



**ENVIRONMENT
SOCIAL
GOVERNANCE**



**ENVIRONMENTAL CLEAN
TECHNOLOGIES LIMITED**

ESG Highlights

Q4FY22

Environmental, Social, and Governance (ESG)

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.

In July 2021, ECT made a commitment to commence reporting against the core World Economic Forum (WEF)¹ ‘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 against peers.

By integrating these core ESG metrics into the governance, business strategy, risk management and performance management targets, ECT diligently consider 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 which are material to the business, especially with respect to climate-change, and in meeting the *Paris Agreement*³ obligations.

To track disclosure progress and demonstrate initial sustainability performance against the WEF SCM framework, ECT is currently utilising Socialsuite’s ESG Go disclosure platform⁴.

Last Updated: 30/06/22.

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 Purpose Statement was re-affirmed in FY22 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 ECT pursues our purpose, we are guided by our corporate values:</p> <ul style="list-style-type: none">• We are focused on technology as an enabler to a zero-emissions future.• We strive to deliver innovative outcomes, through reducing complexity, cost-conscious execution, and fit-for-purpose engineering.• We work collaboratively to yield the best possible outcomes.• When we say we will do something, we do it – and we do it responsibly.• We consider the safety, quality, and environmental outcomes of our decisions. <p>Please refer to the ECT website for further information:</p> <p>Company Overview - ECT (ectltd.com.au)</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 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>ESG - ECT (ectltd.com.au)</p> <p>Whilst the ECT Board believes in an independent, inclusive and diverse Board, we have not made reportable progress in these areas. The Company is committed to workplace diversity, improving demographic, experiential and cognitive diversity, with expected future appointments to actively consider these aspects at the appropriate time.</p> <p>The process of formally integrating ESG competencies into the Board Skills Matrix was completed in May 2022, 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
Experience				
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
Knowledge & Skills				
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
Governance Competencies				
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
Behavioural Competencies				
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 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>During the March 2022 Quarter, ECT created a formal 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. The Stakeholder Engagement Plan also includes provision for further recommended action by ECT's Audit and Risk Committee to nurture material issues between ECT and its key stakeholder on an ongoing basis.</p> <p>The Company has begun recording stakeholder meetings to help further mitigate actual and potential issues faced by its stakeholders. 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><u>https://ectltd.com.au/about-us/corporate-governance/Corporate Governance - ECT (ectltd.com.au)</u></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>During the current quarter, and current financial year to date, there have been no reported incidents of corruption.</p>

Ethical behaviour	FULL DISCLOSURE
<p>Mechanisms to protect ethical behaviour</p>	<p>ECT is committed to the highest standards of ethical conduct in all business activities through several mechanisms outlined below.</p> <p>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).</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> <p>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.</p> <p>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. The Company encourages two-way dialogue with its employees and contractors, and this also includes the ability to seek confidential advice with the Company Secretary or any of ECT's Directors.</p> <p>ECT is also 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.</p> <p>ECT's Corporate Governance Statement – which is aligned to these principles – can be found on ECT's website at:</p> <p>Corporate Governance - ECT (ectltd.com.au)</p>
Risk and opportunity oversight	FULL DISCLOSURE
<p>Risk framework and processes</p>	<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</p>

included in a risk register. The Audit and Risk Committee currently meets monthly to consider these key risks, and to recommended risk mitigants. ECT's Audit and Risk Committee now also includes attendance by ECT's dedicated ESG Advisor, to add specific focus in this area.

During the March 2022 Quarter, ECT integrated both 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 its strategy and actions the Company will take, to demonstrate stewardship of emerging ESG risks and opportunities to its stakeholders on an ongoing basis, especially including climate disclosures - via ECT's formal adoption of TCFD in May 2022 (see TCFD implementation below).



Planet

Climate change

FULL DISCLOSURE

Greenhouse gas (GHG) emissions

The Company has 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) in December 2021 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.

During the March 2022 Quarter, the Company began collating information to facilitate measurement of ECT’s carbon emissions “baseline” for FY19, which was chosen as it was ‘pre-COVID’, and better reflects ECT’s operations and GHG footprint.

During the June 2022 Quarter, ECT submitted the data to the CRI.

The results of ECT’s FY19 baseline carbon audit are as follows:

Table 1: Sources of ECT’s emissions

Scope	Emission Source	Emissions (tCO2e/yr)
Scope 1	Fuel Consumed	8.55
	Gas Use	0.10
	Refrigerants	0.00
Scope 2	Electricity	40.70
	Supply of Electricity	1.48
	Supply of Gas	0.1
	Staff Travel	41.50
	Supply of Fuel	0.34
Scope 3	Assets	0.00
	Expenses	0.00
	Cost of Sales	0.00
	Travel	114.38
	Waste	0.00
Total Footprint		209.04

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

From FY23, the Company will implement sustainability initiatives to reduce the Company’s ongoing corporate GHG footprint and will also investigate reducing staff GHG emissions at home.

ECT looks forward to providing updates as it relates to its GHG targets and the important transition role the Company expects to play in meeting the *Paris Agreement*, and transition to net-zero.

TCFD implementation	<p>In the June 2022 Quarter, 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.</p> <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 physical and transition climate-related risks in a consistent, and widely adoptable format.</p> <p>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.</p>
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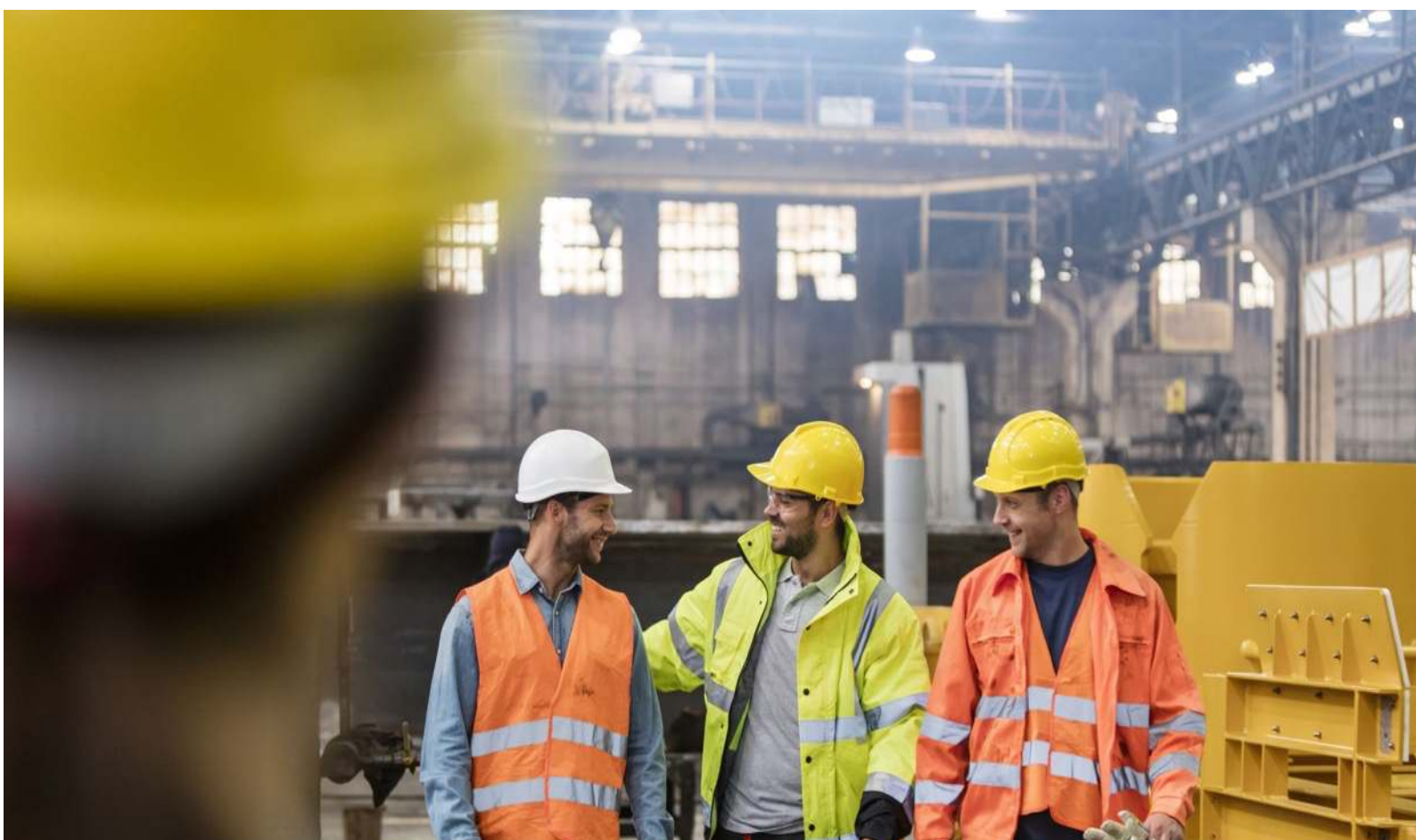
Nature loss	<i>EXPLANATION</i>
Land use and ecological sensitivity	<p>All of ECT's current and future planned projects are located, or likely to be located, in brownfield, special zoned industrial areas. As such, ECT does not currently measure impact on land use, and key biodiversity areas (KBA's). As 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.</p>
Freshwater availability	<i>EXPLANATION</i>
Water consumption	<p>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.</p>



People

Dignity and equality	<i>PARTIAL DISCLOSURE</i>
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 company register has been created to capture diversity and inclusion data sets across the organisation, including employees, management, board, and ongoing contractors.</p> <p>Although this 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 inclusion as the Company grows.</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 reports remuneration of Directors and Key Management Personnel in the Full Year Statutory Accounts, which can be found at: Reports - ECT (ectltd.com.au)</p> <p>The Company has not begun reporting key indicators in this category, though plans to do so 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> <p>At this time, the Company has not yet begun reporting this indicator, though plans to do so as the Company grows.</p>
Human rights	<i>PARTIAL DISCLOSURE</i>
Risk for incidents of child, forced or compulsory labour	<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 March 2022 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: 220328-policy-modern slavery (ectltd.com.au)</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	<i>PARTIAL DISCLOSURE</i>
Health and safety	<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 June 2022 Quarter, ECT completed final preparatory work for Phase 1 Bacchus Marsh plant commissioning.</p> <p>ECT had 8 full inductions onto site, recorded nil (0) Lost Time to Injury, and had 340 Continuous Safe Working Days as of 30th June 2022.</p>
Skills for the future	<i>FULL DISCLOSURE</i>
Training provided	<p>In March 2022, ECT began collating past training data, as well as recording ongoing staff training.</p> <p>During the June Quarter, ECT staff and ongoing contractors [full-time equivalent “FTE”] undertook 309.25 hours of training, of which 284 hours was training provided by external parties. The total external cost of training provided was \$21,072, at an average cost of \$74.20/hour or \$1917 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>It should also be recognised that ECT began collating data in March 2022, and past data may be estimated and subject to human error.</p>



Prosperity

Employment and wealth generation	FULL DISCLOSURE
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>During the March 2022 Quarter, ECT undertook a full review of full-time equivalent (FTE) staff and ongoing contractors and converted one contractor to a salaried employee.</p> <p>During the June 2022 Quarter, ECT redefined the definition for the measurement of FTE (staff or ongoing contractors with employee-like characteristics). The Company had 4 full-time employees, 1 part-time employee, 4 full-time contractors and 2 part-time contractors at reporting date. The change in this measure over the June Quarter was a loss of 1 FTE at reporting date.</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>
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 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 & Appendix 4C. Information on these disclosures can also be found on ECT's website: Reports - ECT (ectltd.com.au)</p> <p>Additionally, during the reporting period, ECT sponsored local community sporting organisations in Latrobe Valley, Victoria.</p> <p>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</p>

Accounts, as well as in the Quarterly Activity Report & Appendix 4C, on the Company website and via bespoke ASX Announcements.

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), or on the ASX [ASX: ECT].

Innovation of better products and services	<i>FULL DISCLOSURE</i>
Total R&D expenses	<p>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).</p> <p>Total costs relating to 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 a company to create new offerings and generate social or environmental benefits, especially, as measured against Sustainable Development Goals (SDG's).</p> <p>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).</p>
Community and social vitality	<i>FULL DISCLOSURE</i>
Total tax paid	<p>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.</p> <p>Refer Reports - ECT (ectltd.com.au).</p>

