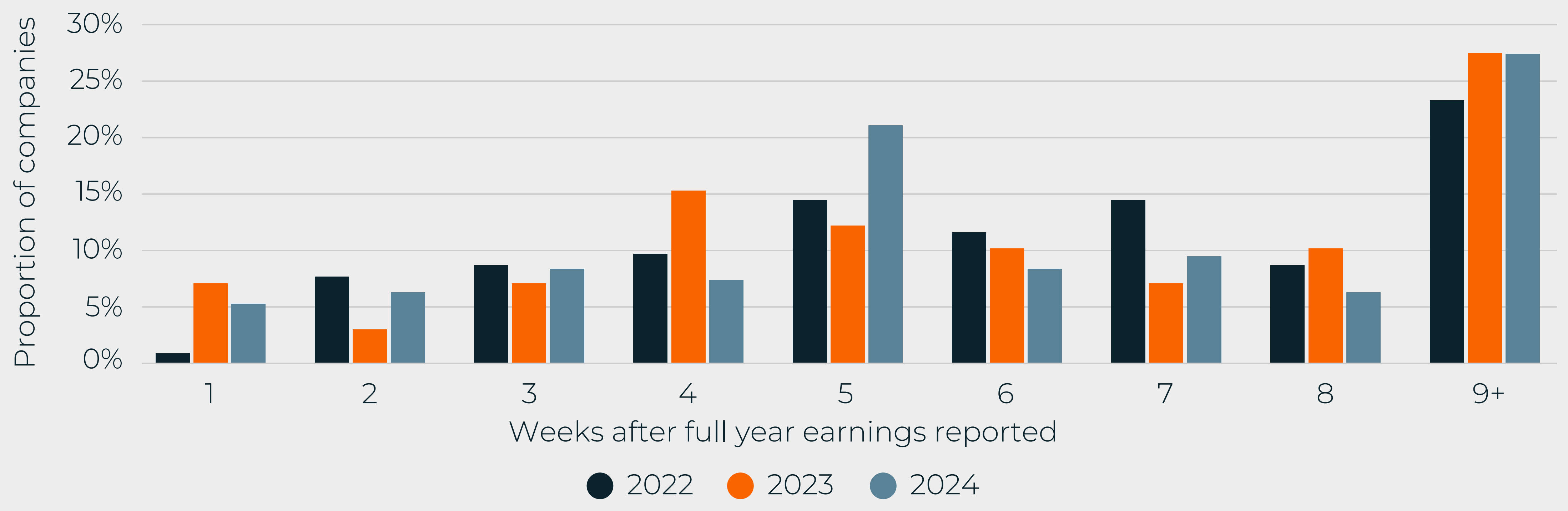
A. PERCENTAGE OF ASX300 NOT REPORTING ON CLIMATE



B. TIMING OF CLIMATE REPORTS FOR THE ASX300



C. TIMING OF CLIMATE REPORTS FOR THE ASX300 AFTER EARNINGS RELEASE DATE



Notable questions from shareholders relating to sustainability at 2024 AGMs

1. Is climate change really a problem for you? Why do you list it as a risk?
2. What will you do if your Climate Transition Action Plan is rejected?
3. Given the corporate posturing on social issues, will you bring this to shareholders to vote on?
4. Where are you in the development of your nature roadmap and which nature-related risks have you chosen to focus on? If you haven't started, where are you in this process?
5. Many companies have rolled back their DEI policies, why do you still have them?
6. Will you agree to focus on sales before other items like sustainability?
7. Are you concerned about reputational damage as a result of your inadequate sustainability commitments? What are you going to do to manage this?
8. Have you been able to gain sustainability commitments from your suppliers? Does your supply chain include unethically sourced products?
9. What are you doing to protect shareholders from the risks of regulators accusing us of greenwashing?
10. What is your reliance on offsets? By delaying investment in mitigation and your reliance on offsets, will this create a steep trajectory of emissions reduction at the end of the decade?
11. What are your plans and milestones for renewables?
12. How do you engage with indigenous communities to ensure their rights are protected? What is your understanding of free, prior and informed consent?

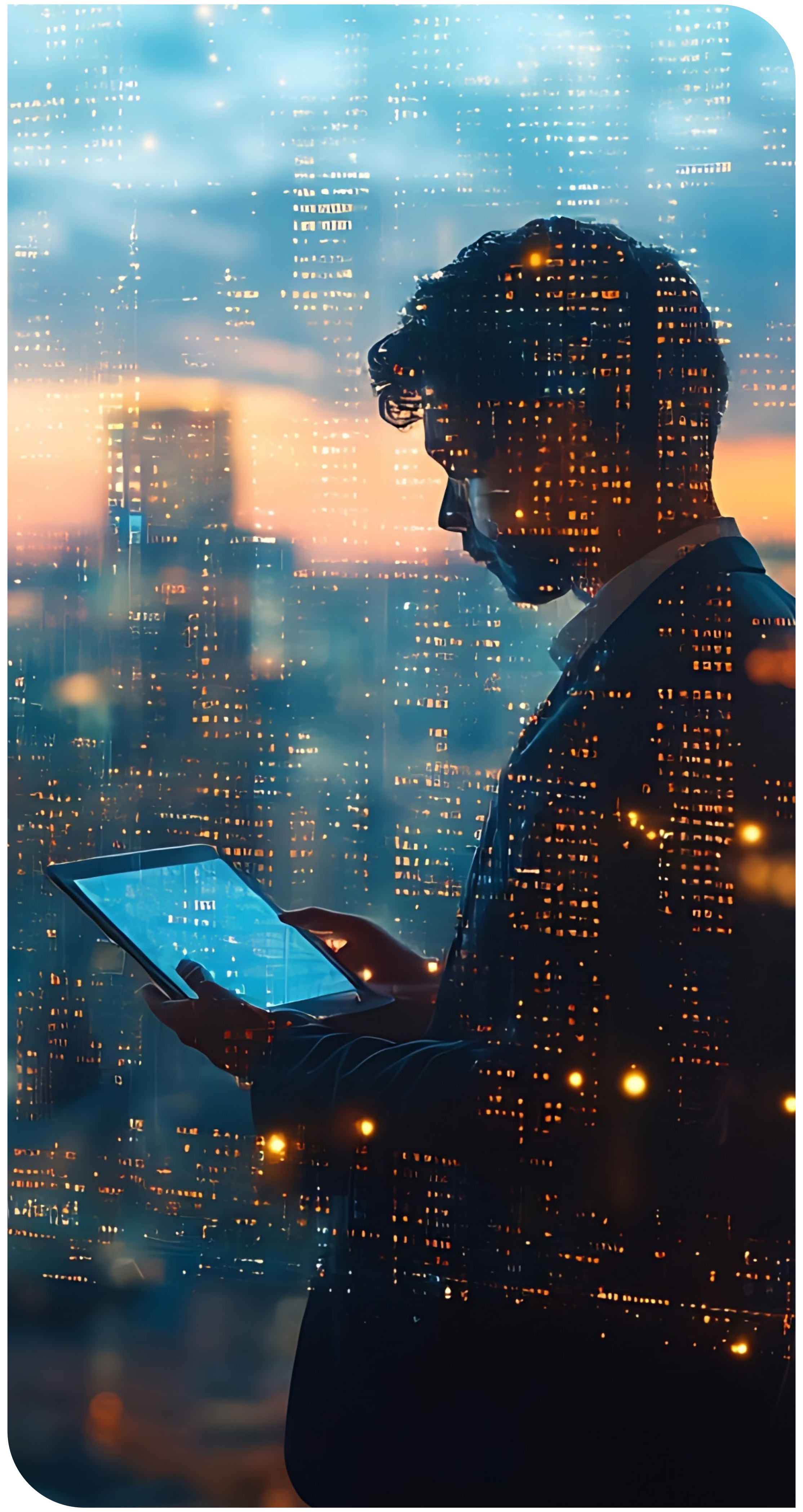
INVESTORS, ESG ASSOCIATIONS AND REGULATORY BODIES IN 2024

JANUARY

- The **Australian Treasury** released their Exposure Draft for the 'Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024' for consultation, which proposed new Australian mandatory climate reporting requirements for large companies (to commence from 1 January 2025), alongside reforms to strengthen the regulatory arrangements for Australia's financial market infrastructure in the event of a crisis.
- The **International Council on Mining and Metals (ICMM)** introduced their 'Nature Positive by 2030' position statement which refers to halting and reversing biodiversity loss by 2030 from a 2020 baseline, beginning July 2024. Representing a third of the global industry, ICMM member companies have pledged their commitment to taking action to promote the health, diversity and resilience of species, ecosystems and natural processes.
- **BlackRock** highlighted ESG scrutiny as a key risk factor in its quarterly results for the first time. The politicisation of the area was added to a list of factors which could have an impact on its results, noting that the "increasing focus from stakeholders regarding ESG matters" could impact future performance.

FEBRUARY

- The **ASX Corporate Governance Council** released a draft of the 5th edition of its Principles and Recommendations for public consultation. This updated edition considers the evolving investor and community expectations on issues including corporate conduct, culture, risk management, stakeholder relationships, reporting, and remuneration.
- **JP Morgan Asset Management** and **State Street's** investment arms withdrew from Climate Action 100+ (CA100+), whilst **BlackRock** transferred its membership to its international arm, limiting its involvement. This occurred as U.S. based financial firms face growing pressure from Republican politicians over their memberships to such groups, however, none of the firms cited politics among their motivations for withdrawing.
- The **European Council** adopted a directive aimed at protecting consumers from misleading green claims and other greenwashing practices. This included banning unverified generic environmental claims such as "environmentally friendly", "natural", "biodegradable", "climate neutral", or "eco" without proof with the objective of making product labelling clearer, and making producers and consumers focus more on the durability of goods. It will additionally ban claims that a product has a neutral, reduced or positive impact on the environment because of emissions offsetting schemes. It awaits final approval from the Council.



MARCH

- The **Organisation for Economic Co-operation and Development (OECD)** released the First Edition of their Global Corporate Sustainability Report, which examines the evolving landscape of corporate sustainability practices worldwide, including a focus on key dimensions outlined in the G20/OECD Principles of Corporate Governance. It aims to enhance the adoption of corporate governance policies that promote the sustainability and resilience of companies.
- The **Australian Securities and Investments Commission (ASIC)** won their first civil greenwashing penalty action against **Vanguard Investments Australia**, with the Federal Court finding that Vanguard contravened the law by making false or misleading claims about the ESG exclusionary screens applied to investments in the Vanguard Ethically Conscious Global Aggregate Bond Index Fund.
- The **European Union (EU) Parliament** agreed to ban unverified green product claims in line with the European Council's "Directive on Green Claims". Under the new regulation, penalties for companies that break the rule will be included, such as exclusions from public procurements and fines of at least 4% of annual revenue.
- The **Australian Prudential Regulation Authority (APRA)** and **ASIC** issued final rules and further guidance for the Financial Accountability Regime (FAR) to support the financial services industry. The FAR, replacing the Banking Executive Accountability Regime, imposes a stronger responsibility and accountability framework on APRA-regulated industries in the banking, insurance and superannuation industries with the aim to improve the risk and governance cultures of those financial institutions.
- The **Australian Government** formally introduced the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 into the Australian Parliament.

APRIL

- The **EU** formally adopted the revised Energy Performance of Buildings Directive (EPBD), including targets for all new buildings to be zero emissions by 2030 and to phase out the use of fossil fuels in building heating systems by 2040. All new buildings will also be required to be solar-ready under the revised directive.
- **ASIC** released early guidance on the Australian mandatory climate disclosure regime, advising that entities required to report within the next few years commence preparing to disclose immediately. This includes determining mechanisms of gathering data, increasing their support and capabilities, and ensuring they are keeping the necessary records today. The step up in cost and capability required is acknowledged, but ASIC highlights that compliance is necessary for a good business.

MAY

- A group of more than **120 global investors** signed a joint statement developed with the **UN Principles for Responsible Investment (PRI), the London Stock Exchange Group (LSE), the UN Sustainable Stock Exchanges Initiative (UN SSE), and the World Business Council for Sustainable Development (WBCSD)**. It urges policy makers to make ISSB-aligned sustainability reporting mandatory around the world by 2025, to support the transition to a net zero economy. Signatories include **PGGM, Norges Bank Investment Management, Baillie Gifford and Legal and General Investment Management.**
- **Swiss Re** departs the CA100+.

- The **EU Council** and **EU Parliament** approved the EU Corporate Sustainability Due Diligence Directive (CS3D). It will establish a due diligence standard on sustainability issues and create potential legal liability for in-scope companies that fail to comply with their obligations. This has set a higher bar for companies to have systems and processes in place to prevent, mitigate and remedy actual or potential environmental and human rights-related adverse impacts in their 'chain of activities'.
- **Australia's Foreign Investment Review Board (FIRB)** released an updated foreign investment policy framework in order to strengthen, streamline and increase transparency of Australia's foreign investment regime. The changes have included a streamlined approach for the processing of applications of lower-risk foreign investments, more robust scrutiny for complicated and high-risk investments, and an increased focus on compliance and enforcement.
- **Google, Meta, Microsoft and Salesforce** form the 'Symbiosis' Coalition, a multi-company effort that is designed to increase the effectiveness of nature-based carbon removal projects.
- The **Australian Sustainable Finance Institute (ASFI)** released v1.0 of the Sustainable Finance Taxonomy, with the aim of mobilising private capital towards activities in Australia that can significantly decarbonise the economy and support the transition to net zero emissions by 2050.

JUNE

- The **Paris Aligned Asset Owners Initiative** updated the Net Zero Investment Framework 'NZIF 2.0'. It is now the most comprehensive net zero investor guidance based on three years of practical implementation experience, and the most widely used resource by investors to develop their individual net zero strategies and transition plans. The key updates include a shift to better support the NZIF's emphasis on 'financing reduced emissions' and new guidance on asset classes.
- The **Australian Department of Finance** released the National framework for the assurance of AI in government through the Data and Digital Ministers Meeting in June 2024, establishing cornerstones and practices of AI assurance. This demonstrates how governments can practically apply Australia's AI Ethics Principles to their assurance of AI.
- **ASIC's** first greenwashing case resulted in the Australian Federal Court ordering **Mercer Superannuation** to pay a landmark $11.3 million penalty, after it admitted it made misleading statements about the sustainable nature and characteristics of some of its superannuation investment options. It was found that members who took up Mercer's 'Sustainable Plus' investment options had investments in industries the website statements said were excluded. These included industries involved in the extraction or sale of carbon-intensive fossil fuels, the production of alcohol, and gambling.

JULY

- **APRA** and **ASIC** issued the next portion of the final rules with new information directed at insurers and superannuation trustees, to help them prepare for the commencement of the FAR.

- The **Net-Zero Asset Owner Alliance (NZAOA)** released the fourth and most comprehensive edition of the Target-Setting Protocol, expanding coverage to include additional private assets, to ensure that high-emitting companies develop transition plans regardless of their ownership structure.

AUGUST

- **Goldman Sachs** confirmed its departure from CA100+ days after the House Judiciary Committee sent letters to more than 130 U.S. based companies, retirement systems and government pension funds (including Goldman Sachs), that are members of CA100+; inquiring about their involvement in the group. A Goldman Sachs spokesperson noted the firm has made investments in its “ability to meet the sustainable investing needs of its clients”. **Nuveen**, a $1.2 trillion asset manager, also left CA100+ following the Republican probe into the initiative.
- The **Australian Government's Digital Transformation Agency** released the Policy for the Responsible use of AI in Government, to take effect from the 1 September 2024. It sets out how the Australian public service will “embrace the benefits of AI by engaging with it confidently, safely and responsibly; strengthen public trust through enhanced transparency, governance, and risk assurance, and adapt over time by embedding a forward-learning approach to changes in both technology and policy environments”. The policy is designed to ensure the Australian Government engages with AI in a safe, ethical and responsible way.
- **APRA** released their 2024-25 Corporate Plan, which sets out the strategic objectives that drive its regulatory priorities over the next four years, and its agenda to address those priorities. Nine strategic objectives which will drive its regulatory priorities have been identified, specifically financial, operational and cyber resilience, responding to climate and nature risk, and addressing industry-specific challenges such as retirement outcomes.
- **ASIC** released their 2024-25 Corporate Plan to outline their focus for 2024-25 and beyond, with strategic priorities centred around improving consumer outcomes, addressing financial system climate change risk, improving retirement outcomes and member services, advancing digital and data resilience and safety, and aiming to drive consistency and transparency across markets and products. This is alongside improving their operational capabilities in digital technology and data, staff culture and capabilities, and uplifting the ASIC business registers.

SEPTEMBER

- The **Australian Government** passed the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024, officially introducing mandatory climate reporting requirements into Australian law, in accordance with Australian Sustainability Reporting Standards (ASRS) made by the **Australian Accounting Standards Board (AASB)**. A vote to establish a new Net Zero Economy Authority was also passed, which is responsible for guiding the country’s economic transformation to net zero emissions.
- **MSCI** launched the MSCI Carbon Project Ratings, aimed at enabling carbon market participants, including buyers, investors and developers, to assess the quality and integrity of carbon projects. Projects will be assessed on emissions impact and implementation integrity to indicate the likelihood of achieving a 1 tonne emissions impact per credit and being implemented in a way that supports positive social and/or environmental outcomes, while upholding legal and ethical standards.
- The **Australian Government’s Department of Industry, Science and Resources** released a proposals paper for introducing mandatory guardrails for AI in high-risk settings. It outlines a proposed definition of high-risk AI, 10 proposed regulatory guardrails to reduce the likelihood of harm occurring from the development and deployment of AI systems, and regulatory options to mandate the guardrails. Concurrently, the Department released the first iteration of the Voluntary AI Safety Standards to help organisations develop and deploy AI systems in Australia safely and reliably.
- The **Taskforce on Inequality and Social-Related Financial Disclosure (TISFD)** was launched in September. It aims to bring attention to the financial risks to companies and financial institutions of global inequality, by developing a framework for companies and financial institutions to report on their impacts, dependencies, risks, and opportunities related to social issues, including inequality.

OCTOBER

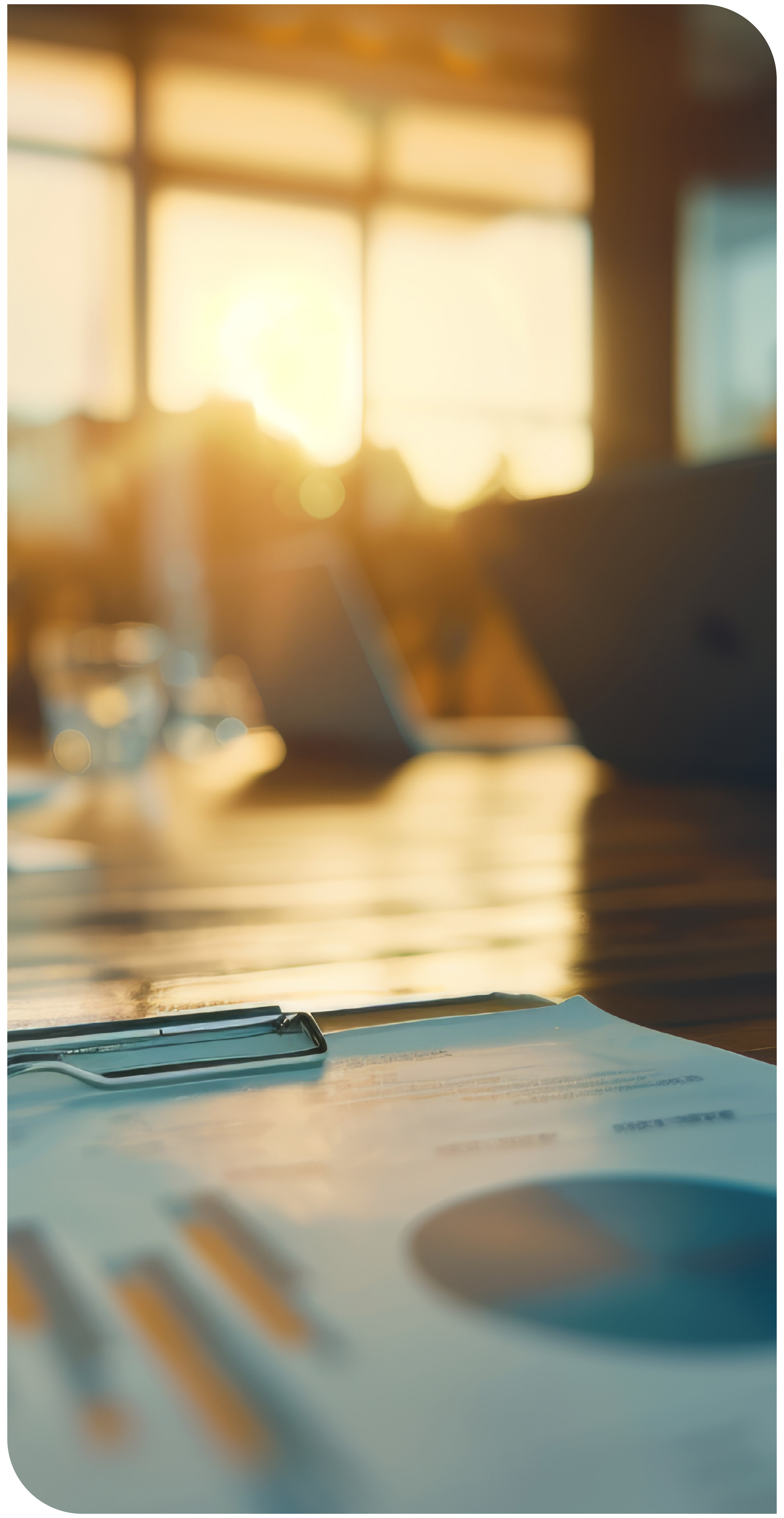
- U.S. investor **Barings** leaves CA100+, stating that they "will continue to engage with corporate issuers independently of CA100+, taking a tailored approach that aligns with our clients' associated stewardship goals."
- The **TNFD** published their draft guidance on nature transition planning at COP16.
- Environmental law charity **ClientEarth** filed a greenwashing complaint against **BlackRock**, alleging it is in violation of EU and French regulations regarding disclosures for sustainably-labelled funds. ClientEarth accused the investment firm of inconsistently labelling its funds as "sustainable" despite substantial fossil fuel holdings.
- **Nature Action 100** revealed that most of the initiative's 100 companies are in the early stages of addressing their nature-related impacts and dependencies.
- The **NZAOA** published its fourth Progress Report to reveal its progress towards net-zero commitments, recording average reductions in absolute financed greenhouse gas emissions of at least 6% annually, consistent with the IPCC's 1.5°C pathways.

NOVEMBER

- **Donald Trump** was elected as the 47th President of the U.S., gaining a historic second term, making him the first convicted felon to become president, the oldest person to be elected to office, and the first non-consecutive leader to return to the White House since 1892.
- The **Australian Government** passed its first Cyber Security Act, along with a suite of other reforms, designed to strengthen Australia's national cyber defences and cyber resilience. Under the Cyber Security Strategy, these laws will allow the establishment of mandatory security standards for smart devices, require mandatory reporting of ransom payments from certain businesses, and establish a cyber incident review board.

DECEMBER

- **ASIC** sues **HSBC Australia**, alleging failures to adequately protect customers scammed out of millions of dollars. HSBC Australia is alleged to have inadequate controls in place to prevent and detect unauthorised payments and failed to comply with its obligations to investigate customer reports of unauthorised transactions within the specific timeframes required.
- **Goldman Sachs** exited the Net Zero Banking Alliance, the first high-profile departure from the UN-backed coalition of banks dedicated to advancing global net zero goals through their financing activities. A spokesperson noted that the firm has "the capabilities to achieve our goals and to support the sustainability objectives of our clients" and is "very focused on the increasingly elevated sustainability standards and reporting requirements imposed by regulators around the world."
- **Franklin Templeton** exited CA100+, noting it decided not to renew its status after having "grown our internal capabilities significantly and invested heavily in climate-related data and tools around the analyses of and engagement on climate-related risks and opportunities in our clients' portfolios". This is considered noteworthy given Franklin Templeton's global head of sustainability, Anne Simpson, helped found CA100+ in 2017.
- The **Canadian Sustainability Standards Board** finalised and released the Canadian Sustainability Disclosure Standards (CSDS) 1 & 2, Canada's inaugural voluntary sustainability disclosure standards. They are both effective for annual reporting periods beginning or after 1 January 2025.



OUTLOOK: 2025

The 2024 proxy season has reinforced several key governance and investor trends, setting the stage for an evolving corporate landscape in Australia.

Despite some signs of potential headwinds for ESG stemming from the new leadership in the U.S., companies in Australia should largely anticipate intensified investor scrutiny on board composition, executive remuneration and sustainability commitments. As regulatory requirements and shareholder expectations continue to strengthen, organisations will need to proactively address these issues to maintain investor confidence and long-term resilience.

Board accountability and effectiveness will remain at the forefront of investor priorities, especially in light of the high-profile controversies involving individual directors, including founders, that emerged in Australia in 2024. There is heightened scrutiny on the performance of directors on boards and committees, and greater pressure to enhance board diversity; not only in terms of gender, but also in skills and experience relevant to the evolving business risks, such as cybersecurity, digital transformation, climate and natural capital.

The high incidences of remuneration report strikes in 2023 and 2024 suggests that executive remuneration remains a contentious issue. Investors are likely to demand stronger alignment between remuneration outcomes and long-term company performance, with a particular emphasis on non-financial metrics, including ESG targets. Going forward, companies should prepare for increased scrutiny of STI and LTI structures, particularly regarding how they account for environmental and social performance. The use of discretion in remuneration decisions will also be closely monitored, with shareholders and proxy advisors expecting greater clarity on how boards justify pay outcomes. To mitigate potential opposition, organisations should engage early with key stakeholders, providing clear and justifiable rationales for their pay structures.

Investor expectations surrounding ESG disclosures and tangible action will continue to rise. Companies that fail to demonstrate

meaningful progress on climate transition plans, emissions reductions, and social governance matters may face increased shareholder dissent and reputational risks. The Australian corporate landscape is likely to see a further push towards standardised and globally-aligned sustainability reporting frameworks, particularly with the introduction of ISSB-aligned disclosure requirements. In response, organisations should prioritise integrating ESG considerations into their core business strategy rather than treating them as compliance-driven obligations. Increased regulatory focus on greenwashing will also necessitate more robust and verifiable sustainability claims.

Investors are increasingly engaging with companies year-round, rather than limiting their influence to the AGM season. The growing influence of institutional investors, particularly superannuation funds, means that companies will need to be proactive in their engagement strategies, ensuring they address investor concerns well before annual meetings. Enhanced investor engagement practices, including detailed reporting, open dialogues, and responsiveness to concerns, will be critical in maintaining shareholder trust.

And we cannot omit the debate over the 5th edition of the ASX Corporate Governance Council (CGC) Principles and Recommendations, which started in early 2024, following the release of a consultation draft. One of the main issues was the inclusion of new Diversity, Equity, and Inclusion (DEI) disclosure requirements, which some members felt were too burdensome and premature. Although most members supported the near-final version of the 5th edition, a few did not, leading to the closure of the consultation without full consensus.

On the regulatory front, 2025 marks the official commencement of mandatory climate reporting in Australia. Corporations will now be required to adjust to evolving regulations, with a particular focus on climate strategy, scenario planning, and demonstrating climate expertise at the board level. The increasing convergence of international sustainability standards will necessitate a more structured and consistent approach to non-financial reporting. Additionally, the role of proxy advisors and stewardship codes will continue to shape corporate governance practices, with potential regulatory interventions influencing how companies interact with these stakeholders.

Going forward, Australian companies must embrace a proactive and transparent approach to governance, sustainability, and investor relations. With heightened expectations from regulators, investors, and other stakeholders, businesses that prioritise accountability, long-term value creation, and strategic ESG integration will be better positioned to navigate the evolving corporate landscape. By fostering open dialogue with investors, ensuring board effectiveness, aligning executive pay with performance, and delivering credible sustainability outcomes, organisations can strengthen their resilience and competitive advantage in the years to come.

ABOUT SODALI & CO

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