



**ENVIRONMENT  
SOCIAL  
GOVERNANCE**



**ENVIRONMENTAL CLEAN  
TECHNOLOGIES LIMITED**



# **ESG Highlights Q1 FY23**

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Listed on the Australian Stock Exchange (ASX:ECT)

# ESG Disclosure FY23 – World Economic Forum (WEF) Framework & Metrics

Environmental Clean Technologies Limited (“ECT” or the “Company”) is committed to the principles of Environmental, Social, and Governance (“ESG”) as the most effective means of creating long-term enterprise value whilst addressing the societal priorities enshrined in the United Nations’ Sustainable Development Goals.

During FY21, ECT committed to commence reporting against the core World Economic Forum (WEF)<sup>1</sup> ‘Stakeholder Capitalism’ framework and Metrics (“SCM”).

ECT is in an ongoing process of disclosing 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. ECT uses this universal ESG framework to align mainstream reporting on performance against ESG indicators and peers.

By integrating these core ESG metrics into the governance, business strategy, risk management and performance management targets, ECT diligently considers all pertinent risks and opportunities in running the business in a vastly changing environment.

ECT will continue to look for opportunities for further transparency on the topics that are material to the business, especially regarding climate change and meeting the *Paris Agreement*<sup>3</sup> obligations.

To track disclosure progress and demonstrate initial sustainability performance against the WEF framework, ECT is utilising Socialsuite’s ESG Go disclosure platform<sup>4</sup>.

*The data for the ESG Annual Report was last updated as at 26/09/22.*

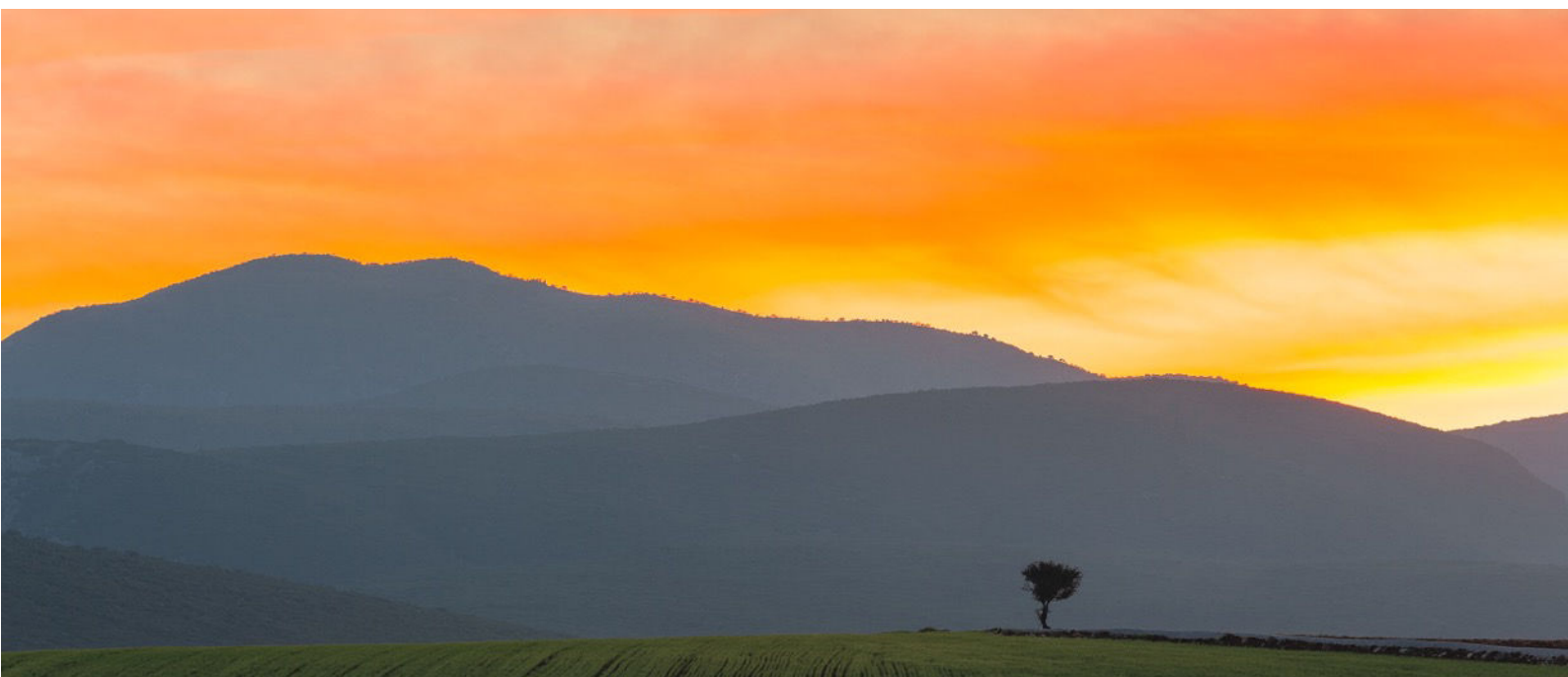
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1 <https://www.weforum.org/reports/measuring-stakeholder-capitalism-towards-common-metrics-and-consistent-reporting-of-sustainable-value-creation>

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

3 [The Paris Agreement | United Nations](#)

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



# Governance

Governing purpose	FULL DISCLOSURE
Setting purpose	<p>ECT'S corporate Purpose is "We bridge the gap between today's use of resources and tomorrow's zero-emissions future".</p> <p>As ECT pursues 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:</p> <p><a href="https://ectltd.com.au">Company Overview - ECT (ectltd.com.au)</a></p>
Quality of governing body	FULL DISCLOSURE
Governance body composition	<p>The capabilities and perspectives of Board members are important for making 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 the 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:</p> <p><a href="https://ectltd.com.au">ESG - ECT (ectltd.com.au)</a></p> <p>Whilst the ECT Board believes in an independent, inclusive and diverse Board, reportable progress has not been made in these areas. The Company is committed to workplace diversity, improving demographic, experiential and cognitive diversity, with expected future appointments to consider these aspects appropriately.</p> <p>The process of formally integrating ESG competencies into the Board Skills Matrix was completed in FY22 and is set out below:</p>

## Board Skills Matrix

Legend: F = Familiar | C = Competent | E = Expert

Name	Glenn Fozard	Jason Marinko	James Blackburn	Tim Wise
Title	Managing Director	Non-Executive Chairman	Non-Executive Director	Non-Executive Director
Independent	N	N	N	N
Gender	M	M	M	M
<b>Experience</b>				
Corporate leadership	E	E	E	E
International business experience	C	C	C	C
Industry & sector experience	C	C	C	F
Board experience	C	E	E	E
Capital Markets experience	E	E	C	E
<b>Knowledge &amp; Skills</b>				
Strategy Development	C	E	E	C
Finance & Accounting	E	C	C	C
Legal & Regulatory	F	F	F	F
Digital & Information Technology	F	F	F	F
Human Resources & People	C	C	C	F
Public Relations, Marketing & Communications	F	C	F	C
Risk & Compliance	C	C	C	C
Stakeholder engagement	C	E	C	E
Engineering	F	F	F	F
Capital projects/development	C	C	C	F
Intellectual Property Development and Protection	F	F	C	F
Environmental & Climate	E	C	C	F
Social & Sustainability	E	C	C	C
Governance & Policy	C	C	C	C

## Board Skills Matrix cont.

Director	Glenn Fozard	Jason Marinko	James Blackburn	Tim Wise
Title	Managing Director	Non-Executive Chairman	Non-Executive Director	Non-Executive Director
<b>Governance Competencies</b>				
Director (medium organisation 10 - 99 employees)	E	E	E	E
Financial literacy	E	E	E	C
Strategic thinking	E	E	E	E
Executive performance management	C	C	C	F
Risk management and mitigation	C	C	C	C
Compliance focus	C	C	C	C
Profile/Reputation	C	C	C	E
<b>Behavioural Competencies</b>				
Team player / collaborative	E	E	E	E
Ability and willingness to challenge and probe	E	E	E	E
Common sense and sound judgement	E	E	E	E
Integrity and high ethical standards	C	E	E	E
Mentoring abilities	C	E	C	E
Interpersonal relations – internal	C	C	C	C
Customer relationship management – external	C	E	E	C
Listening skills	C	E	C	E
Verbal communication skills	C	C	E	E
Understanding of effective decision-making process	E	E	E	E
Willingness and ability to devote time and energy to the role	E	E	E	E

Stakeholder engagement	FULL DISCLOSURE
Material issues impacting stakeholders	<p>This disclosure highlights the importance of the relationship between what is material to ECT and 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>During FY22, ECT created a draft Stakeholder Engagement Plan that includes a stakeholder engagement register that formally identifies stakeholders, records dates of stakeholder meetings, records key issues discussed, and analyses the materiality (impact/influence) of each stakeholder and stakeholder issue on ECT's operations.</p> <p>Although the Company began recording stakeholder meetings, further work on a systematic stakeholder engagement plan was required, and a refined draft was proposed during the Q1FY23.</p> <p>ECT will continue to engage with stakeholders on an ongoing basis.</p>
Anti-corruption	FULL DISCLOSURE
Anti-corruption practices	<p>Corruption undermines stakeholder legitimacy, trust and reputation.</p> <p>ECT has several 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/Corporate-Governance-ECT-ectltd.com.au">https://ectltd.com.au/about-us/corporate-governance/Corporate Governance - ECT (ectltd.com.au)</a></p> <p>ECT does not yet formally train staff on anti-corruption, though its staff and contractors must follow the Company's Code of Conduct.</p> <p>ECT is currently considering 'fit-for-purpose' ways to train employees and contractors on anti-corruption in the future and has created an anti-corruption training register in anticipation of this to capture expected progress.</p> <p>There were no reported incidents of corruption during the Quarter, as at the September 2022 Board meeting.</p>
Ethical behaviour	FULL DISCLOSURE
Mechanisms to protect ethical behaviour	<p>ECT is committed to the highest standards of ethical conduct in all business activities through several mechanisms outlined below.</p>



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Directors and management of ECT 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).

ECT's Whistleblower Policy supports commitment to the highest standards of ethical conduct and provides everyone working at ECT with the means to raise concerns without fearing retaliation.

The Whistleblower Policy (and other ECT policies) were created internally by benchmarking standard policies for companies of ECT's size and operating environment and then checked by the ECT Board, with any recommended changes implemented before being formally approved by the Board.

Given ECT's size, the Company does not have a formal external mechanism (e.g., consulting firm, legal) to provide advice to ECT employees or contractors on ethical or lawful behaviour. However, the Company encourages two-way dialogue with its employees and contractors, including the ability to seek confidential advice from the Company Secretary or any of ECT's Directors.

ECT is also externally audited by BDO, who conducts 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:

[Corporate Governance - ECT \(ectltd.com.au\)](http://ectltd.com.au)

Risk and opportunity oversight	FULL DISCLOSURE
Risk framework and processes	<p>The ECT Board understand that sound corporate governance is key to driving long-term sustainable outcomes for all ECT's stakeholders. The Board also understand that emerging financial and non-financial risks evolve over time.</p> <p>The Company's Audit and Risk Committee constantly monitors all emerging stakeholders risks and opportunities and reviews them at regular intervals as part of ECT's Enterprise Risk Management (ERM) framework. Risks that are captured during this ongoing process are included in the ERM Risk Register. The Audit and Risk Committee meets periodically to consider material risks, and to recommended risk mitigants. ECT's Audit and Risk Committee includes attendance by a dedicated ESG Advisor, to add specific focus in this area.</p>

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During FY22, ECT integrated climate-related risks (aligned to Taskforce on Climate-Related Financial Disclosures [“TCFD”]), and other key ESG risks, into the Company's existing ERM process.

Regular review and analysis by senior management and ECT's Audit and Risk Committee, combined with Board oversight and management of material emerging ESG risks and opportunities (especially relating to climate-change), is a key priority for ECT.

ECT intends to transparently disclose strategy and specific actions the Company will take to demonstrate stewardship of emerging ESG risks to its stakeholders on an ongoing basis, especially including climate disclosures, via the TCFD framework.

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# Planet

## Climate change

FULL DISCLOSURE

### Greenhouse gas (GHG) emissions

During FY22, the Company reviewed the Greenhouse Gas ["GHG"] Protocol and its implications as it relates to ECT's ongoing operations.

Recognising the important role ECT can play in the growing opportunities surrounding Australia's energy transition, the Company engaged Carbon Reduction Institute (CRI) to assess the Company's corporate carbon footprint and future GHG targets. Established in 2006, CRI (<https://noco2.com.au/>) is Australia's most experienced carbon consulting company.

In December 2021, the Board set an interim net zero target (Scope 1 and 2 Greenhouse Gas [GHG] emissions) for ECT's corporate offices (plus limited Scope 3 emissions including staff travel (land & air) and waste with targeted implementation achieved before the end of FY22.

The results of ECT's FY19 baseline carbon audit are outlined below:

Table 1: Sources of ECT's emissions

Scope	Emission Source	Emissions (tCO2e/year)
Scope 1	Fuel Consumed	6.55
	Gas Use	0.10
	Refrigerants	0.00
Scope 2	Electricity	40.70
	Supply of Electricity	3.99
Scope 3	Supply of Gas	0.01
	Staff Travel	41.59
	Supply of Fuel	0.34
	Assets	0.00
	Expenses	0.00
	Cost Of Sales	0.00
	Flights	114.86
	Waste	0.90
	Total Footprint	209.04

To reach ECT's interim corporate milestone during FY22, ECT used the above FY19 GHG baseline Carbon Audit results to offset its FY22 GHG emissions through the purchase of carbon credits.

In Q1FY23, ECT began investigating (& implementing) sustainability initiatives to reduce the Company's ongoing corporate GHG footprint. ECT also re-engaged the CRI to begin measurement of the Company's GHG Emission for Bacchus Marsh, Yallourn & South Yarra.

Further detail on ECT's GHG targets & sustainability initiatives - as they relate to the *Paris Agreement*, and transition to net zero – are outlined in ECT's inaugural Annual ESG Report, to be released publicly in October 2022.

### TCFD implementation

In late FY22, ECT formally provided support for TCFD, joining a growing number of organisations worldwide in seeking to demonstrate a commitment to building a more resilient future and safeguarding against current and future climate risks.

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 physical and transition climate-related risks in a consistent, and widely adoptable format.

This ambitious decision was also made as ECT intends to play an important role in the opportunities presented in the transition to net-zero. The Company expects current and potential Tier-1 customers to adopt TCFD in advance of any mandatory TCFD reporting requirement and envisage they would likewise expect ECT to do the same.

ECT's inaugural TCFD Report is to be made public at the same time as the company's Annual Report and is to be released in October 2022.

Nature loss	EXPLANATION
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). As ECT's Yallourn Project, located in Latrobe Valley commences, the Company will assess the potential impact on biodiversity as it relates to land owned, leased, or managed by ECT, on or adjacent to protected areas and/or KBAs.
Freshwater availability	EXPLANATION
Water consumption	Water consumption (including full value chain) is considered immaterial at the current time due to the size of ECT's operations. Initial assessments will be conducted as ECT progresses the Yallourn Project in the Latrobe Valley, where ECT's impact reflects a more commercial operational footprint. ECT notes that water can potentially be collected as a by-product in the <i>COLDry</i> process and in doing so could see the Company become a net producer of water.



# People

Dignity and equality	PARTIAL DISCLOSURE
Diversity and inclusion	<p>The Company has identified the breakdown indicators relating economic inclusion and diversity, though has not yet begun reporting this indicator.</p> <p>A register has been created to capture diversity and inclusion data sets across the organisation, including employees, management, board, and ongoing contractors. Although the register has not yet been integrated into ECT's operations, it is planned to be utilised in the foreseeable future as part of its initiatives to improve diversity and inclusion as the Company grows.</p> <p>As ECT has been moving contractors to employees (cited in previous disclosures), employment agreement include an anti-bullying component, which aims to support inclusion of all ECT staff (and contractors).</p> <p>Overall, The Company sees this area as very important on the basis that "diversity and inclusion drive company performance", and is in the process of undertaking academic research by qualified professionals to ensure that the policy adopted will serve as a practical guide to recruitment of directors and staff.</p> <p>ECT note that its minority ethnic representation exceeds those dispersion rates, as represented in Australia's population.</p>
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 maintains a general view that all positions are remunerated on the basis of award, experience or skills, with remuneration referenced to the market, via non-gender based benchmarks.</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/reports">Reports - ECT (ectltd.com.au)</a></p> <p>The Company has not begun reporting key indicators in this category, though plans to in the future as the Company grows.</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>

At this time, the Company has not yet begun reporting this indicator, though plans to do so as the Company grows.

Human rights	PARTIAL DISCLOSURE
<p>Risk for incidents of child, forced or compulsory labour</p>	<p>ECT uphold the highest moral, ethical, and legal standards in all we do, especially surrounding human rights. ECT's Modern Slavery Policy was adopted in FY22 to guide future risk assessments and will report on this indicator as it becomes relevant to operations.</p> <p>ECT's Modern Slavery Policy can be found on the Company website at: <a href="https://www.ectltd.com.au/220328-policy-modern-slavery">220328-policy-modern slavery (ectltd.com.au)</a></p> <p>ECT looks forward to providing further updates in other key areas such as any regulatory obligations and risk assessment (child labour, forced or compulsory labour) at a later stage.</p>
Health and well-being	PARTIAL DISCLOSURE
<p>Health and safety</p>	<p>Maintaining strong standards of health, safety and labour rights can improve employee productivity and operational efficiency and enhance employee well-being.</p> <p>During the September 2022 Quarter, ECT continued with Phase 2 of the Bacchus Marsh project, including work with partner, GrapheneX.</p> <p>ECT had 21 inductions onto the site in this period, recorded nil (0) Lost Time to Injury, nil (0) incidents, one (1) near-miss, and a running total of 423 Injury-Free-Days as at the September ECT Board meeting.</p>
Skills for the future	FULL DISCLOSURE
<p>Training provided</p>	<p>During Q1FY23, ECT staff and ongoing contractors (full-time equivalent "FTE") undertook 80 hours of training, of which 70 hours had an external cost attached as was provided by external parties. The total external cost of training provided was \$3274, at an average cost of \$47/hour. The average cost of training was \$259 per FTE.</p> <p>ECT did not measure or apportion the internal cost of staff time spent in undertaking the above training, due to the sensitive nature of this data in a small organisation. This may be considered in the future.</p> <p>The number of FTE used in this calculation is now consistent with other disclosures related to <i>People</i>.</p>

# Prosperity

Employment and wealth generation	FULL DISCLOSURE
<p>Absolute number and rate of employment</p>	<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 re-set the definition of Full-time Equivalent ["FTE"] to coincide with the start of the FY23 year. FTE is defined as sum of (i) ECT Employees; and (ii) ECT contractors with an ECT e-mail address. F-T = 1FTE; P-T is calculated using data on hours worked/invoiced &amp; apportioned as % FTE. It is in essence, a weighted average.</p> <p>At the end of Q1FY23 ECT had 6 full-time employees, 1 part-time employee, 4 full-time contractors, 6 part-time contractors and 3 persons classified solely as Board Members.</p> <p>The change in FTE measured during Q1FY23 was a gain of 2 FTE, with a total FTE number of 12.65 as at the September 2022 Board meeting.</p> <p>Employment data split out by age group, gender, or other indicators of diversity and region will be disclosed as the business grows and this indicator becomes meaningful for an organisation of ECT's size.</p>
<p>Economic contribution</p>	<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 and 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/Reports">Reports - ECT (ectltd.com.au)</a></p>
<p>Financial investment contribution</p>	<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, on the Company website and via bespoke ASX Announcements.</p>

ECT does not currently pay dividends, as the Company is in R&D stage and currently loss-making.

Information on these disclosures can be found on ECT's website: [Reports - ECT \(ectltd.com.au\)](https://www.ectltd.com.au/Reports), or on the ASX [ASX: ECT].

## Innovation of better products and services

FULL DISCLOSURE

### Total R&D expenses

ECT's principal Purpose is to 'bridge the gap between today's use of resources and tomorrow's zero-emissions future'. We do this through ongoing investment in research and development (R&D).

Investment in R&D can be regarded as a basic universal indicator of a company's efforts to innovate, be fit for the future, and provide prosperity through jobs & fair wage growth and taxation to government, which in turn generates social or environmental benefits, as measured against the UN Sustainable Development Goals (SDG's).

ECT's Annual Report and 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 Plans and purpose. Further information on ECT's R&D activities can be found on the ASX, or ECT's website: [Reports - ECT \(ectltd.com.au\)](https://www.ectltd.com.au/Reports).

## Community and social vitality

FULL DISCLOSURE

### 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.

Refer [Reports - ECT \(ectltd.com.au\)](https://www.ectltd.com.au/Reports).





# APPENDIX – UN SDG's to WEF (mapping)

Whilst ECT has elected to disclose its ESG progress against the World Economic Forum (“WEF”) ‘Stakeholder Capitalism’ Framework and Metrics, the below provides illustrative mapping of WEF against the United Nations Sustainable Development Goals (“SDGs”), which may be useful to some of our current and future stakeholders:

## Sustainable Development Goals



Source: United Nations



Source: Socialsuite