ESG Reporting Intelligence

ESG in Private Independent Schools Australia

Industry Briefing 2024

Adhering to stringent environmental standards, managing community impact, and maintaining transparent and ethical governance structures pose significant challenges to unprepared education institutions. Balancing financial viability with these heightened ESG requirements adds complexity to school's operations, calling for innovative strategies to ensure compliance without compromising the core offering, services and experiences the schools can offer to members and the community.

Contents

A Brief Overview

"
ESG reporting isn't just about compliance; it's about creating shared value for business and the community. "

- Michael Chan

What is ESG? Why should my school be aware of it?

Schools in Australia are encountering a shifting landscape due to the rising emphasis on Environmental, Social, and Governance (ESG) standards brought by increasing expectations of the government, parents, staff, students, and the community. As this criteria continues to gain importance, schools face the challenge of aligning their operations with sustainable practices, community expectations, and changing demographics of students — all while having to meet enhanced environmental, social, and governance reporting. ESG is a collective term for a range of criteria that schools, businesses, and other organisations can use to help take on more responsibility in the ongoing campaign to achieve a low-carbon economy. ESG criteria is one of the most influential and comprehensive set of standards to guide the strategic direction of education institution driving change across policies, operations, annual reporting and the social licence to operate.

Given the diverse nature of schools, including factors such as demographics, parent involvement, financial stability, location, and engagement with the community, developing an authentic ESG strategy isn't a one-size-fits-all solution. To develop an ESG strategy and report that is holistic enough to cover all these mentioned aspects and beyond is a process that will take two years; the value of a strong and impactful ESG strategy should not be overlooked. A well curated ESG strategy will not only provide benefits for schools from an organisational perspective, but also bring a heightened sense of purpose within the community and play a crucial role in educating and preparing students for career prospects focused on solving some of the biggest obstacles of the 21st century.

A strong ESG strategy should include:

- Modern Slavery and Human Rights in the supply chain reporting
- Measuring of Greenhouse Gas Emissions (scope 1, 2 & 3)
- Strong governance in the form of policies and procedures covering;
  - Human Resources
  - Sustainability in Education
  - Occupation Health & Safety
  - Compliance and Risk Management
  - Environmental Management
  - Data Privacy and Cyber Security
  - Staff training
  - Background checks and screening of staff
- Incorporation of ESG into a Risk and Audit Committee
- Transition to a net-zero economy
- Climate Change Risk
- Sustainable Design Guidelines for new facilities
- Asset Management Plan for property level sustainability

ESG for Australian Schools

Environmental, Social and Governance (ESG) criteria are a set of standards for a school's operations, value chain and communication. **Environmental** criteria consider how a school and it's assets perform as a steward of the environment. **Social** criteria examine how it manages relationships with employees, suppliers, students, and the communities where it operates. **Governance** deals with a school's leadership, executive pay, auditing, internal controls, and staff rights. ESG initiatives are embedded into the school's long term strategy which in turn have impacts on each business unit and asset it owns.

Understanding and being aware of environmental issues that could arise within schools, such as waste management, energy consumption, excessive water usage, environmental procurement will enable the school to recognise and understand how to lower their carbon footprint. Considering this, **with the ongoing rise in energy costs, it is more important than ever for improvements to schools' energy efficiency in today's globalised world.** The school may invest in renewable energy sources, an effective recycling programs, and promote environmental education to implement a sense of responsibility among students. Furthermore, schools should encourage environmentally friendly transport possibilities for pupils and teachers. For instance, building cycling paths, cycling storage, or EV charging points.

It is important to also recognise that environmental issues, while they do play a significant role, are not the only challenges to overcome. Social and the schools responsible Governance issues are more significant than ever. The school should develop a strong community engagement plan that creates an environment supporting diversity, equality, inclusiveness and culturally aware. This not only obliges the school to adhere to precise standards, but also guarantees that everyone is clear on the exact procedures for addressing issues when they occur.

Governance is critical for the operational and financial management of the school. Such risks such as cyber and digital, human resources, human rights, leadership, innovation, policies and procedures. An authentic ESG strategy will minimise risks to the board, leadership team, staff and students protecting the interests of both internal and external stakeholders.

Schools must implement robust governance structures, ethical guidelines, and even integrate ESG principles into curriculum. **Effective governance within the school will provide a more favorable work environment that students and staff alike will thrive in.** This makes it important for the school to take several steps in order to integrate ESG into the school's organisation.

To begin, developing an ESG strategy that aligns with legal reporting requirements. This should involve characteristics of educational institutions aligned with sustainability, ethical considerations, and policy development. Once the comprehensive strategy has been devised and drafted, the use of ESG Software will provide centralised reporting and reduce costs. ESG Reporting Intelligence Technology, is the most comprehensive and cost effective solution to collect, manage, and report ESG related Data. **ESG Reporting Intelligence technology is on the cutting edge of innovation, helping organisations and schools to excel in their mission to meet ESG reporting expectations.**

Furthermore, it is important that students, teachers, parents, and stakeholders understand ESG expectations and concerns. The school may enhance transparency by publishing it's ESG strategy on their website or sharing directly to key stakeholders through an annual ESG report. It is recommended to update the published ESG strategy as needed to address changing circumstances or new issues impacting the school and its stakeholders. Regular communication of progress (or challenges) to stakeholders is essential.

ESG Strategy Targets

An effective ESG strategy can be achieved over three critical milestones.

1 | **HORIZON 1**
'24-'25

2 | **HORIZON 2**
'26-'27

3 | **HORIZON 3**
'28+

LAYING DOWN THE GROUNDWORK

- ESG Strategy Ideated and Developed
- Data Collection on Carbon Footprint
- Introduce ESG to Staff Via Training, Surveys, & Engagement
- Energy, Waste, and Water Efficient Across Property Assets
- Cyber & Digital Risk Assessments
- ESG Supply Chain Risks Including Modern Slavery Reporting

PATHWAY TO REPORTING

- Enhanced Governance With New Policies & Procedures
- Development of ESG Risk Management & Risk Register
- Execute on ESG Strategy
- International Sustainability Standards Board (ISSB)/(IFRS) Reporting
- Reconciliation Action Plan Influencing Relationship With First Nations People
- First Annual ESG Report

CONTINUOUS IMPROVEMENT

- ESG Supply Chain Risks
- Sustainable Design Guidelines For Future Property Development Projects
- Asset Management Plan For Energy, Waste, Water, & Greenhouse Gas Emissions
- Climate Disclosures
- Ongoing Reporting Of ESG Performance, KPIs & Targets
- Enhanced & Integrated Reporting
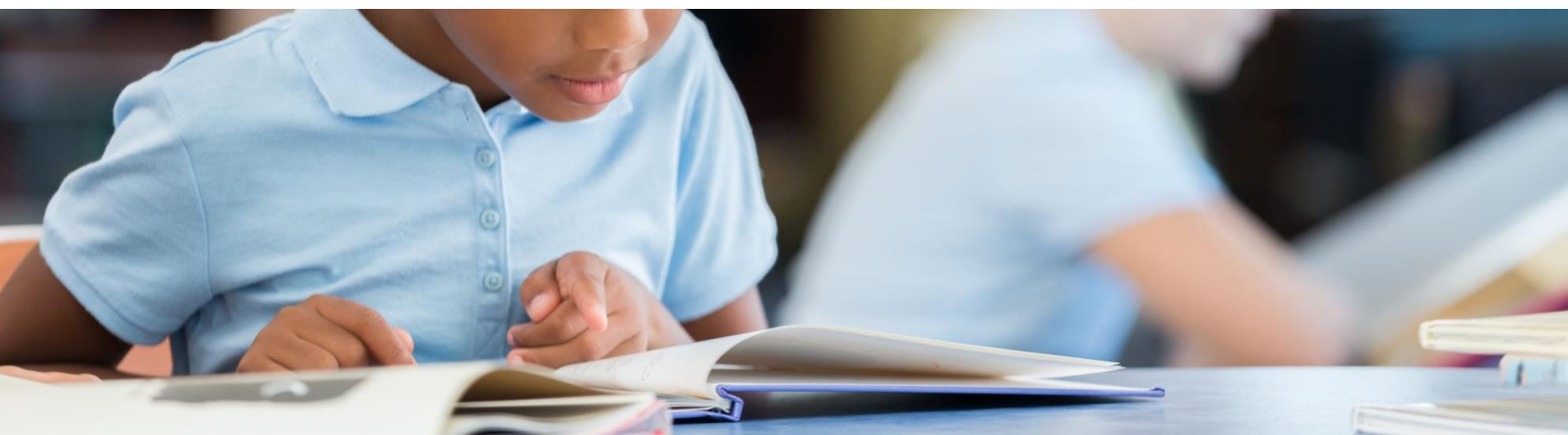
Emerging Risks

A genuine ESG strategy should not only address the school's long-term strategic vision, but also confront and mitigate a wide range of risks that may present themselves. Having an ESG reporting strategy is a powerful tool that can be used to communicate to parents' groups, students, teachers, and the local community what the school's vision is. In today's world, understanding the role of environmental, social, and governance criteria and impacts is necessary to protect the long-term legacy of the school as well as everyone who will be impacted by the school's decisions.

The below section outlines a wide range of risks we have identified to schools' ESG strategy.

Enrollment Competition

Reputational risks stemming from neglecting an ESG strategy will impact desirability of future enrolments impact a school's financial health. Therefore, it is crucial for Private Independent schools to implement strategic planning, effective marketing, and adapting to educational changes.

Social Media

Social Media poses diverse risks on Private Independent Schools, given the potential impact on a school's reputation and student well-being. Its highly recommended for schools to develop a strong social media policy and provide ongoing education on responsible online behavior to face these challenges.

Cyber Security & Data Breaches

Data Breaches can compromise the privacy and security of students and teachers since they involve unauthorized access, disclosure, or theft of sensitive information. To mitigate these risks, schools should establish cyber security measures, conduct regular security audits, and implement robust data protection policies. Furthermore, teachers should be trained on cybersecurity and make students aware of these issues.

Pandemics and Health Crises

Pandemics and health crises influence students, staff, and the continuity of education. To mitigate these risks, schools should establish health and safety protocols, invest in technology infrastructure, and maintain open communication with stakeholder. Furthermore, schools should establish contingency plans and develop strategies for effective crisis management in case of a pandemic or public health emergency.

Curriculum Relevance

Referring to the failure to adjust and provide relevant educational programs that may lead to declining enrollment. In modern world it is crucial to continuously evolve your curriculum, regularly review and update it, else it may become outdated, inadequate, or mismatched.

Health and Safety Concerns

Emergencies, accidents, or mental health crises are risks to students and staff that all schools have to deal with. Therefore, it is important for schools to implement security measures, address mental health issues, prevent bullying, and even implement a Health and Safety Policy which is regularly reviewed and updated.

Financial Mismanagement

Financial Mismanagement can have severe consequences on quality of education, financial health, and overall sustainability. Therefore, Private Independent schools should concentrate on financial management practices, implementing effective budgeting, and reporting mechanisms that address concerns related to financial management with staff, parents, and stakeholders.

Technology Infrastructure Failures

Dependence on technology for teaching and administration makes schools vulnerable to system failures and cyber threats. Infrastructure failures, such as server crashes or network outages, can disrupt educational services, leading to interruptions in online learning resulting in loss of learning time. Therefore, schools should establish robust technology infrastructure planning, invest in reliable and scalable systems, and conduct regular maintenance and updates to contribute to a resilient and effective technology infrastructure in educational settings.

Parental expectations

Especially in Private Independent Schools, there are growing expectations among parents for a high-quality, well-rounded education that goes beyond academics, technology integration, and personalized learning. Understanding these expectations as a Private Independent school is crucial for a positive relationship with parents that contributes to the success of students.

AI and Automation Impact:

Since AI is quite a current topic and it continues to evolve with the upcoming 5th industrial revolution, teachers always must be up to date with the use and risks of AI. The school must make clear whether students are allowed to use AI or not, since it potentially hinders the development of critical thinking and problem-solving skills.

Teacher shortage

Today's schools face severe difficulties in recruiting qualified teachers, which leads to staffing issues and has an impact on the quality of education and school operations. This can lead to competitions with other schools and existing teachers may experience increased workload as they must take on additional responsibilities.

Natural Disasters

Risks from natural disasters, e.g. earthquakes, floods, or hurricanes, have a great impact on the safety of students, staff, and the overall function off educational institutions. This makes it urgent for schools to invest in resilient infrastructure, and establish clear communication channels with students, staff, and parents for comprehensive emergency planning.

Global Events

This encompasses a wide range of issues that have an impact on schools. For Instance, unpredictable global events or geopolitical changes like health pandemics, natural disasters, or general political instability impact schools' operations. To mitigate the risks associated with global events, schools should prioritize risk assessments, emergency preparedness planning, and ongoing communication with stakeholders.

Globalisation

This refers to preparing students for a globalised world and addressing cultural diversity issues, cultural adaption and language barriers. In today's world its crucial for Private Independent schools to address these challenges by strategic planning, ongoing cultural competence training, clear communication strategies, and maintaining inclusivity and cultural sensitivity.

Safety and Protection of students

Private independent schools have the responsibility to create a secure and supportive work environment for all students. Consequently, it is important for schools to have a strong security policy, implement physical security measures, emergency response plan, and be aware of all ongoing threats to its student's safety.

Schools impact on the community

Schools play a crucial role as key stakeholders in the community and have a severe impact on various aspects of community, economic development, and the overall well-being in society. As a result, schools must be aware of their impact on society and identify with sustainability, social responsibility, diversity, inclusivity, and ethical values.

Food Safety

Identifying food safety risks is essential to ensure the health and well-being of students and staff, since food safety is a critical consideration in any educational Institution. For that reason, schools must implement a strong food safety policy, establish clear standard operating procedures, conduct regular training sessions for staff, and regularly monitor food service operations.

Educational Inequality

Educational inequality is also an ever-growing issue for Private independent schools due to differences in financial resources among students and families. To grant equal opportunities for every student, its crucial for schools to implement proactive measures such as implementing financial aid programs, fostering an inclusive work environment and requires a commitment to equity, diversity, and inclusion.

ESG Reporting Expectations

> **"ESG reporting helps schools adapt to changing regulatory landscapes, minimising compliance risks."**
>
> *- Emma Foster*

SHORT TERM: Phase 1

Private schools embarking on a 2.5-year ESG reporting journey should strategically allocate their focus. In the short term (Phase One), the imperative lies in developing an ESG strategy within an 18-month timeframe, aligning with the proposed reporting timeline set to commence in FY 2024/25. These schools are not only required to undergo an audit of governance and a review of Scope 1, 2, and 3 greenhouse gas emissions, but are also subject to new assurance requirements. In this initial phase, 'limited assurance' of Scope 1 and 2 emissions and 'reasonable assurance' over governance disclosures are proposed. This compels private schools to promptly initiate processes for data collection, assessment, and initial reporting while ensuring the independent provision of necessary assurance.

Components:

- Develop a comprehensive ESG strategy within an 18-month timeframe.
- Undertake an audit of governance and a review of Scope 1, 2, and 3 greenhouse gas emissions.
- Ensure 'limited assurance' of Scope 1 and 2 emissions and 'reasonable assurance' over governance disclosures.
- Swiftly initiate processes for data collection, assessment, and initial reporting.
- Ensure independent provision of necessary assurance.

LONG TERM: Phase 2

In the long term (Phase Two), spanning 12 months, private schools should expand their reporting scope to include mandatory aspects such as Scope 3 emissions, scenario analysis, and transition plans from FY 2025/26 onwards. The phased approach further evolves, with 'limited assurance of Scope 3 emissions, scenario analysis, and transition plans (full quantitative assurance)' proposed from FY 2026/27 culminating in FY 2027/28, with the proposition of 'reasonable assurance' over all climate disclosures, marking a comprehensive phase of reporting and auditing obligations. This extended period underscores the importance of incorporating ESGRI tech into the reporting framework, enhancing efficiency, and accuracy in capturing the diverse elements of ESG performance.

Components:

- Incorporate ESGRI tech into the reporting framework for enhanced efficiency and accuracy in capturing diverse ESG elements.
- Expand reporting scope to include Scope 3 emissions, scenario analysis, and transition plans from FY 2025/26.
- Progress through phased assurance requirements, with 'limited assurance' of Scope 3 emissions, scenario analysis, and transition plans (full quantitative assurance) from FY 2026/27.
- Culminate in FY 2027/28 with the proposition of 'reasonable assurance' over all climate disclosures.

ESG Reporting Requirements

SHORT TERM: Phase 1

In the short term, as proposed, the new climate disclosure requirements are anticipated to be an integral part of the School's annual financial reports, concurrently presented in both the directors' report and the financial report. The initial disclosures would closely align with IFRS S2 standards, emphasizing the disclosure of 'material' climate-related risks and opportunities to their business. This includes elucidating how the entity identifies, assesses, and manages such risks and opportunities, aligning with established definitions of financial materiality. Additionally, Schools would be required to furnish information about the governance processes, controls, and procedures utilised for monitoring and managing climate-related financial risks and opportunities. Disclosures regarding the school's climate strategy, decision-making processes, and transition plans, encompassing the use of offsets, target setting, and mitigation strategies, are integral components. Schools would need to conduct climate resilience assessments against at least two possible future states, one aligning with the global temperature goal set out in the Climate Change Act 2022.

> "Leadership is an important part of ESG. Both the S and the G in ESG have strong correlation to leadership."
>
> *- Hendrith Vanlon Smith Jr.*

LONG TERM: Phase 2

Looking towards the long term, the proposed staged approach to implementation allows Schools more time to comply with additional reporting requirements. Scope 3 emissions disclosure is anticipated to be mandated for all reporting entities from their second reporting year onwards, reflecting a gradual progression in reporting stringency. By 2027/28, Schools are expected to transition to quantitative scenario analysis, demonstrating a heightened level of sophistication in their climate-related reporting. The proposed inclusion of industry-based metrics, where well-established and understood metrics are available for the reporting entity, is envisioned by 2027/28, further enhancing the specificity and relevance of climate-related disclosures in the long-term reporting landscape.

ESG Reporting Intelligence

ESG Reporting Intelligence is the comprehensive solution for schools seeking to navigate the intricate landscape of ESG reporting. It actively engages teams while facilitating a collective understanding of ESG principles and responsibilities. This platform empowers organisations to conduct meticulous gap and risk analyses, ensuring proactive measures are taken to bridge identified gaps and align with evolving legislations like 'Modern Slavery Act 2018'.

When signing up for the ESG Reporting Intelligence, a guide will take Schools through the whole reporting process step by step. The guide makes the platform simple to approach and makes sure that all necessary activities are followed to get the desired ESG reporting results. As a part of the ESG process, the ESGRI platform offers access to the ESG Academy that enables staff to engage in the educational process of implementing ESG in a School's organisation. ESG Reporting Intelligence aims to streamline the process of becoming more ESG friendly. We recognise that developing a higher ESG 'score' is a challenging endeavor, that's why one of ESG Reporting Intelligence goals is to make the process of becoming greater ESG alignment as smooth as possible.

Furthermore, the Reporting Intelligence facilitates the selection of suitable ESG frameworks and empowers the setting of clear, measurable environmental goals that resonate with the school's values. ESG Reporting Intelligence enables the seamless piloting of initiatives, allowing Schools to test new policies within specific segments, identifying challenges and areas for improvement before full implementation. Simultaneously, the platform establishes internal controls, ensuring accurate data collection and reliable reporting to adhere to environmental standards, driving impactful change while embracing sustainability.
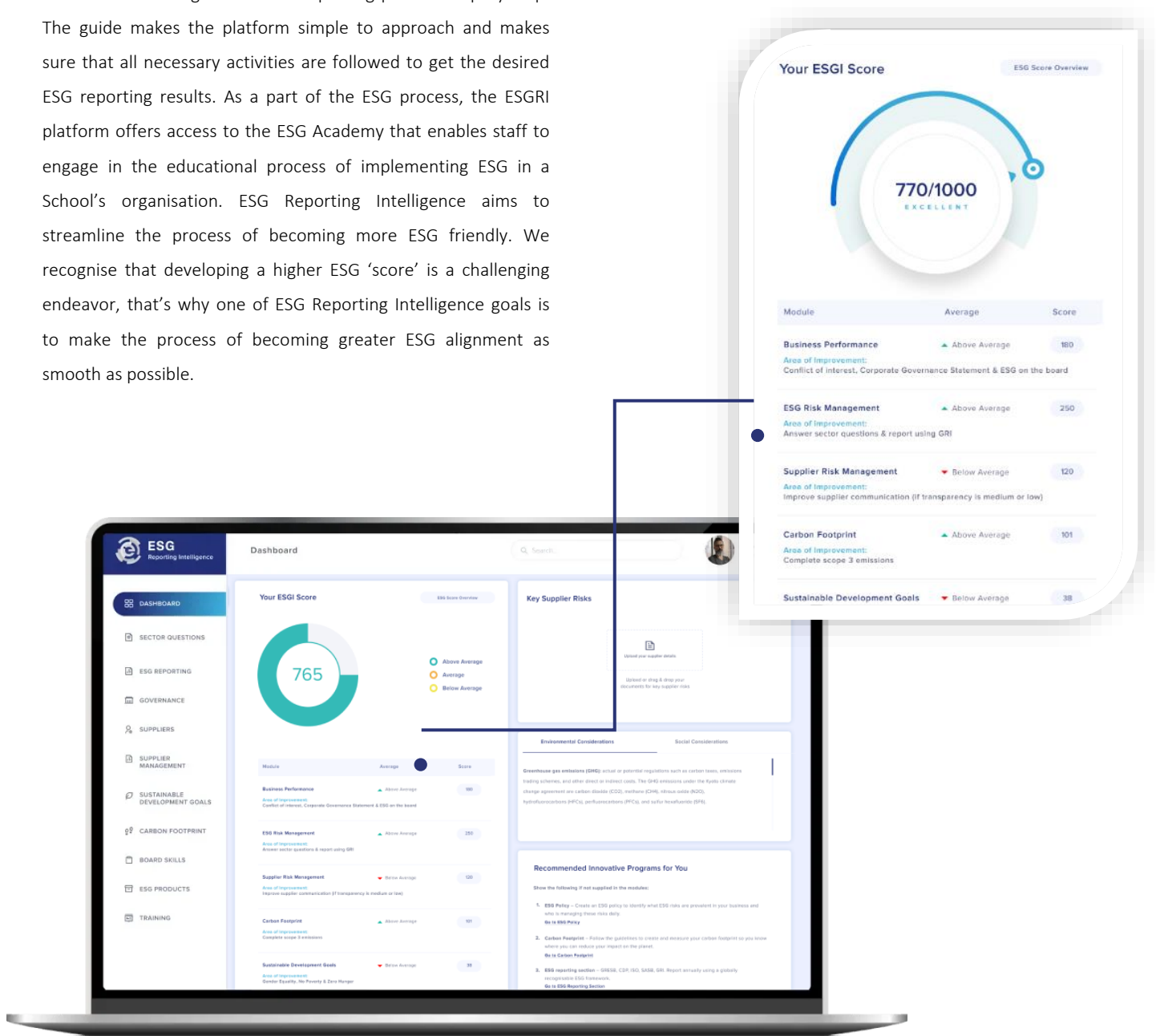
Implementing ESG into School's Curriculum

Integrating ESG into your school's curriculum is a vital step to encourage students and teachers about the importance of these issues and fosters sustainability, social responsibility, and ethical governance. Therefore, it is important that your school, especially teachers and administrators, identify with your stated values and principles of ESG and have a clear understanding about these concepts. Since we all strive for a more sustainable future, it its pivotal to empower the next generation to become more responsible citizens and leaders.

Consequently, schools should implement ESG principles across various subjects including Science, Languages, Business, Humanities and Social Studies, and Ethics. It will be important for your schools to conduct workshops and training sessions for teachers to equip them with the knowledge and skills they need to effectively teach ESG concepts. As a result, teachers can integrate various teaching methods such as discussions, group projects, or real-world applications into their lessons to prepare students for their future life. For instance, group projects can be a very effective way of integrating ESG issues into your lesson by letting students identify risks and solving them in accordance with its actual subject. By integrating this into your school's curriculum, it will not only make students aware of ESG issues, but it also generates critical thinking, general skills and needs, real world scenarios, and risk management that will prepare students for careers in ESG. Lastly, it is important to mention that all businesses and organizations must face increasing importance on sustainability, social responsibility, and ethical governance, making ESG knowledge extremely valuable in the job market.

ESGRI Technology Engagement Process

Engage organisaition & identify team

To successfully integrate ESG principles within schools, it's crucial to cultivate a culture that involves the entire organisation in embracing these standards. This is not solely the leadership's responsibility but a collective effort. It's vital to communicate the significance of ESG principles across all levels of the school, ensuring everyone comprehends their importance and role in upholding these standards. Engaging the entire school workforce in the ESG journey fosters a shared responsibility, encouraging diverse perspectives and innovative ideas. Assembling a dedicated team, encompassing cross-functional expertise, and securing buy-in from key stakeholders, is pivotal in driving these ESG initiatives forward.

01

Conduct gap & risk assessment

Performing a comprehensive gap and risk analysis is vital for schools, involving the identification of current and potential future ESG risks and a scrutiny of the disparities between current business practices and evolving legislations. This encompasses a detailed evaluation of environmental impact, social responsibility, and governance structures. Recognising weaknesses or areas misaligned with the proposed standards allows for proactive measures to bridge these gaps, forming the foundation for the school's ESG compliance and sustainability strategy. Additionally, understanding how to initiate the collection, analysis, and transparent reporting of accurate environmental data is key to informed decision-making.

Q2

Select ESG frameworks & define goals

Crafting a robust ESG program is crucial, focusing on policies that directly tackle identified risks and gaps. This involves establishing explicit guidelines for environmental sustainability, social impact, and governance structures, including addressing Scope 1, 2, and 3 greenhouse gas emissions, community engagement, board succession planning, and diversity. Compliance with emerging legislative requirements, such as reporting and auditing guidelines, should be a priority within the program. Furthermore, setting clear and measurable environmental goals that align with the organisation's values is essential. Navigating the array of available ESG frameworks is important; choosing one tailored size and reporting requirements is key to successful implementation.

Q3

Pilot an initiative & implement internal controls

Once the ESG program is structured, take immediate action by piloting an initiative to kickstart the school's commitment to these standards. Choose a policy initiative, like improving environmental practices or implementing diversity and inclusion measures, and pilot it within a specific segment of the school. This serves as a practical test for newly developed policies, identifying challenges and areas for improvement before full implementation. It not only demonstrates the school's commitment to ESG principles but also sets an example for further adaptations. Simultaneously, establish internal controls and processes to guarantee accurate data collection, reliable reporting, and adherence to environmental standards.

Q4

Appendix

Proposed Timeline for ESG Reporting

ESG Initiatives	YEAR 1	YEAR 2	YEAR 3	YEAR 4
Governance	Gap Analysis	Report	Audit/Review	Audit/Review
Strategy development, Metrics & Targets (qualitative)	Gap Analysis	Report	Audit/Review	Audit/Review
Risk Assessment (Modern Slavery)	Gap Analysis	Report	Audit/Review	Audit/Review
Climate scenario analysis	-	Gap Analysis	Report	Audit/Review
Climate-related target transition plans	-	Gap Analysis	Report	Audit/Review
Scope 1 & 2 GHG emissions*	Gap Analysis	Report	Audit/Review	Audit/Review
Scope 3 GHG emissions*	-	Gap Analysis	Report	Audit/Review
Supply chain risks	Gap Analysis	Report	Audit/Review	Audit/Review
Reconciliation	-	Gap Analysis	Report	Audit/Review
Data risks	-	Gap Analysis	Report	Audit/Review
Greenwashing/ Misinformation	-	Gap Analysis	Report	Audit/Review
Succession Planning	-	Gap Analysis	Report	Audit/Review

Definitions

Scope 1	Scope 1 emissions are direct greenhouse emissions directly released to the atmosphere, that are owned or controlled by Schools .
Scope 2	Scope 2 greenhouse gas emissions are indirect emissions that refer to the emissions that are discharged into the atmosphere as a result of the indirect utilization of an energy commodity.
Scope 3	Scope 3 greenhouse gas emissions are also indirect emissions but are generated in the wider economy from suppliers.
IFRS S2	IFRS S2 standards which refers to climate-related risks and opportunities, aims do mandate entities to disclose information regarding their climate related risks and opportunities that is useful in their general-purpose financial reports, in making decisions relating to providing resources to the entity.
Reconciliation	Reconciliation is an ongoing process about aims to enhance the bonds between Aboriginal and Torres Strait Islander communities and non-Indigenous communities, ultimately benefiting the entire Australian population.
Greenwashing	Greenwashing is when a company spends more resources, in terms of time and money, on marketing itself as environmentally friendly than actively reducing its environmental footprint.
Supply chain	Supply chain is a network of companies who collaborate in the manufacturing and distribution of goods or services. Numerous everyday products and services that we purchase and utilize are produced or undertaken by people trapped in modern slavery.
Modern slavery	Modern slavery is a serious violation of an individual's dignity and human rights, that refers to situations in which a person is unable to decline, because of threats, force, manipulation or abuse of power.
KPI	KPI stands for key performance indicator and offers Schools targets to strive for, milestones to assess progress, and helps schools to make better decisions.
SME	SME, which stands for small and medium-sized enterprises, is a phrase used to describe a range of businesses based on the number of employees or annual turnover.
Climate Change Act 2022	The climate change act 2022 legislation aims to establish the greenhouse gas emissions reduction targets for Australia, as well as to mandate the issuance of annual climate change statements.
GHG emission	GHG emissions are gases in the earth's atmosphere from pollution.

Contact Us

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