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BEYOND COMPLIANCE

Turning Regulatory Requirements into Competitive Advantage

The era of treating sustainability as a '*nice-to-have*' is over.

Australia's regulatory landscape has fundamentally shifted.

The AASB's mandatory climate disclosure requirements are now in effect, the Modern Slavery Act demands supply chain transparency, and WGEA gender pay gap data is publicly accessible for the first time.

From boardroom conversations to supply chain audits, Australian businesses now face a reality where sustainability isn't just ethical imperative, it's a regulatory requirement and strategic necessity.

The question is, will you lead the transformation, or scramble to catch up?

A New Era of Climate Transparency

Why Reporting is Now Non-Negotiable

Around the world, sustainability reporting has undergone significant transformation. What once was a voluntary exercise or a marketing strategy has become mandatory, with different countries implementing comprehensive disclosure requirements. From the EU's Corporate Sustainability Reporting Directive to emerging disclosure requirements for financial institutions and listed companies across Asia (including China, Singapore, and Japan) and North America (such as California), the global shift is undeniable.

In our region, New Zealand led the charge as the first country to introduce mandatory climate disclosure requirements, issued by the External Reporting Board (XRB) for Climate Reporting Entities (CREs) in 2024. Australia reached its own pivotal moment in 2025 with the Australian Accounting Standards Board (AASB) introducing mandatory climate disclosure requirements. This represents more than a compliance requirement, signalling a fundamental shift in how Australian businesses integrate climate resilience strategies into their operations and communicate them effectively.

Challenge or Opportunity? Both

This regulatory shift presents a dual reality for businesses across all sectors. The challenge is clear: companies must now invest in systems, processes, and expertise to meet stringent reporting requirements. The data collection alone (from Scope 1, 2, and 3 emissions to climate risk assessments and transition planning) requires significant organisational capability.

But here's the opportunity: mandatory climate reporting provides companies with unprecedented insight into their operations, supply chains, and future resilience. Companies that embrace this transparency can identify cost-saving efficiencies, anticipate market shifts, and position themselves as industry leaders. This makes it easier for businesses to build resilience to future climate changes.

Sustainability reporting isn't just about compliance; it's about competitive advantage in an increasingly transparent marketplace. Investors are scrutinising climate credentials more rigorously than ever, and supply chain partners are demanding detailed environmental and social data from their suppliers.

Climate Risk: The Heart of the New Requirements

At the core of these new mandatory standards is a focus on climate-related risks and opportunities. Companies are now required to provide detailed disclosures across four key areas: how they govern climate-related risks, their strategic approach, including scenario analysis, their processes for managing climate risks, and the metrics and targets they use to track performance.

This comprehensive approach helps businesses understand not just their current environmental impact, but how climate change might affect their future operations, from physical risks like extreme weather to transition risks driven by policy changes and shifting market demands.

Whether You're New to Reporting or a Seasoned Reporter

Even if you are familiar with reporting (internal assessments or voluntary), the shift to mandatory requirements brings new complexity. Experienced organisations need to upgrade their existing processes to meet rigorous new standards around detailed governance, scenario analysis, and audit readiness while avoiding compliance gaps.

If you're new to reporting, you have the advantage of building compliant systems from day one rather than reconstructing existing processes. For newcomers, it's about establishing robust data systems and processes that align with regulatory standards immediately.

Regardless of your starting point, this is where strategic planning meets regulatory compliance. Early preparation is crucial as it helps you build robust data systems, conduct scenario analysis with confidence, set meaningful targets, and create systems that position your business for long-term success.

THE ERA OF VOLUNTARY REPORTING IS OVER.

The question now is whether you'll lead with confidence or struggle to catch up?

Preventing Exploitation

The Business Imperative on Modern Slavery

Global estimates by Walk Free (2023) indicate that 50 million people were living in modern slavery in 2021. Of these people, 28 million were in forced labour and 22 million were trapped in forced marriage, including 12 million children in the worst forms of child labour.

Modern slavery is defined in international law as a serious violation of human rights where individuals are exploited and cannot refuse or leave because of threats, coercion, deception, or abuse of power. It is an umbrella term that includes trafficking, slavery, servitude, forced labour, debt bondage, forced marriage, deceptive recruitment, and the worst forms of child labour.

While few businesses would knowingly engage with suppliers that use exploitative practices, all organisations share the responsibility to ensure their goods and services are not linked to modern slavery.

Research from the Australian Institute of Criminology estimates that for every one victim of human trafficking or slavery detected, four remain undetected. In other words, 80% of victims in Australia do not receive support and remain trapped in exploitation (Anti-Slavery Australia). This hidden nature of modern slavery means risks cannot be dismissed simply because they are not visible within day-to-day operations.

The United Nations Special Rapporteur on contemporary forms of slavery (2025) reinforces this point, finding that migrant workers, asylum seekers, people with disabilities, and Indigenous people face disproportionate risks, particularly in sectors such as agriculture, food processing, healthcare and social assistance, hospitality, cleaning, and security. These structural features increase the likelihood of exploitation, including excessive working hours, wage theft, debt bondage, and coercion.

Although indicators can look different across different situations, businesses should be alert to ‘red flags’ such as:

Absence of formal contract or misleading terms:
Workers engaged without written contracts, or with agreements they can’t read or understand.

Wage control & deductions:
Underpayment below minimum wage, withheld wages, unexplained or unfair deductions, and unpaid benefits (such as leave or superannuation).

Confiscation of identification documents:
Passports, visas, or ID held by employers or agents, creating dependence and preventing workers from leaving or seeking help.

Excessive hours and unsafe work:
Working extremely long hours, with no rest days, or poor or unsafe conditions without protective equipment.

Why Should Businesses Act Now?

Businesses have both an ethical and legal obligation to act. Under Australia’s Commonwealth Modern Slavery Act 2018, large entities with annual consolidated revenue of $100 million or more must assess and address modern slavery risks in their operations and supply chains. Entities below this threshold are increasingly expected to understand where their risks lie and demonstrate transparency and meaningful action.

Businesses that act early are best positioned to prevent exploitations of human rights before they reach their most extreme form. Proactive action also enables businesses to demonstrate their commitment to responsible practices and alignment with global sustainability goals, strengthen supply chain transparency, and build the trust stakeholders.

What Can Organisations Do?

- Early engagement with senior management to secure commitment and drive internal action
- Involve staff from across departments the business
- Map, engage and assess supply chains to identify high risk areas
- Train staff to raise awareness and identify potential red flags
- Develop and implement a policy and action plan to address risks
- Publicly report on risks, actions, and progress

Addressing modern slavery is not a one-off exercise. As risks are complex, often hidden deep within supply chains, change cannot be achieved overnight. To meaningfully address modern slavery risks and meet evolving expectations from customers, investors, government, and the wider community, organisations require a structured approach that embeds ongoing supplier engagement, capacity building and transparent reporting into core business practices.

At Cress, we are committed to helping businesses identify, assess and manage the risks of modern slavery within your operations and supply chains. Whether you're reporting under the Act or taking a voluntary approach, we can help you take practical and credible steps to create meaningful change.

WGEA's 2025 Gender Equity Insights Report

In February 2024, the Workplace Gender Equality Agency (WGEA) published employer-level gender pay gap data for the first time.

While employers with 100 or more staff have been reporting detailed data to WGEA since the introduction of the Commonwealth Workplace Gender Equality Act in 2012, this information was previously confidential.

Pay gap data is no longer hidden within HR reports - Now, through the WGEA platform, anyone, from employees and customers to competitors and investors, can access gender equality results for individual organisations.

While results varied between organisations, the national average gender pay gap across the private sector in FY23-24 was 21.8%. This means for every dollar men earned, women earned 78 cents - a difference of $28,425 annually. In contrast, the public sector reported a 6.4% total remuneration gap, representing an $8,200 annual difference.

So how do organisations need to respond to the Act?

Six Gender Equality Indicators

Organisations must use WGEA's six Gender Equality Indicators as a comprehensive roadmap to improve their performance across all dimensions of workplace gender equality.

GEI 1 - Workforce Composition

Participation rates of women, men and non-binary employees across all levels

GEI 2 - Board Representation

Gender composition of boards and governing bodies

GEI 3 - Pay Equity

Analysis of remuneration differences and actions to reduce the gender pay gap

GEI 4 - Flexible Arragements

Policies for flexible work, parental leave and caring responsabilities

GEI 5 - Employee Consultation

Engaging employees on workplace gender equality issues

GEI 6 - Safe Workplaces

Prevention and response to sexual harassment and discrimination

Each indicator provides specific, actionable areas where organisations can measure progress and implement targeted improvements:

- Analyse employment data by gender to identify recruitment, promotion and retention bottlenecks
- Set specific targets for women's representation and create clear advancement pathways
- Conduct regular pay equity audits and implement clear processes for addressing inequities
- Design comprehensive policies for flexible work, parental leave and family violence support
- Establish structured consultation processes and use feedback to inform policy development
- Implement robust prevention policies with clear expectations and leadership accountability

If your organisation has over 100 employees, Cress can assist you to meet WGEA reporting requirements.

International Day of the World's Indigenous Peoples

August 9 marked the United Nations' International Day of the World's Indigenous Peoples, a moment to recognise the resilience, knowledge, and cultural richness of over 476 million Indigenous people worldwide[1] , including Australia's Aboriginal and Torres Strait Islander Peoples.

The 2025 UN theme highlights the dual edge of technology, its potential to empower communities and its risks of deepening inequalities.

As AI advances, the UN warns of dangers ranging from data exploitation to the erasure of cultural heritage. For Indigenous peoples, these risks are layered on top of urgent climate threats, from more frequent bushfires and floods to shifting ecosystems that threaten traditional food sources and cultural practices.

Indigenous knowledge offers a profound resource in the fight against climate change. In Australia, First Nations fire management, water stewardship, and land care practices have sustained ecosystems for tens of thousands of years.

These approaches not only reduce environmental risks but also build resilience for communities and industries alike.

Cress Consulting and the Hydroflux group recognises the vital role Indigenous knowledge plays in shaping sustainable futures. By listening and learning, we can all better respond to the climate challenges ahead — combining innovation with centuries of wisdom.

[1]UN News (2025). "Indigenous Peoples Day highlights AI's risks and opportunities," http://news.un.org/en/story/2025/08/1165613

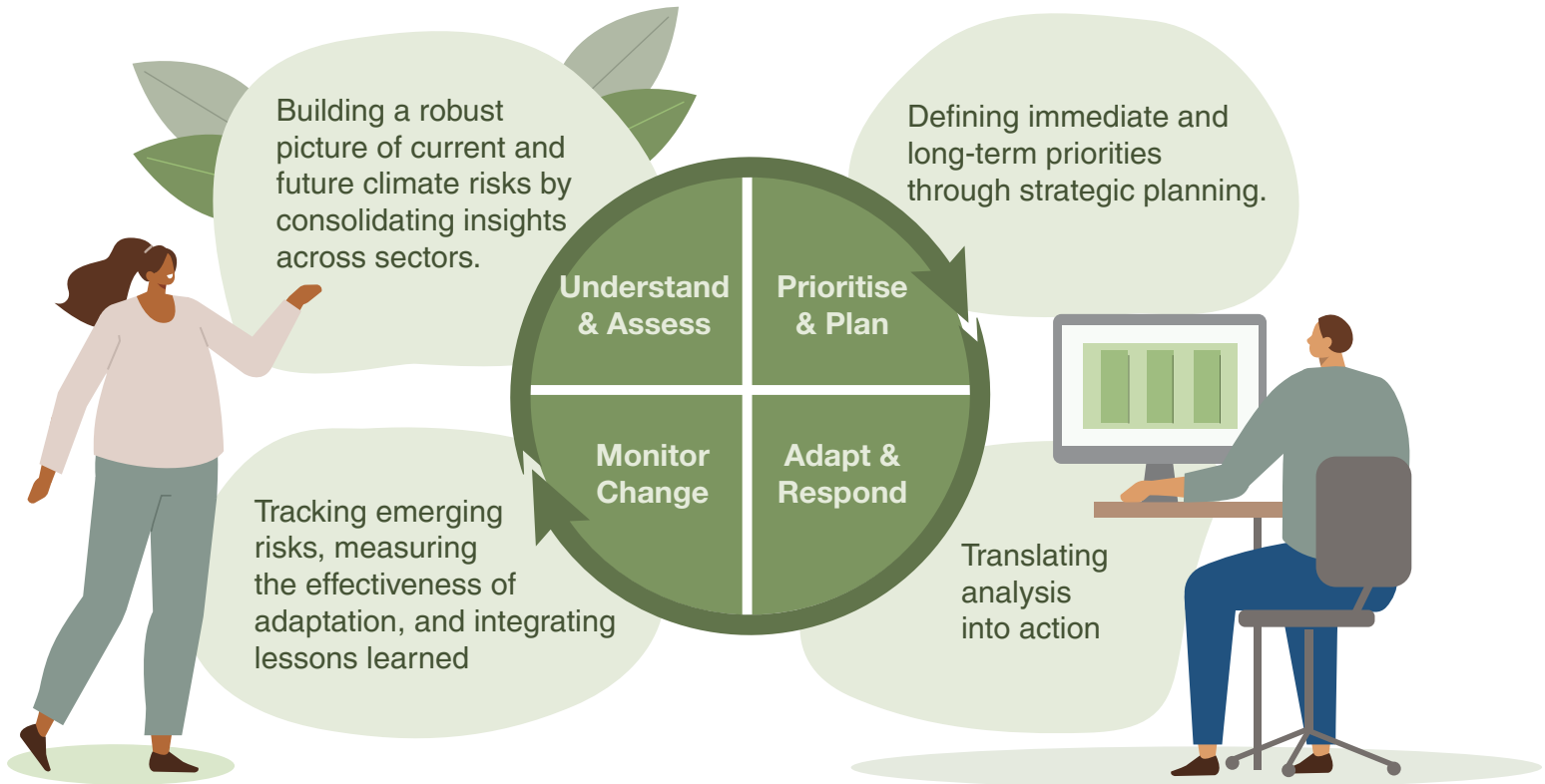
ESMS Quick Guide

What is it, and why it matters

All organisations make decisions that can affect the environment and communities.

Whether it's a utility delivering essential services or a manufacturing facility, these operations and processes can influence air and water quality, use natural resources, generate waste, and affect community health, safety and wellbeing.

Managing these impacts requires a systematic approach. That's where an Environmental and Social Management System (ESMS) comes in.



What it is

An ESMS is a structured framework that helps organisations identify, assess, and manage environmental and social (E&S) risks and opportunities across everyday operations, projects, and long-term planning. By aligning with international frameworks such as the International Finance Corporation's ESMS Implementation Handbook and Performance Standards, businesses can anticipate impacts, build resilience to challenges such as extreme weather and resource scarcity, avoid costly damage, and demonstrate accountability.

Why it matters

An ESMS provides a structured and proactive approach to support:

- Risk management by providing the tools to identify environmental and social risks before they escalate, helping you move from reactive responses to proactive management.
- Compliance by ensuring your policies and procedures are aligned with both national laws and international standards, reducing exposure to fines, shutdowns, or loss of market access.
- Stakeholder relationships by providing clear engagement and grievance systems, helping build stakeholder trust and demonstrating transparency to environmental and social concerns.
- Business strategy by integrating environmental and social considerations into planning, uncovering opportunities that build long-term value creation and strengthen climate resilience

How it works:

The Plan–Do–Check–Act cycle

At the heart of an ESMS is the principle of continual improvement, which ensures that environmental and social management is not a one-off exercise but an ongoing process. The International Finance Corporation (IFC) recommends using the Plan–Do–Check–Act (PDCA) cycle to help organisations set objectives, put them into practice, monitor progress, and refine their approach over time.

Practical steps to get started

An ESMS needs to be scaled to the nature and size of the company. Getting started can be simple, here are some practical steps:

1. Leadership commitment – secure senior management support and communicate the importance of E&S issues.

2. Assess risks – map operations, supply chains, and climate exposures to identify priority risks.

3. Develop policies and controls – set clear rules and frameworks to manage risks in line with national laws and international standards.

4. Train and build capacity – equip staff and suppliers with the knowledge and tools to deliver.

5. Monitor and review – track progress through measurable indicators, then adapt strategies for continuous improvement.

Moving forward

For many organisations, adopting an ESMS is a turning point - a shift away from reactive to proactive structured way of embedding responsibility into business practice. Done well, it not only mitigates harm but also creates opportunities for resilience and leadership in sustainable business practices and climate change.

Case Study (WAF):

Fiji, a Small Island Developing State in the Pacific, faces mounting water challenges: intensifying storms, ageing infrastructure, and the loss of nearly half its treated water through leaks. Growing climate risks and service demands meant that the Water Authority of Fiji (WAF), tasked with supplying water and wastewater services to over 800,000 people, needed a more structured way to manage environmental and social impacts.

Working with Cress, WAF developed an Environmental and Social Management System aligned with national priorities and international frameworks including ISO 14001 and the IFC Performance Standards. Guided by nine Environmental and Social Safeguards, the ESMS now helps WAF integrate environmental and social considerations into all projects and operations, supporting its vision of "Clean Water and Sanitation for a Better Life".

Love Mercy Foundation

In August, 2025, our team proudly took part in a series of fun runs across Melbourne, Brisbane, and Sydney to support the Love Mercy Foundation.

The foundation provides clean and safe drinking water to women and families in northern Uganda through their Well Worth It program, which drills borehole wells to improve health, education, and economic opportunities.

Access to clean water is a fundamental human right and a critical social sustainability challenge. It's a privilege to partner with Love Mercy and to help raise awareness and funds for such an important cause.

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