



**ENVIRONMENT  
SOCIAL  
GOVERNANCE**



**ENVIRONMENTAL CLEAN  
TECHNOLOGIES LIMITED**

# **ESG Highlights**

**Q2FY22**

# Environmental, Social, and Governance (ESG)

Environmental Clean Technologies Limited (“ECT” or the “Company”) is committed to the principles of ESG as the most effective means of creating long-term enterprise value and addressing the societal priorities enshrined in the United Nations’ Sustainable Development Goals. In July 2021, we made a commitment to commence reporting on the Environmental, Social, and Governance (ESG) disclosures of the Stakeholder Capitalism Metrics (SCM) of the World Economic Forum (WEF)<sup>1</sup>.

We are in the process of making ESG disclosures in the form of a set of universal, comparable ESG metrics focused on people, planet, prosperity and principles of governance that organisations can report on regardless of industry or region. This table represents our reporting against the 21 core metrics<sup>2</sup>, being reviewed quarterly and updated periodically.

We use this universal ESG framework to align our mainstream reporting on performance against ESG indicators. By integrating ESG metrics into our governance, business strategy, and performance management process, we diligently consider all pertinent risks and opportunities in running our business. We continue to look for opportunities for further transparency on the topics which are material to our business.

To track our disclosure progress and demonstrate our sustainability performance against the WEF SCM framework we utilise Socialsuite’s ESG Go disclosure platform<sup>3</sup>. ESG Go enables us to demonstrate our ongoing commitment to ESG by providing a dedicated solution to track, report, and share our ESG disclosures. With ESG Go we have started the journey of building robust ESG credentials.

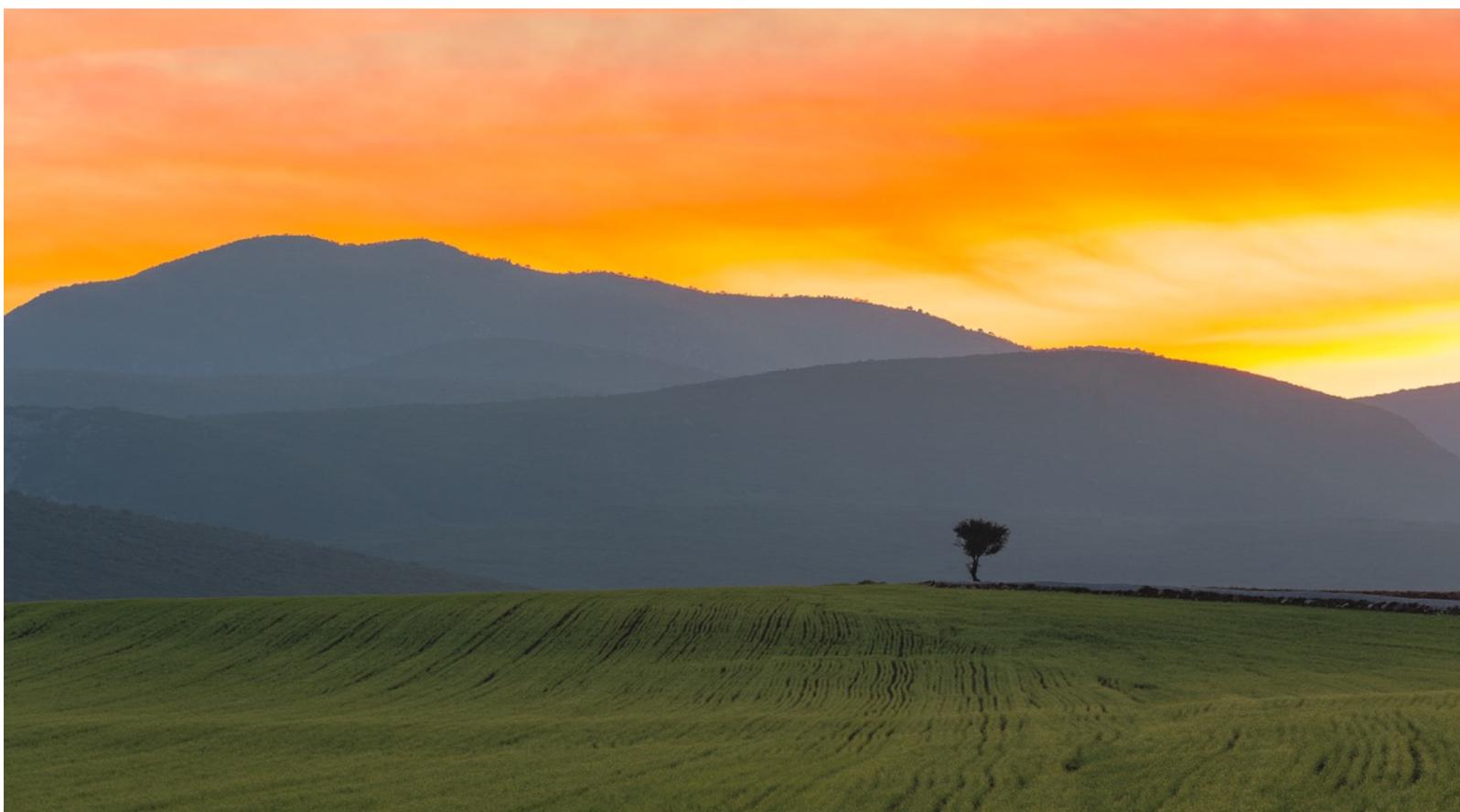
Last Updated: 7/12/21

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1 <https://www.weforum.org/reports/measuring-stakeholder-capitalism-towards-common-metrics-and-consistent-reporting-of-sustainable-value-creation>

2 <https://www.weforum.org/stakeholdercapitalism/our-metrics>

3 <https://www.socialsuitehq.com/esg>



# Governance

Governing purpose	VERIFIED
<p>Setting purpose</p>	<p>ECT'S Purpose Statement was re-affirmed in July 2021 by the ECT Board and is "We bridge the gap between today's use of resources and tomorrow's zero-emissions future".</p> <p>As we pursue our purpose, we are guided by our corporate values:</p> <ul style="list-style-type: none"> <li>• We are focused on technology as an enabler to a zero-emissions future.</li> <li>• We strive to deliver innovative outcomes, through reducing complexity, cost conscious execution and fit-for-purpose engineering.</li> <li>• We work collaboratively to yield the best possible outcomes.</li> <li>• When we say we will do something, we do it – and we do it responsibly.</li> <li>• We consider the safety, quality and environmental outcomes of our decisions.</li> </ul> <p>Please refer to the ECT website for further information:  <a href="https://ectltd.com.au/about-us/commercial-overview/">https://ectltd.com.au/about-us/commercial-overview/</a></p>
Quality of governing body	PARTIAL DISCLOSURE
<p>Governance body composition</p>	<p>The capabilities and perspectives of board members are important for making ongoing robust decisions on an ongoing basis. This disclosure captures a variety of important dimensions to composition, going beyond a single metric, and emphasises competencies relating to economic, environmental and social topics.</p> <p>A description of the skills and experience of the ECT Directors is outlined in the front section of Company's Annual Financial Report, and in the Appendix 4G, both released on the ASX [ASX: ECT]. These documents can also be found on the Company's website:  <a href="https://ectltd.com.au/category/reports/">https://ectltd.com.au/category/reports/</a></p> <p>The process of formally integrating ESG competencies into the Board Skills Matrix is underway.</p>

<b>Stakeholder engagement</b>	<i>IN DEVELOPMENT</i>
Material issues impacting stakeholders	<p>This disclosure highlights the importance of the relationship between what is material to ECT and to its stakeholders. It captures the output of a process to understand the impact of the company on its stakeholders and the implications for the Company.</p> <p>ECT is in the process of merging existing procedures into a formal stakeholder engagement plan, whereby key stakeholders are identified and consulted, and material issues captured. An ongoing consultation process with key stakeholders will address listed material issues and their effect on the Company.</p>
<b>Anti-corruption</b>	<i>PARTIAL DISCLOSURE</i>
Anti-corruption practices	<p>Corruption undermines stakeholder legitimacy, trust and reputation.</p> <p>ECT has a number of policies and procedures in place to improve the broader operating environment and culture, in order to combat corruption. This includes ECT’s Code of Conduct, and policies that specifically deal with bribery and corruption. Further information on these policies and other relevant information can be found in ECT’s Corporate Governance section on the website:</p> <p><a href="https://ectltd.com.au/about-us/corporate-governance/">https://ectltd.com.au/about-us/corporate-governance/</a></p> <p>ECT does not yet formally train staff on anti-corruption, though staff must follow the Company’s Code of Conduct and understand related policies as employees or contractors of the Company.</p> <p>During the current quarter, and current financial year to date, there have been no reported incidents of corruption.</p>
<b>Ethical behaviour</b>	<i>PARTIAL DISCLOSURE</i>
Mechanisms to protect ethical behaviour	<p>ECT is committed to the highest standards of ethical conduct in all business activities through a number of mechanisms:</p> <p>Directors and management of the Company are committed to conducting the Company’s business ethically and in accordance with high standards of corporate governance in compliance with the ASX Corporate Governance Principles and Recommendations (2019).</p> <p>ECT’s Whistleblower Policy supports commitment to the highest standards of ethical conduct, and to provide everyone working at ECT with the means to raise concerns, without the fear of retaliation.</p>

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ECT is externally audited, currently by BDO, who conduct both a Half-year review, and a Full-year Audit (EOFY) of ECT’s business, which enables BDO to express an opinion as to whether the ECT’s reports are prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

ECT’s Corporate Governance Statement – which is aligned to these principles – can be found on ECT’s website at:

<https://ectltd.com.au/about-us/corporate-governance/>

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**Risk and opportunity oversight**

*IN DEVELOPMENT*

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**Risk framework and processes**

The ECT Board understand that sound corporate governance is key to driving long-term sustainable outcomes for all ECT stakeholders. The Board also understand that emerging financial and non-financial risks evolve and change over time.

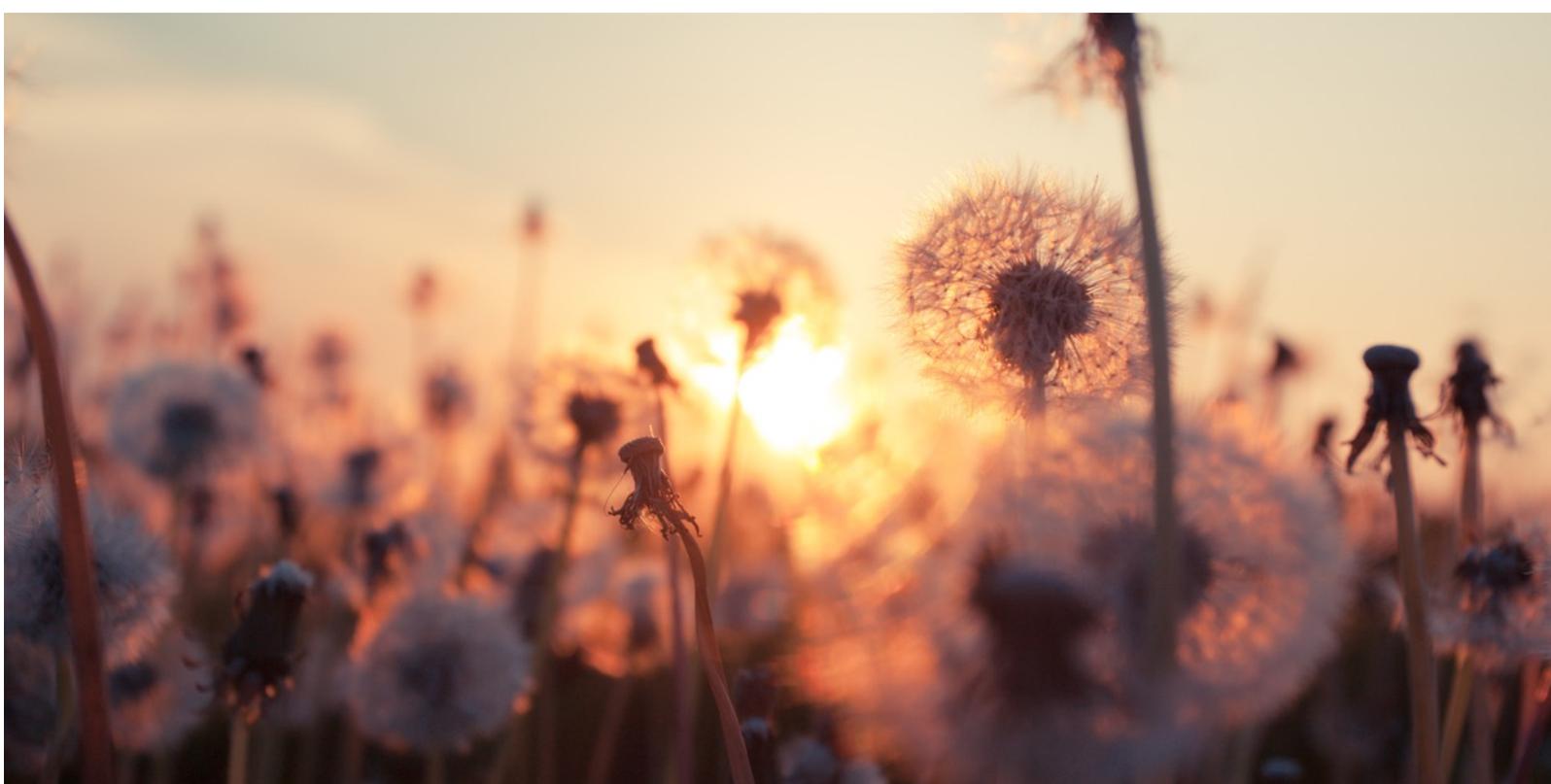
ECT’s Audit and Risk Committee constantly monitors all emerging stakeholders risks and opportunities and reviews them at regular intervals as part of the Company’s Enterprise Risk Management framework. Risks that are captured during this ongoing process are included in a risk register. The Audit and Risk Committee meets quarterly and considers all risks on the risk register, as approved by the ECT Board.

The ECT Board, via and Risk and Audit Committee has now begun the process of integrating emerging ESG risks (and opportunities) when overseeing, reviewing and reshaping ECT’s strategy.



# Planet

Climate change	PARTIAL DISCLOSURE
Greenhouse gas (GHG) emissions	<p>The Company has reviewed the Greenhouse Gas [GHG] Protocol and its implications as it relates to ECT’s ongoing operations.</p> <p>Recognising the leading role ECT can play in the growing opportunities surrounding Australia’s energy transition, the Company has begun engagement with a leading Australian climate change certification partner to begin assessment of the Company’s corporate carbon footprint.</p> <p>The ECT Board has set a Net-Zero target (Scope 1 and 2 Greenhouse Gas [GHG] emissions) for ECT’s corporate offices (plus limited Scope 3 emissions to include staff land and air travel, and waste), with a target completion date of the end of the current financial year (i.e., FY22).</p> <p>In addition, ECT has also started investigating how to assess, monitor and report its’ future energy transition projects to underpin their net-zero status into the future.</p>
TCFD implementation	<p>While use of the TCFD framework is currently voluntary in Australia, there is an increasing expectation from investors, governments, customers and the community that businesses assess and disclose climate-related risks.</p> <p>As a result of ongoing and growing expectations of key stakeholders, ECT is investigating early disclosure of climate risk in accordance with the recommendations of the TCFD framework as they relate to both physical risks, and transition risks (and opportunities).</p>



<b>Nature loss</b>	<i>VERIFIED</i>
Land use and ecological sensitivity	All of ECT's current and future planned projects are located, or likely to be located, in brownfield, special zoned industrial areas. As such, ECT does not currently measure impact on land use, and key biodiversity areas (KBA's), though is expected to do so where potential impact on biodiversity is possible on land owned, leased or managed by ECT, on or adjacent to protected areas and/or KBAs.
<b>Freshwater availability</b>	<i>EXPLANATION</i>
Water consumption	Water consumption (including full value chain) is considered immaterial at the current time. This may change as ECT progresses key projects. Initial assessments will be conducted where ECT's future operational plans dictate they are relevant.



# People

<b>Dignity and equality</b>	<i>EXPLANATION</i>
Diversity and inclusion	The Company has identified the breakdown indicators relating economic inclusion and diversity, though has not yet begun reporting this indicator.
Pay equality	<p>ECT recognises that pay equality reflect an organisation’s culture and helps bridge diversity gaps, attract talent and drive long-term competitiveness.</p> <p>The Company reports remuneration of Directors and Key Management Personnel in the Full Year Statutory Accounts, which can be found at: <a href="https://ectltd.com.au/category/reports/">https://ectltd.com.au/category/reports/</a></p> <p>At this time, the company has not begun reporting key indicators in this category.</p>
Wage level	<p>ECT recognise that fair compensation and benefits contribute to the economic well-being of employees, since the distribution of income is crucial for eliminating inequality and poverty.</p> <p>At this time, the Company has not yet begun reporting this indicator.</p>
<b>Human rights</b>	<i>EXPLANATION</i>
Risk for incidents of child, forced or compulsory labour	ECT uphold the highest moral, ethical and legal standards in all we do, especially surrounding human rights. At this time, the company has not begun reporting this indicator.



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**Health and well-being***PARTIAL DISCLOSURE*

Health and safety

Maintaining strong standards of health, safety and labour rights can improve employee productivity and operational efficiency and enhance employee well-being.

ECT reports monthly on Lost Time to Injury and the Continuous Safe Working Days.

During the current quarter, ECT was engaged in construction at the Bacchus Marsh plant on a full-time basis. The Company had zero (0) Lost Time to Injury and, as at end of November, had recorded 117 Continuous Safe Working Days.

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**Skills for the future***EXPLANATION*

Training provided

Although ECT provide staff training, the Company has not begun reporting this indicator.

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# Prosperity

Employment and wealth generation	PARTIALLY VERIFIED
Absolute number and rate of employment	<p>Employment and job creation are key drivers of economic growth, dignity and prosperity, and provide a basic indication of a company's capacity to attract diverse talent, which is key to innovate new products and services.</p> <p>ECT is undertaking a full review of full-time equivalent staff and will be converting a number of existing contractual relationships into salaried employees during the next quarter.</p> <p>ECT aims to report greater details of absolute number and rate of employment in future quarterly updates.</p>
Economic contribution	<p>ECT's Economic Contribution during the Reporting Period correlates to the long-term financial performance of the company and wealth creation for stakeholders.</p> <p>Disclosures relating to revenues, operating costs, wages &amp; benefits, payments to providers of capital, payments to government, and monetary support from government appear in ECT's Full Year Statutory Accounts, as well as in the Quarterly Activity Report &amp; Appendix 4C. Information on these disclosures can also be found on ECT's website:</p> <p><a href="https://ectltd.com.au/category/reports/">https://ectltd.com.au/category/reports/</a></p> <p>Additionally, during the reporting period, ECT sponsored local community sporting organisations. ECT will continue to review its level of contribution, commensurate with its activities.</p>
Financial investment contribution	<p>Investment is a key driver of economic growth and a company's capacity to expand its operations and create additional employment.</p> <p>ECT discloses total capital expenditures (less depreciation) and how it supports the Company's investment strategy in the Full Year Statutory Accounts, as well as in the Quarterly Activity Report &amp; Appendix 4C. ECT does not currently pay dividends.</p> <p>Information on these disclosures can be found on ECT's website: <a href="https://ectltd.com.au/category/reports/">https://ectltd.com.au/category/reports/</a> or on the ASX [ASX: ECT].</p>

**Innovation of better products and services**

VERIFIED

Total R&D expenses

Total costs relating to Research & Development (R&D) can be regarded as a basic universal indicator of a company's efforts to innovate, be fit for the future, and to provide prosperity. R&D can also provide insights into the capacity of the company to create new offerings and generate social or environmental benefits, especially, as measured against Sustainable Development Goals (SDG's).

As a R&D technology company, ECT's principal purpose is the investment, research, development and commercialisation of technologies which bridge the gap between today's use of resources and tomorrow's zero-emissions future.

ECT's Full Year Statutory Annual Report, Quarterly Activity Report & Appendix 4C disclose the total level of R&D costs during relevant reporting periods, and the use of funds as it relates to the Company's R&D Plan and purpose. Further information on R&D can be found on ECT's website, or on the ASX, as above.

**Community and social vitality**

VERIFIED

Total tax paid

Global tax contribution supports governmental functions and societal benefits. Please refer to the Full Year Statutory Accounts and, Quarterly Activity Report & Appendix 4C for disclosure of the total level of tax paid during relevant reporting period.

