

Corporate Governance Best Practices for Utilities: Are your organisations up to scratch?

**Presented by Dr Maria Balatbat
School of Accounting, Auditing and Taxation**

PPA Conference 2024

Acknowledgement of Country



Best corporate Governance Practices in Utility

- Director Independence
- Director Skills
- Board Committee Structures and Functions
- Boards have formal documentation and Practices



Director Independence

- Majority are independent directors
- Appropriate number of directors (usually a minimum of five)
- There are no shareholder agreements or other practices that will limit directors' independent judgment

Director Skills

- Possesses the complete range of skills
- Matrix approach is used to compile an inventory of director skills

board composition

The Board seeks to achieve diversity of age, gender, and race/ethnicity and recognizes the importance of Board refreshment to ensure that it benefits from fresh ideas and perspectives. The following tables and charts pertain to the Board nominees and illustrate the Board's continued commitment to diversity of backgrounds for its Board composition and leadership.

58%
are diverse

50%
are women

25%
are people
of color

6.4 years
average
tenure⁽¹⁾

The following matrix displays the most significant skills and qualifications that each Director nominee possesses. The Governance Committee reviews the composition of the Board as a whole periodically to ensure that the Board maintains a balance of knowledge and experience and to assess the skills and characteristics that the Board may find valuable in the future in light of current and anticipated strategic plans and operating requirements and the long-term interest of stockholders.

Director	Skills, experience, and expertise							Board tenure, diversity, and independence				
	Science/Technology/Leader of significant operations	CEO/Senior executive/Research/Academia	Government/Regulatory/Legal/Public policy	Finance/Financial disclosure/Financial accounting	International affairs	Global business/Environmental	Leading business transformation	Tenure ⁽¹⁾	Age ⁽²⁾	Gender	Race/Ethnicity	Independent
Wanda M. Austin	*	*	*	*	*	*	*	6.5	68	F	Black/African American	*
John B. Frank	*		*	*	*	*	*	5.6	66	M	White	*
Alice P. Gast		*	*	*	*	*	*	10.5	64	F	White	*
Enrique Hernandez, Jr.	*		*	*	*	*	*	14.5	67	M	Hispanic/Latino	*
Marilyn A. Hewson	*	*	*	*	*	*	*	2.4	69	F	White	*
Jon M. Huntsman Jr.	*		*	*	*	*	*	2.8	63	M	White	*
Charles W. Moorman	*	*	*	*	*	*	*	11.0	71	M	White	*
Dambisa F. Moyo		*	*	*	*	*	*	6.6	54	F	Black/African	*
Dobra Reed-Kiagos	*	*	*	*	*	*	*	4.5	66	F	White	*
D. James Umpleby III	*	*		*	*	*	*	5.3	65	M	White	*
Cynthia J. Warner	*	*		*	*	*	*	1.0	64	F	White	*
Michael K. Wirth	*	*	*	*	*	*	*	6.3	62	M	White	
Total/Average	83%	75%	83%	100%	92%	75%	75%	6.4	65	50% Gender Diverse	25% Racially/Ethnically Diverse	92% Independent

(1) Tenure as of May 31, 2023. Jon M. Huntsman Jr. previously served on Chevron's Board from January 2014 to September 2017 but resigned to serve as U.S. Ambassador to Russia. For purposes of calculating tenure going forward, we include only his current term.

(2) As of April 12, 2023.

Source:
Chevron 2025
Proxy
statement

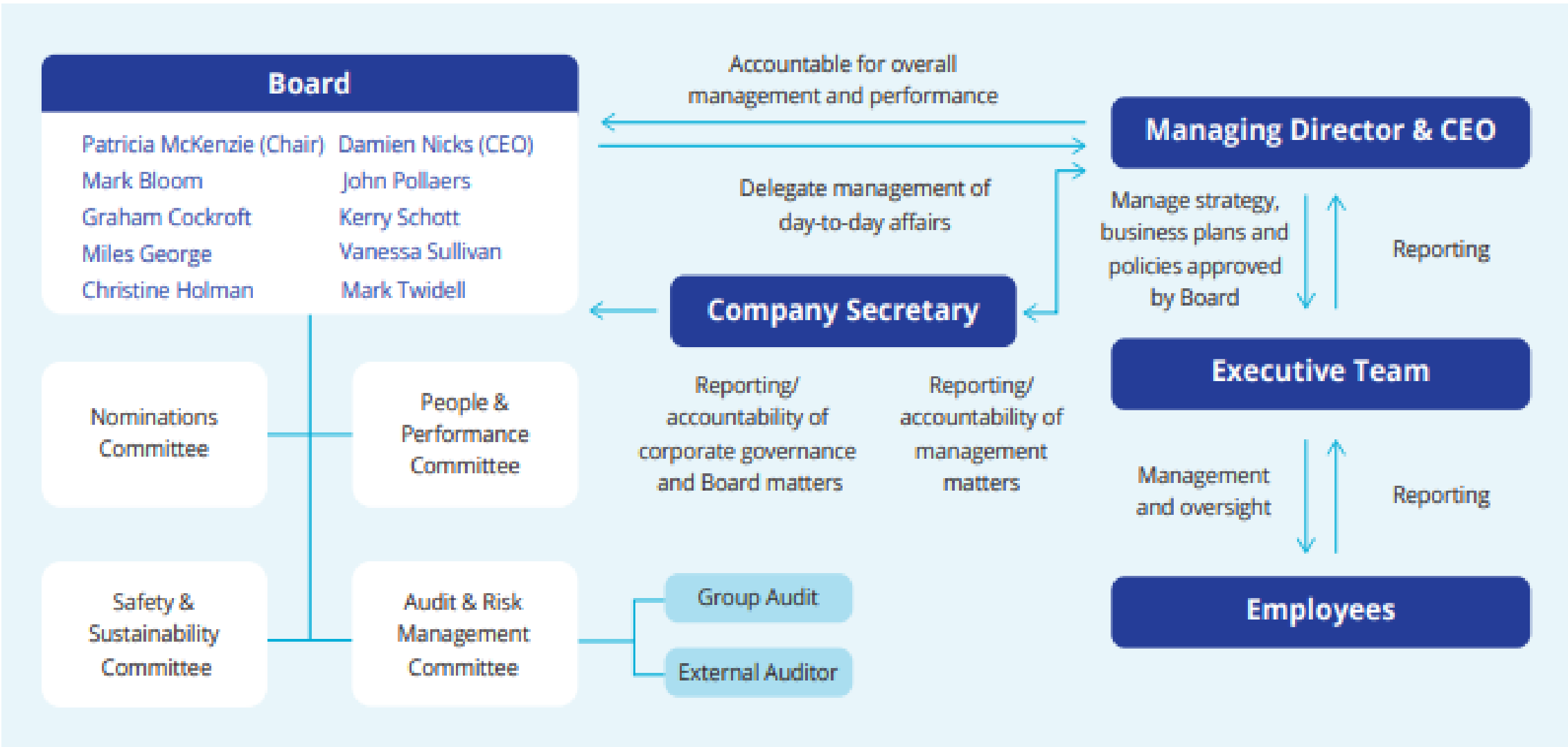
Board and Committee Structures and Functions

1. Boards are structured to provide oversight of key functions of the utility business
2. Committees are used oversight of key functions
3. Committee members possess the requisite skills to effectively discharge their responsibilities

Boards have formal documentation and Practices

- Boards have a written mandate
- Committees of Board have a written charter
- Boards have a written Code of Conduct
- Boards provide orientation for new appointees
- Board provides continuing education to broaden skills of all directors

AGL's governance framework is summarised below.



AGL has adopted a number of corporate governance policies and documents. The corporate governance policies and documents referred to in this Corporate Governance Statement are published on the AGL [website](#).

Key takeaways for Board Discussion



Essential board roles and responsibilities



Key board policies



Habits of an effective board



The importance of committees

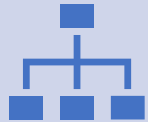


Standard practices to develop board skills

Questions



Is your organization already adopting best practice in:
- Director Independence, Director Skills and Various Committees?



Does your organization have a Charter and Code of Conduct?



Does your board have continuing education requirement?

ESG Reporting: Risks and Opportunities

Presented by Dr Maria Balatbat

School of Accounting, Auditing and Taxation

PPA Conference 2024



**You can't manage
what you can't measure.**






Sustainability

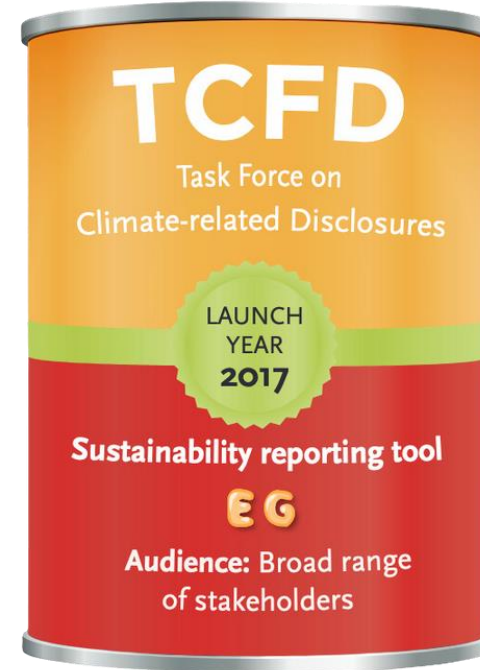
CSR(V1)

ESG (V2)



Version 2: ESG Reporting

Favourites



Very popular



Purpose

Provides all organizations with standards for reporting material environmental, social, and economic performance and impacts, as well as organizational governance, to financial and other stakeholders.

Best for

Companies of any size, sector, or location

Information disclosed

General disclosures

such as governance, stakeholder engagement, and reporting practices

Economic

such as performance, market presence, and indirect economic impacts

Environmental

such as materials, energy, water, biodiversity, emissions, and waste impacts

Social

such as labor relations, health and safety, diversity, human rights, and community engagement

Purpose

The international IR Framework establishes the guiding principles that underpin the SASB standards. The SASB standards are derived from the IR Framework, such that SASB and IIRC are considering a merger to unify the two into one cohesive system of corporate reporting.

Information disclosed

SASB metrics to include within IR Framework:

Environmental impacts

such as GHG emissions; air quality; energy, water, and waste management; and ecological impacts

Social capital

such as human rights and community relations; consumer privacy and data security; product quality, safety, and access; and customer welfare

Human capital

such as labor practices; employee health, safety, and engagement; and diversity and inclusion

Business model resilience and innovation

such as product lifecycle and supply chain management; and physical climate change impacts

Leadership and governance

such as business ethics, legal and regulatory environment, and risk management



Using SASB

Standard

detailed requirements
for reporting by topic
and industry

United States only

Industry-specific

Metrics-based

Disclosure topics and metrics

Enables comparability of information



Purpose

Disclosure standards launched by the Financial Stability Board (FSB), premised on the assumptions that climate risk is a form of financial risk and that it is non-diversifiable.

Best for

Companies seeking to plan for and mitigate climate-related risks

Information disclosed

Governance

such as how, and by whom, climate-related risks are identified, assessed, and communicated

Strategy

including how a changing climate affects it, and your plans / financial implications if it does

Risk Management

risks to your people, operations, customers, and communities where you operate due to a changing climate, and how you will respond

Metrics and Targets

such as how you are calculating impacts or the results of your actions or inactions, and how you are reducing your climate impacts



Purpose

The 17 goals, adopted by the U.N. as part of the 2030 Agenda for Sustainable Development, provide a global blueprint to improve the lives and prospects of all people.

Best for

Companies with a global reach, especially those with cross-sector partnerships

Information disclosed

For each goal, there are sub-goals—or “targets”—and related indicators, all of which can be useful for tracking your company’s progress. Learn more at sdgcompass.org.



So what is included in ESG management and reporting?



Our impact on the **world** we live in

- Greenhouse gas emissions
- Energy consumption
- Climate risk
- Environmental impact/ incidents
- Environmental compliance
- Biodiversity
- Waste management
- Water security and management

Our **commitment** to future generations



Our **contribution** to the communities we operate in

- Modern slavery
- Sustainable procurement
- Customer engagement
- Health & Safety and wellbeing
- Incident and crisis management
- Diversity and inclusion
- Community investment/contribution
- Indigenous engagement
- Talent retention & attraction

How we **share** our returns



Traditional View

- Governance over E&S matters

More recently

How we **conduct** ourselves

- Technological innovation & disruption
- Cyber security and data breaches
- Privacy
- ESG Compliance, Governance, code of conduct and ethics
- Ethical behaviour
- Tax strategy
- Bribery and corruption
- Lobbying

Our **licence** to operate

Source KPMG

Why is ESG management and reporting so important?



KPMG asked Australian business leaders and ESG experts to look forward and predict ESG business value drivers in 2030

<https://assets.kpmg/content/dam/kpmg/au/pdf/2022/esg-predictions-2030.pdf>

- **Headline from 2030 predictions**
'Organisations that transform their business models over the next decade and put ESG front & centre of their operations/ culture, will reap rewards'

2

OVERVIEW UNIVERSAL IMPACTS

UNIVERSAL IMPACTS

CONSEQUENCES OF POOR ESG PERFORMANCE

ESG-ruptcy leads to blacklisting and personal liability

Demand for transparent and proven ESG policies and practices will lead to the introduction of mandatory ESG ratings and certification processes, with consistent non-compliances met with severe consequences.



57%

OF CONSUMERS PLEDGED TO SHOP AT STORES WITH A STRONG FAIR TRADE COMMITMENT. FACTORS INCLUDED: NO CHILD LABOR, TACKLING POVERTY AND PROTECTING AGAINST DEFORESTATION.

CONSUMERS

The rise (and the fall) of the ESG Cowboy

As the lucrative nature of successful sustainable business models become apparent, bad actors will attempt to exploit the 'wild ESG west'.

PRICING

ESG doesn't come for free and it certainly doesn't grow on trees

ESG products, services and company valuations will reflect the costly nature of ESG compliance and practices.

TECHNOLOGY

Digital Twins enable a new ESG reality

There will be broad uptake of Digital Twin technology, enabling organisations to monitor and adjust their business activities in real-time.



65%

OF INTERNATIONAL DEALMAKERS BELIEVE ESG IS A KEY CONSIDERATION WHEN MAKING INVESTMENTS AND IN MERGERS & ACQUISITIONS (MGA) DECISIONS.

DATA

The Great ESG Data Boom

An exponential increase in the amount of ESG data will drive accountability and accelerate progress against organisational ESG objectives and the United Nation's Sustainable Development Goals.

GEOPOLITICS

New cracks form in the geopolitical landscape

Defining a global ESG policy will be fraught with danger for transnational corporations as world governments, trade consortiums and political blocks increasingly assert their influence to progress their individual agendas.



- **70% of CEO's experiencing increased demand for ESG reporting from investors** (KPMG Australia 2021 CEO survey)
- By 2025, two-thirds of Global 2000 **Boards will require trust initiative** - data security, privacy, ethical execution
- **Big data analytics** will grow, focused on monitoring E2E supply chains, demonstrating accountability & balancing ESG objectives





Influences



Complements



The ISSB's proposed Exposure Draft S2 Climate-related Disclosures, built on the 11 TCFD recommendations. The ISSB requirements fall under the same 4 pillars of the TCFD.

Nov 2021, COP26 announced launch of ISSB

Seeks to establish a global baseline for sustainability reporting. Applies the financial materiality concept.

Mar 2022, IFRS and GRI announced MoU

A collaboration agreement to coordinate their work programmes and standard-setting activities. GRI applies the impact materiality concept.



A not-for-profit, public interest organisation established to develop enforceable and globally accepted accounting and sustainability disclosure standards.

Consolidated



Established



A not-for-profit organisation that runs a leading global framework for environmental reporting.

Consolidated



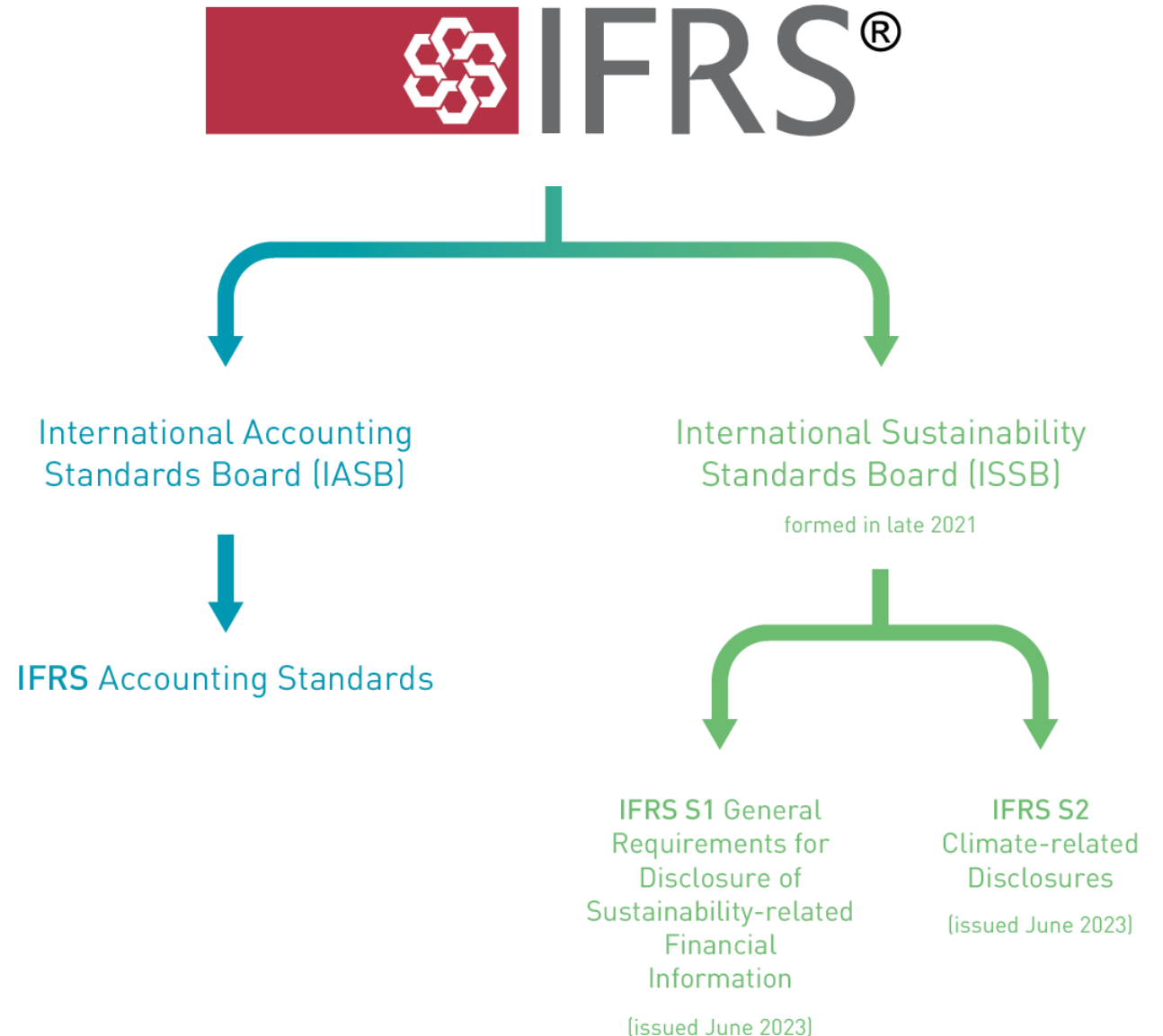
Consolidated



Aug 2022, IFRS Foundation assumed responsibility for SASB Standards
ISSB committed to building on the SASB Standards and embedding its industry-based approach to standards development.

The purpose of the ISSB:

- **Empower capital market** participants with the right information to support better economic and investment decision-making.
- Develop market-informed standards that: **enable companies to disclose decision-useful, comparable information;** and consolidate the ‘alphabet soup’ of voluntary sustainability-reporting initiatives.



Issued its inaugural IFRS Sustainability Disclosure Standards in June 2023

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

provides a set of disclosure requirements designed to enable companies to communicate to investors about the **sustainability-related risks and opportunities they face over the short, medium and long term.**

IFRS S2 Climate-related Disclosures sets out specific climate-related disclosure requirements for a company to disclose information about its **climate-related risks and opportunities.** IFRS S2 builds on the requirements set out in IFRS S1 and fully integrates the TCFD recommendations.

United Kingdom

Announced in August it “has been a strong supporter of the ISSB since its launch” and will be based on the ISSB standards.

Australia

Plans to require as early as 2024 and will “be aligned as far as practicable with the final standards developed by the ISSB”.

Hong Kong

Hong Kong Stock Exchange (HKEX) has proposed making climate related disclosures mandatory for all issuers, requiring ISSB reporting from 1 January 2024.

New Zealand

Already mandatory for certain large entities and are based heavily on the TCFD framework, which now falls under the ISSB.

Which jurisdictions are affected by incoming mandatory climate disclosures?

Singapore

Announced in July it will require public companies to report on climate using the ISSB standard beginning in FY2025, and FY2027 for large private companies.



IFRS S1 General Requirements

Conceptual Foundations

- **Material Information:** To comply with the requirements of IFRS S1, a company will disclose material information about the sustainability-related risks and opportunities (SR&O), in which the definition of material information is aligned with that used in IFRS Accounting Standards.
- **Fair Presentation:** IFRS S1 requires a company to disclose relevant information about its SR&O and to faithfully represent (i.e., complete, neutral and accurate depiction of) those risks and opportunities.
- **Reporting Entity:** IFRS S1 requires the reporting entity to be the same as the financial statements.
- **Information related to a company's value chain:** IFRS S1 requires information about SR&O throughout a company's value chain.
- **Connected Information:** IFRS S1 requires a company to provide information that enables investors to understand connections, including: between various SR&O, within sustainability-related financial disclosures, and across sustainability-related financial disclosures and financial statement.

IFRS S2 Climate-related Financial Disclosures

The **objective** of IFRS S2 is to require an entity to disclose information about its **climate-related risks and opportunities** that is useful to users of general-purpose financial reports in making decisions relating to providing resources to the entity.



In **IFRS S2**, the ISSB has developed application guidance on the following:

- Applying **scenario analysis** to assess a company's climate resilience
- Measuring **Scope 1, Scope 2 and Scope 3 GHG emissions**, including a framework for the measurement of Scope 3 GHG emissions
- Disclosing information relevant to the **cross-industry metric categories**
- Disclosing information about the **climate-related targets** a company may have set or is required to meet by law or regulation

*Governance and risk management for IFRS S2 are aligned to IFRS S1 but with a focus on **climate-related risk**.*

Strategy

Same as general disclosure, plus:

- Current and anticipated changes to its business model
- Direct and indirect adaptation or mitigation efforts
- Transition plan to a lower-carbon economy
- Plans to achieve its climate-related targets
- How climate-related targets will be resourced and achieved
- Use of climate-related scenarios (which and why)
- Key inputs and assumptions into the scenario



Metrics and Targets

In addition to GHG emissions, **cross-industry metric categories** include:

- Climate-related transition risks
- Climate-related physical risks
- Climate-related opportunities
- Capital deployment
- Internal carbon price
- Remuneration

Industry-specific metrics:

IFRS S2 requires a company to disclose information on industry-based metrics that are associated with common business models and activities in a particular industry.

Greenwashing suspects

Etihad Airways
accused of climate
greenwashing in
complaint to ACCC

H&M CONSCIOUS
COLLECTION
More sustainable fashion

Overall proportion of businesses
identified as making concerning claims

Concerns	Proportion
did not raise concerns	43%
raised concerns	57%

Shell greenwashing
complaint lodged
with ACCC and Ad
Standards Australia

Climate Active
Carbon Neutral

Australian Government
Breaching Consumer Law
Following Four Corners

AGN claims 'renewable gas' is climate friendly
could be greenwashing

HIGH ENGINE PERFORMANCE
IN SUSTAINABLE PACKAGING

NOW CARBON NEUTRAL

BREAKING
ACCC complaint filed
against Toyota over
alleged greenwashing

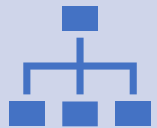
LAWYERS FOR
CLIMATE
ACTION NZ INC.

GREENPEACE
Hero
to zero:
Uncovering the truth of corporate
Australia's climate action claims

Questions



Is your organization reporting already reporting some climate change disclosures?



If so, what frameworks are you using? (GRI, TCFD, SDG, SASB)

References:

- <https://www.governanceinstitute.com.au/resources/>
- <https://www.asx.com.au/documents/asx-compliance/cgc-principles-and-recommendations-fourth-edn.pdf>
- <https://kpmg.com/au/en/home/industries/power-utilities.html>
- <https://sasb.ifrs.org/standards/download/>
- <https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/>

A conceptual image with a golden-yellow tint. In the center, a hand holds a fountain pen, poised to write on a globe. The globe is partially visible, showing some landmasses. The overall composition is centered and balanced.

IN TODAY'S WORLD
THE MOST SUCCESSFUL
COMPANIES WILL BE
THOSE WHICH PROFIT BY

FIXING
THE WORLD'S
PROBLEMS,
NOT CREATING THEM

Thank you

m.balatbat@unsw.edu.au