



# 2024 Sheep Sustainability Framework Materiality Assessment

**FINAL REPORT**

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## CONTENTS

1.	EXECUTIVE SUMMARY	3
2.	INTRODUCTION	6
3.	BACKGROUND	6
4.	PURPOSE OF THE MATERIALITY ASSESSMENT	8
5.	MATERIALITY ASSESSMENT APPROACH	8
5.1	PHASE 1: DESKTOP REVIEW	8
5.2	PHASE 2: STAKEHOLDER ENGAGEMENT	28
5.3	PHASE 3: IDENTIFY MATERIAL TOPICS AND ASSESSMENT METHODOLOGY	31
6.	LIMITATIONS IN MATERIALITY PROCESSES	36
7.	MATERIALITY ASSESSMENT RESULTS	37
8.	MATERIALITY MATRIX	38
8.1	SSF HIGHLY MATERIAL TOPICS	39
8.2	BENEFITS TO INDUSTRY	40
8.3	IMPACT MATERIALITY SCORES AND FINANCIAL MATERIALITY SCORES	41
8.4	COMPARISON TO THE 2020 SSF MATERIALITY ASSESSMENT	42
9.	RECOMMENDATIONS	44
9.1	SHORT TERM ACTIONS	46
9.2	MEDIUM TERM ACTIONS	46
9.3	LONG TERM ACTIONS	47
10	APPENDIX	48
	10.1 List of Abbreviations	48
	10.2 Comparison SSF Materiality Assessment Scores 2020 vs. 2024	49

# 1. EXECUTIVE SUMMARY

## Background

This report outlines the objectives, methodology and results of the second materiality assessment conducted for the Australian wool and sheepmeat industry's Sheep Sustainability Framework (SSF). The assessment was initiated in late 2023 by Meat & Livestock Australia (MLA) on behalf of the SSF and conducted by STR and ERM. The study aimed to refine the material topics established in 2020 to better suit the current sustainability landscape and the industry's changing operating context. The process sought to align with the evolving needs of both internal stakeholders within the industry and external stakeholders throughout the value chain. Furthermore, the assessment aimed to adhere to double materiality methodologies, considering both internal and external factors impacting sustainability.

## Objectives

The report presents the outcomes of the 2024 SSF second materiality assessment, which aimed to refine and update the initial material topics identified in 2020. Conducted by ERM and STR from November 2023 to April 2024, this comprehensive assessment focused on identifying and prioritising sustainability topics crucial to the industry and its stakeholders. The report includes detailed insights into the analysis process, project context and recommendations. Additionally, three supporting documents containing project findings and analyses have been provided, enhancing the understanding of the assessment's outcomes. Key findings from these documents are summarised within the report's background section for reference.

## Methodology

The materiality assessment methodology employed a double materiality approach, integrating leading standards to evaluate both financial and impact materiality systematically. It incorporated essential criteria from sustainability standards including IFRS S1, GRI 3, and the CSRD and the associated ESRS, while aligning with the AA1000 Accountability Principle of Materiality. The ERM and STR materiality assessment approach consists of four phases:

- **Phase 1 – Desktop review:** This involved an extensive document review of the public and strategy documents provided by MLA and Australian Wool Innovation (AWI).
- **Phase 2—Stakeholder engagement:** ERM and STR engaged with internal and external stakeholders from across the wool and sheepmeat industries' value chain. The approach was informed by AccountAbility's AA1000SES Stakeholder Engagement Standard.
- **Phase 3 – Identify material topics and define assessment methodology:** Based on the findings of phases 1 and 2, an updated list of sustainability industry topics was developed, and an assessment and scoring methodology was defined.
- **Phase 4—Perform materiality assessment:** ERM performed the materiality assessment to score and prioritise the most relevant sustainability topics for the wool and sheepmeat industries, which was reflected in a topic ranking.

Regular meetings were held with representatives from the SSF's Sustainability Steering Group (SSG) as a project team (the SSF project team). The SSF project team was briefed on each of the four phases outlined above and consulted on draft materials and key decision points, including the scoring methodology and final validation.

### Results/key findings

The 2024 SSF materiality assessment will be a foundational element in updating the existing SSF's material topics and their position within thematic strategic pillars. By establishing new priority topics and definitions, restructuring some topics within existing pillars, and emphasising clearer processes.

The assessment identified seven new topics and adjusted the location of some material topics to thematic pillars that better represented their key impacts. The results also reveal emerging risks for the wool and sheepmeat industry, such as *Access to labour and Occupational health and safety*. It also raised emergent issues, such as increasing stakeholder interest and the potential for future regulatory obligations regarding *Biodiversity*, as well as the need to carefully review and define terms that are increasingly being used by stakeholders within the industry, such as '*regenerative agriculture*.' If the term is to be adopted for use within the SSF it is likely to require a clear and consistent definition to avoid confusion and ambiguity. A stated position on '*regenerative agriculture*' is recommended.

Additionally, the assessment highlights a more mature understanding of sustainability topics among stakeholders. It underscores the greater connections between the topics' drivers, emphasising the need for cross-sector collaboration to effectively address complex cross-industry challenges.

### Benefits to industry

The results of the assessment have outlined clear benefits to the wool and sheepmeat industry which are summarised below:

- **Ensure a resilient position within the market** by addressing emerging risks and opportunities, consequently presenting an opportunity for continuous improvement in the industry's response and performance.
- **Enable more efficient resource allocation.** Prioritisation of topics through materiality helps the industry to channel resources into the areas of greatest impact, risk, opportunity, and priority to stakeholders.
- **Improved responsiveness to stakeholders** ensures a dynamic approach to sustainability, with some minor shifts in topics indicating an already progressive trajectory.
- **Demonstrated alignment of the industry's financial prospects and ESG reporting** integrating a financial component into the materiality assessment methodology signifies a comprehensive approach, encompassing regulatory and reputational risks alongside financial considerations, which will also promote alignment with the latest sustainability and industry standards (e.g. GRI, EU instruments, AASB, ASFI, AASF).
- **Partnership opportunities with industry stakeholders** present opportunities to explore mutual challenges and potential solutions.
- **Partnership opportunities with other domestic agriculture initiatives.** Although the nature of the material topics may differ in their detailed application in the wool and

sheepmeat industry, this work may be shared more broadly across the red meat industry and other agriculture frameworks to enhance collaborative industry action.

### **Future research and recommendations**

Throughout the materiality assessment work, several recommendations arose, highlighting key areas for future research and development, strategic focus, and improvement in sustainability practices. These are detailed in the report and grouped as below:

- Procedural recommendations for the SSG;
- Areas for further research and consideration; and
- Opportunities for collaboration and partnerships across sectors.

## 2. INTRODUCTION

The SSF was developed by Sheep Producers Australia (SPA) and Wool Producers Australia (WPA) with AWI and MLA providing funding, strategic advice and secretariat support. SPA and WPA appointed an independent SSG, made up of representatives from across the value chain with diverse areas of skills and expertise, to lead the process.

The purpose of the SSF is to demonstrate the industry's sustainability performance to key stakeholders, including customers, consumers and investors and demonstrate its commitment to continual improvement.

It presents evidence to stakeholders, through the presentation of data and trends, that Australian sheepmeat and wool has been produced responsibly, to build trust and confidence in the industry. Demonstrating sustainability performance is also increasingly important to ensuring Australia can supply its premium quality sheepmeat and wool to local and international markets.

Evaluation of Framework progress and relevance occurs every 12 months, while contemporary and emerging trends in sustainability, such as advancements in best practice, scientific findings, changes in measurement and reporting, evolution of customer needs and consumer expectations, are consistently monitored.

The Sheep Sustainability Framework monitors and measures industry performance against priorities aligned with the four themes. It informs planning, management, and evaluation of activities at an industry level and helps to ensure Australia can demonstrate we are a global leader in sustainable sheep production.

A demonstrated focus on aligning animal care, environmental, economic, and social themes with best practice and community expectations also underlies continued access to markets and capital for Australian sheep businesses.

## 3. BACKGROUND

The Australian wool and sheepmeat industry conducted its initial materiality assessment in 2019-2020. This was used to inform the content and priorities of the first iteration of the SSF. As a general principle, materiality assessments are undertaken at regular intervals, usually every three years, and briefly reviewed annually. This ensures that the SSF is informed by topics which reflect changes to the industry's operating context, updated sustainability methodologies and shifts in stakeholder views over time. Specifically, and by way of example:

1. The first materiality determination was finalised at the end of a period of drought (2017-2019) and at the very start of the COVID-19 pandemic.

2. Sustainability standards and frameworks have evolved and are increasingly reflected in instruments such as regulation and trade agreements; and
3. Stakeholders, both internal to the industry and across the value chain, are subject to these shifts and reflect these interests in their expectations of the SSF.

In late 2023, MLA engaged STR and ERM on behalf of the SSF to undertake its second materiality assessment.

The aims of the project being to refine the 2020 material topics to better align with the current sustainability landscape, meet the needs of relevant internal and external stakeholders across the industry's value chain and align with *double materiality methodologies* for conducting a materiality assessment.

Phase	Description
<b>Phase 1: Desktop review</b>	<p>As part of this phase, ERM and STR conducted an extensive review of public documents and documents provided by MLA and AWI (SSF project team) relevant to the Australian wool and sheepmeat industry. The review included: (1) existing documentation and work previously done on sustainability by the wool and sheepmeat industry, (2) an external landscape review, and (3) a peer review. The findings of the desktop review were presented in a final report to the SSF project team and the Sheep Sustainability Framework Steering Group (SSG).</p>
<b>Phase 2: Stakeholder engagement</b>	<p>ERM and STR engaged with internal and external stakeholders from the wool and sheepmeat industries. The approach was informed by AccountAbility's AA1000SES Stakeholder Engagement Standard and included engagement through online interviews and industry forums to gather their perspectives and explore their interests along the value chain. The findings of the interviews and engagement were analysed and presented to the SSF project team and SSG in a stakeholder insights report.</p>
<b>Phase 3: Identify topics and assessment methodology</b>	<p>Based on the findings of phases 1 and 2, a 'refreshed' list of sustainability industry topics was developed. An industry expert review panel was convened to review and approve the list of sustainability topics that were subsequently assessed as part of the methodology. A workshop with the SSF project team was held to develop a scoring and assessment methodology to prioritise topics. This process was documented in a short report, and the refined topic list can be viewed on pages 23-34.</p>
<b>Phase 4: Perform materiality assessment</b>	<p>ERM performed the materiality assessment to score and prioritise the most relevant sustainability topics. The materiality assessment involved assessing the 'refreshed' topic list against financial materiality and impact materiality. This report is part of this last phase and represents the findings of the recently conducted assessment. Results were</p>

presented to the SSF project team, SSG, SSF Board and SSF Industry Forum.

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## 4. PURPOSE OF THE MATERIALITY ASSESSMENT

This report presents the final results of 2024 SSF's second materiality assessment, refining and revising the initial material topics identified in 2020. The second assessment was conducted by ERM and STR between November 2023 and April 2024.

This double materiality assessment process centred on identifying and prioritising the sustainability topics that are most significant to the SSF and the SSF's stakeholders. The results of this analysis are detailed in this report, alongside the project context, the materiality assessment process used, and recommendations.

To support this report, three additional files detailing project findings and analysis were provided to the SSF project team; see Table 1 below. Key findings of these reports have been summarised within Section 1 Background.

## 5. MATERIALITY ASSESSMENT APPROACH

A materiality assessment is a structured process to determine the sustainability topics that present the greatest risks and opportunities to the industry, as well as the topics where the industry has the greatest impacts (both positive and negative) on people, the economy and the environment.

The ERM and STR methodology used for this materiality assessment comprises a double materiality approach that harmonises leading materiality standards to systematically consider 'financial' and 'impact' materiality. It integrates key materiality requirements from sustainability standards (IFRS S1, GRI 3: Material topics 2021, Universal Standard, and the CSRD and the associated ESRS) and is aligned with the AA1000 Accountability Principle of Materiality.

The approach to materiality was segmented into four phases. A summary of each phase is provided below:

### 5.1 PHASE 1: DESKTOP REVIEW

ERM and STR undertook a comprehensive desktop review, which involved examining MLA and AWI existing governance, strategies, and risk documentation, including previous materiality assessments, stakeholder insights research (e.g., customers sustainability reports, community sentiment, etc.), and existing industry frameworks such as the SSF. Additionally, insights from the Sheep Materiality Impact Identification Workshop held in March 2023 were considered. The review and analysis extended through the Australian wool and sheepmeat industry's value chain, analysed trends from media, consumer behaviour, regulations, and sustainability standards. Furthermore, a peer review was conducted to further analyse sustainability topics and industry sustainability initiatives.



### 5.1.1 DOCUMENT REVIEW

#### INDUSTRY GOVERNANCE, STRATEGIES AND, PLANS AND PROGRAMS









<ul style="list-style-type: none"> <li>• MLA strategies and documents show a clear alignment with the <b>'Red Meat 2030' 10-year strategy</b> and its six priorities: <i>Our People, Our consumers, customers and communities, Our Livestock, Our Environment, Our Market and Our Systems, through the goals and topics disclosed. Topics associated with the 'Our Systems' pillar, such as 'Data management' and 'integrity systems' across the value chain, show the least alignment with the SSF 2020 materiality topic universe.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Strategies and documents from the AWI industry have included a relevant <b>'Consumer/Product'</b> oriented focus, partially covered through the SSF 2020 topics. Consumer-related topics such as 'Sustain growth of online retail channels,' 'the casualisation on workwear' or product-related such as the 'EU product environmental footprint requirements' including 'Microplastics,' and 'Renewability' were not aligned with the SSF 2020 materiality topic universe.</li> </ul>
<ul style="list-style-type: none"> <li>• Most common topics identified across the wool and sheep industries have been associated with the 'Caring for our Sheep' and 'Ensuring Financial Resilience' pillars from the SSF framework. Those include 'Food safety and product quality,' 'Economic contribution' and 'livelihood' as the most frequently included. From an Environmental perspective, 'Responsible sourcing,' 'Biodiversity' and 'Biosecurity' were the most mentioned.</li> </ul>	<ul style="list-style-type: none"> <li>• Key themes and topics that emerged from the review not covered in the existing SSF topic universe are summarised in the table on the next slide. Topics have been organised using six themes informed by international standards such as the Global Reporting Initiative (GRI) Standards and the Sustainability Accounting Standards Board (SASB).</li> </ul>

### 5.1.2 CONSUMER AND COMMUNITY SENTIMENT – SHEEPMEAT AND WOOL

ERM and STR compiled sustainability topics and trends for the sheepmeat industry, based on consumer and community sentiment studies undertaken in the last two years, shared by MLA.

A snapshot of key findings and trends identified throughout the documents are summarised in the tables below (Table 1 sheepmeat and Table 2 wool).

**TABLE 1: SNAPSHOT OF CONSUMER AND COMMUNITY SENTIMENT ON THE SHEEPMEAT INDUSTRY**

	<b>Animal welfare:</b> Consumers are interested in humane production practices and sustainability commitments. They want assurance that sheep are slaughtered humanely. However, there is agreement that farmers have ethical production practices and raise animals humanely.
	<b>Economic contribution:</b> Consumers perceive that sheep and cattle farmers contribute positively to the <b>economy and job creation</b> , and in particular, rural industries contribute significantly to local jobs. There is also a strong sentiment that transparent and sustainable farming practices will deliver greater profits.
	<b>Consumption:</b> Red meat consumption trends are stable but in slight decline. Cost is the main reason for reductions in red meat consumption, followed by health and then environmental concerns.
	<b>Product stewardship:</b> Consumers are keen to learn more about the Meat industry. Even though the average meat eater would prefer not to think about how red meat makes it to their plate.
	<b>Community engagement:</b> There is a strong sentiment that rural industries (fishery, farmers and foresters) listen to and respect community opinions.
	<b>Carbon neutral claims:</b> There is an overall positive perception by consumers of the Net Zero GHG by 2030 target by the Meat industry. However, there is a lack of understanding of technical concepts such as 'Carbon neutral.'
	<b>Environmental responsibility and industry responsiveness</b> are considered the <b>top drivers of trust</b> in the community. This is followed by ethical practices and community alignment.
	<b>Food safety and chemical use:</b> Consumers have declined confidence that food produced in Australia adheres to strict safety standards.

**Snapshot of MLA member's sentiment**



	MLA members (producers) have shown <b>greater awareness of the Australian Beef Sustainability Framework (ABSF)</b> , and the <b>Red Meat Industry's Carbon Neutral 2030 initiative (CN30)</b> last year. However, awareness of the SSF has remained low.
	MLA members (producers) place <b>high importance on MLA investing in sustainability credentials communication.</b>

TABLE 2: SNAPSHOT OF GLOBAL CONSUMER SENTIMENT WOOL INDUSTRY

	<b>Brand Equity</b> - When factoring the engagement people have with the different types of fabrics in their consideration set, wool has a strong desire across different occasions: Pure wool and wool blends are among the top 3 most desired materials for workwear and occasion wear.
	<b>Market position</b> - In China, Italy, and Japan <i>pure wool</i> consideration increases with age – attracting younger people will ensure that it will remain relevant in these markets. In markets such as US, France, Germany and the UK, wool is more appealing to the Gen Z population, especially <i>Merino and Wool blends</i> . Merino wool is the <i>8th most considered fabric in workwear and the 9th in sportswear and occasion wear</i> .
	<b>Comfortable and high quality most mentioned intangible features</b> - while things such as versatility, sustainability, and symbols of status play a more secondary role.
	<b>Wool's Perception</b> - Pure wool is considered classic, nostalgic, high-quality and <b>eco-friendly</b> . Wool blends are more versatile, suitable for a wide range of occasions and are growing popular, suggesting it could be a suitable alternative for the day to day. Conversely, Merino is more premium, a symbol of status and triggers a strong emotional connection (through emotional durability).
	<b>Carbon Footprint claims</b> - Although most consumers agree that a fabric producer needs to be responsible on all fronts, less than half claim to choose clothing fabrics based on their environmental impact. <b>The carbon footprint</b> has been claimed to be one of the most important ways a brand can be responsible in most markets.
	<b>Social and Environmental Considerations</b> - Improving familiarity with wool's measures could contribute to the environment and to the community, as well as demystifying some existing perceptions that are gaining relevance in this area.
	<b>Climate change remains a global cause of concern-</b> and a slight majority anticipate this year to be the hottest on record, reflecting a cautious awareness about extreme weather's impact on sectors like wool production.

### 5.1.3 CUSTOMER SUSTAINABILITY PRIORITIES

ERM and STR compiled a list of relevant sustainability topics disclosed by key customers for the Australian wool and sheepmeat industries through public sustainability reports and case studies. The table below summarises a snapshot of the priority topics identified and mapped against six key themes for agribusiness and retail customers. These six themes are informed by international standards such as the Global Reporting Initiative (GRI) Standards and the Sustainability Accounting Standards Board (SASB). Themes are for benchmarking purposes only and do not represent suggested pillars for reporting.

TABLE 3: CUSTOMER SUSTAINABILITY PRIORITY TOPICS

Economic Performance	Society, Community and Animals	Customer and Product	Environmental Stewardship	Workforce and Employees	Governance and Leadership
<p><b>Agribusiness</b></p> <ul style="list-style-type: none"> <li>• Food nutrition quality and safety</li> <li>• Food security</li> </ul>	<p><b>Agribusiness</b></p> <ul style="list-style-type: none"> <li>• Community engagement</li> <li>• Animal wellbeing-position statement</li> <li>• Managing operations</li> </ul>		<p><b>Agribusiness</b></p> <ul style="list-style-type: none"> <li>• Climate change and emissions</li> <li>• Renewable energy and transition</li> <li>• Biodiversity and ecosystems</li> <li>• Air quality</li> <li>• Land management and sustainable farming</li> <li>• Water stewardship</li> <li>• Plastic packaging and waste</li> <li>• Carbon storage</li> <li>• Natural capital</li> <li>• Resource efficiency</li> </ul>	<p><b>Agribusiness</b></p> <ul style="list-style-type: none"> <li>• Nutrition and health</li> <li>• Health safety and wellbeing</li> <li>• Investing in people</li> <li>• Employment and income creation</li> <li>• Employee engagement</li> <li>• Responsible supply chains</li> </ul>	
<p><b>Retail</b></p> <ul style="list-style-type: none"> <li>• Nutrition and marketing practices</li> <li>• Future of work and emerging technologies (e.g., artificial intelligence, AI)</li> <li>• Tax payment</li> </ul>	<p><b>Retail</b></p> <ul style="list-style-type: none"> <li>• Animal health &amp; welfare and responsible antibiotic use</li> <li>• Reconciliation</li> <li>• Community impact &amp; philanthropy</li> <li>• Social security and protection</li> </ul>	<p><b>Retail</b></p> <ul style="list-style-type: none"> <li>• Better materials</li> <li>• Clean chemistry</li> <li>• Sustainable farming and sourcing of raw materials</li> <li>• Customer satisfaction</li> <li>• Consumer privacy and data security</li> <li>• Engaging with customers on sustainability</li> <li>• Product responsibility</li> <li>• Healthy and affordable food</li> <li>• Food safety</li> <li>• Hazardous and restricted substances</li> </ul>	<p><b>Retail</b></p> <ul style="list-style-type: none"> <li>• Climate change and emissions (transportation)</li> <li>• Food waste</li> <li>• Plastic packaging and waste</li> <li>• Circular economy</li> <li>• Supporting Australian farmers and producers</li> <li>• Biodiversity and nature</li> <li>• Climate action</li> <li>• Nature, forest and water</li> <li>• Science-based emission reduction targets (scope 3)</li> <li>• Sustainable and regenerative agriculture</li> <li>• Clean energy</li> <li>• Deforestation</li> <li>• Upcycling, recycling and regeneration</li> </ul>	<p><b>Retail</b></p> <ul style="list-style-type: none"> <li>• Human rights and ethical sourcing</li> <li>• Health safety and wellbeing</li> <li>• Diversity, equity and inclusion</li> <li>• Talent and benefits</li> <li>• Safe &amp; respectful workplaces</li> <li>• Holistic wellbeing</li> <li>• Living wages</li> <li>• Gender equality</li> <li>• Labour standards</li> <li>• Generational change (gen z)</li> </ul>	<p><b>Retail</b></p> <ul style="list-style-type: none"> <li>• Governance and business responsibility</li> <li>• Data security</li> <li>• Governance and education</li> <li>• Governance &amp; reporting</li> <li>• Corporate conduct</li> <li>• Modern slavery</li> <li>• Public policy</li> <li>• Anti- corruption</li> <li>• Compliance with environmental standards</li> <li>• Traceability</li> </ul>

### 5.1.4 PEER REVIEW

Eight of the wool and sheepmeat industry's peers have been reviewed against their priority topics, focus areas, and targets in relation to six themes (informed by international standards such as the Global Reporting Initiative (GRI) Standards and the Sustainability Accounting Standards Board (SASB): *Economic Performance, Society, Community and animals, Customer and Product, Environmental Stewardship, Workforce and Employees, Governance and Leadership*).

The following eight peers have been reviewed. They have been selected to include four peers related to sheepmeat and four peers related to wool.

- |  |                                     |
|--|-------------------------------------|
| <b>1. Australian Beef Sustainability Framework (ABSF)</b>  | <b>4. Beef and Lamb New Zealand</b> |
| <b>2. Australian Dairy Sustainability Framework (ADSF)</b> | <b>5. The Wool 2030 Strategy</b>    |
| <b>3. Sustainable Beef and Lamb Assurance Scheme</b>       | <b>6. The Woolmark Company</b>      |
|  | <b>7. Cotton Australia</b>          |
|  | <b>8. Cape Wool SA</b>              |

The four sheepmeat peers assessed differ in their sustainability maturity level regarding setting commitments, goals and targets. However, all of them have identified overarching sustainability pillars. Overall, peers focus more on *Environmental, Social, Community and Animal welfare dimensions*. In contrast, governance and customer and product dimensions were less prioritised by peers. 'Animal welfare,' 'Nature,' 'Biodiversity' and 'Climate change' were the most common priority topics disclosed by peers.

The four wool peers assessed differ in their sustainability maturity level regarding setting commitments, goals and targets. However, all of them have identified overarching sustainability pillars.

Overall, peers include topics within Environmental, Social and Animal welfare dimensions. Throughout several topics, peers refer to customers and products, specifically focusing on 'quality assurance' and 'changing customer needs.' In contrast, governance dimensions were less prioritised by peers. Throughout the peer review process, there has been a consistent mention of the growing emphasis on 'transparency' and 'traceability' across the entire value chain, driven by customer demands, quality assurance concerns, and anticipated future regulatory compliance requirements.

TABLE 4: KEY FINDINGS OF PEER BENCHMARKING

<p><b>Economic Performance</b></p> <ul style="list-style-type: none"> <li>• Four out of the eight peers have declared focus areas associated with 'Enhancing economic performance.'</li> <li>• Only the ADSF and Cotton Australia of the peers have disclosed specific targets associated with Economic performance as part of the framework/strategy.</li> </ul>	<p><b>Society, Community and Animal Welfare</b></p> <ul style="list-style-type: none"> <li>• All peers have declared focus areas associated with Animal welfare.</li> <li>• Only ADSF and Cotton Australia have disclosed specific targets associated with Society, Community and animal welfare.</li> <li>• Six out of eight peers have disclosed criteria associated with this dimension.</li> </ul>	<p><b>Customer and Product</b></p> <ul style="list-style-type: none"> <li>• Only the Wool 2030 Strategy has a focus pillar concerning Customers and Products.</li> <li>• All peers have disclosed material topics associated with the dimension. Topics include: 'Communicating with customers,' 'Transforming our production systems through innovation,' 'Processing practices,' 'Product safety and quality,' 'Transport,' and 'Identification and traceability.'</li> <li>• Only the Wool 2030 Strategy has disclosed targets associated with the dimension.</li> </ul>
<p><b>Environmental Stewardship</b></p> <ul style="list-style-type: none"> <li>• All peers have declared focus areas associated with 'Environmental stewardship'</li> <li>• Key priority areas among peers include 'Climate,' 'water,' 'soil' and 'waste.'</li> <li>• Only the ADSF and Cotton Australia have disclosed specific targets associated with an environmental dimension.</li> </ul>	<p><b>Workforce and Employees</b></p> <ul style="list-style-type: none"> <li>• All peers have declared focus areas associated with Workforce and Employees.</li> <li>• Only ADSF and Cotton Australia of the peers have disclosed specific targets associated with Workforce and Employees.</li> <li>• Three out of eight peers have disclosed programs or criteria associated with this dimension.</li> </ul>	<p><b>Governance and Leadership</b></p> <ul style="list-style-type: none"> <li>• None of the peers have declared 'Governance' as a pillar or priority area.</li> <li>• None of the peers have disclosed material topics or targets associated with the dimension.</li> </ul>

### 5.1.5 EXTERNAL LANDSCAPE AND GLOBAL TRENDS

An extensive review of key existing and forthcoming regulations in Australia and overseas was conducted. This was followed by a review of relevant standards and key industry reports to build an understanding of trends that may impact the industry or provide an opportunity to set the agenda.

## Forthcoming regulations

A snapshot of the implications of existing and forthcoming regulations is summarised below.

<p><b>Climate financial disclosure consultation paper</b></p> <ul style="list-style-type: none"> <li>Organisations along the wool and sheep supply chain will be required to report on their scope 1,2 and 3 emissions if they meet the described threshold outlined in the CFD paper.</li> <li>Standardising climate reporting could lead to changed perceptions of customers and investors of the industry's environmental efforts. Meeting disclosure requirements could have direct impacts on market access.</li> <li>Wool and sheep industry participants may need to assess climate-related risks and opportunities as part of their reporting obligations. This could include evaluating the impact of climate change on wool production, supply chain resilience and business models.</li> </ul>	<p><b>Australian Sustainable Finance Sustainable Finance Taxonomy</b></p> <ul style="list-style-type: none"> <li>Increased focus on sustainability and resilience in financial practices within the wool and sheep industry.</li> <li>Potential for greater scrutiny of industry practices related to environmental and social factors.</li> <li>Expectations for sustainability reporting and assurance in line with ASFI recommendations.</li> <li>Possible influence on investment decisions and funding availability for businesses in the sector.</li> </ul>
<p><b>EU Green Deal</b></p> <ul style="list-style-type: none"> <li>The wool and sheep industry, more broadly, may be required to adopt cleaner and more sustainable production methods, such as using less water and chemicals, improving waste management, and implementing cleaner energy sources.</li> <li>EGD encourages the implementation and enforcement of stricter regulations related to the treatment of animals. This may involve ensuring proper breeding and husbandry practices, improving living conditions, and enhancing traceability throughout the supply chain.</li> <li>The Farm to Fork Strategy is a vital part of the EU's Green Deal, focusing on creating a sustainable food system. It aims to promote sustainable agriculture, reduce food waste, improve labelling, and encourage healthy diets. The strategy primarily targets the food industry; however, it also indirectly impacts the wool industry by emphasising sustainable practices and reducing environmental impact.</li> <li>The EU Deforestation Due Diligence Regulation addresses deforestation associated with key commodities in the EU market, including those used in the sheep and wool industry. Under the regulation, the industry must conduct strict due diligence if they trade or source wool from areas at risk of deforestation. This would involve verifying that the sheep/wool used in the production are sourced from deforestation-free areas and comply with applicable laws.</li> <li>The EU Environmental Labelling and Product Environments Footprint (PEF) aims to direct consumers towards more sustainable purchasing options by increasing information and transparency around product sustainability credentials. Unfortunately, its current methodology fails to capture the renewable, biodegradable and circular economy benefits of wool in its life cycle analysis, which focuses more on the potential negative impacts of products.</li> </ul>	<p><b>US Inflation Reduction Fund</b></p> <ul style="list-style-type: none"> <li>IRA primarily focuses on domestic U.S. policies and investments. It does not have a direct impact on the industry, as it operates in a different country and under separate regulatory frameworks. However, it is argued that regulations like this influence global market dynamics.</li> <li>The industry is influenced by global market dynamics, including supply and demand, trade agreements, technological development, and future investments. While U.S. policies can affect global economic conditions, the industry's success largely depends on its competitiveness in international markets.</li> <li>Some aspects of IRA, such as its focus on clean energy, sustainability and industrial decarbonisation, could indirectly impact the industry by, changing regulatory landscapes of export markets, and influencing consumer preferences for sustainable and eco-friendly products.</li> </ul>

## Relevant standards and initiatives

Throughout the desktop review, seven industry relevant standards and initiatives have been reviewed, and their implications are highlighted below.

<p><b>AASF – Australian Agriculture Sustainability Framework</b></p> <ul style="list-style-type: none"> <li>Aligning with AASF ensures consistency across agricultural sectors in Australia, facilitating transparency and comparability.</li> <li>The AASF principles and criteria are based on globally recognised systems including GRI, SAFA, SAI, and WBA.</li> <li>MLA should continue to track the evolution of the AASF and the development of further reporting requirements, including the development of metrics and targets.</li> <li>As part of the materiality assessment refresh, we will map SSF’s updated list of material topics against AASF topics for comparability.</li> </ul>	<p><b>GRI:13</b></p> <ul style="list-style-type: none"> <li>GRI:13 is the first cross-commodity sustainability standard for the agricultural sector, offering a holistic perspective on key topics relevant to agriculture, unlike other standards that often narrow down their focus to specific commodities or issues, such as deforestation.</li> <li>GRI:13 does not differentiate between large and small organisations, even smaller wool producers and sheep farmers can use the standard to gain insight into the impacts and information of interest of their customers.</li> <li>Work was completed in 2022 to map alignment between GR13 and the SSF.</li> </ul>
<p><b>GHG Protocol</b></p> <ul style="list-style-type: none"> <li>Aligning with the GHG protocol ensures consistency across sectors in measuring and managing GHG emissions, enabling data comparison across sectors facilitating transparency.</li> <li>The GHG protocol is referenced by government and regulatory bodies in their emissions reporting and reduction strategy, this suggests that future regulatory changes might rely on this framework.</li> <li>Investors and stakeholders often use GHG Protocol data to evaluate a company’s environmental performance and sustainability efforts. Therefore, reporting and publicly disclosing GHG emissions data could lead to improved transparency and stronger relationships with these groups.</li> </ul>	<p><b>SBTi FLAG</b></p> <ul style="list-style-type: none"> <li>SBTi requires companies that meet certain criteria to set FLAG targets, including sectors such as Food Production - Animal Sources. The wool and sheep industry classifies as such and should use the SBTi Flag as guidance to set targets, ensuring sectoral alignment.</li> <li>SBTi approved targets ensure that the 22% previously unaccounted emissions coming from agricultural sectors are being accounted for in mitigation actions.</li> <li>SBTi FLAG further accounts for carbon removals, which allows the land sector to contribute up to 30% of the mitigation potential by 2050.</li> </ul>
<p><b>TCFD</b></p> <ul style="list-style-type: none"> <li>TCFD disclosure has significantly increased over the past 3 years, average levels of disclosure have increased by up to 36% in the EU and 11% in Aus, implying pressure for the industry to publicly disclose.</li> <li>Up to 90% of investors and other users incorporate climate-related financial disclosures in financial decision-making and pricing.</li> <li>Support for the TCFD has increased significantly since the 2021 status report was issued</li> <li>The Task Force continues to see governments and regulators incorporate the TCFD recommendations into rules and guidance on climate-related financial disclosure, including New Zealand and Australia. Aligning with TCFD reduces exposure to future regulatory changes.</li> </ul>	<p><b>ISSB – IFRS S1 and S2</b></p> <ul style="list-style-type: none"> <li>These are standards expected to be adopted globally, informing investors and decision-makers.</li> <li>The Australian Treasury is consulting with stakeholders regarding adopting climate reporting standards in alignment with the ISSB. The proposal suggests a phased approach, initially targeting large companies, financial institutions, and those already reporting under the NGER Act with S2 reporting requirements beginning in June 2024.</li> <li>Mandatory ESG reporting requirements for Australia’s largest listed/unlisted companies (more than 500 employees, AUD\$500 million+ in revenues and more than AUD\$1 billion+ in assets).</li> <li>Standards to take effect for annual reporting periods from the 01st of January 2024.</li> </ul>
<p><b>TNFD</b></p> <ul style="list-style-type: none"> <li>With a complex value chain highly dependent on natural capital, including land and fibres like wool, water use and chemical treatments, assessing, managing, and disclosing nature-related impacts will become critical for the wool and sheep industry to meet evolving stakeholder expectations.</li> <li>Formed by 26 financial institutions in 2020, the Finance for Biodiversity Pledge now includes 126 signatories representing €18.8 trillion in assets under management across 21 countries. The Pledge calls on financial leaders to protect and restore biodiversity through financial activities and investments.</li> <li>Working towards biodiversity will help the wool and sheep industry to understand the nature-related impacts, risks and dependencies associated with its operations. Helping the industry to</li> </ul>	



better prepare for current and emerging regulations and expected investor and disclosure requirements.

## Trends

After conducting a thorough review of industry documents, global standards, and regulations, five significant global trends have emerged, as outlined below:

<p><b>Investor pressure:</b> Access to cost-effective finances may become more dependent on demonstrating sustainable practices. TCFD is informing stakeholder and shareholder decision-making, investors demanding companies show progress and meet aggressive goals, expect to see non-financial ESG metrics to be fully integrated into financial reports. Climate change is identified as a critical risk to trillions of dollars' worth of long-term assets and returns. Investment portfolios must align with the goals of the Paris Agreement, including setting ambitious targets, diverting from carbon-intense practices, and demanding climate action.</p>	<p><b>Regulatory change:</b> The policy landscape in Australia is uncertain; significant reform is required to facilitate the scale and pace of a Net Zero transition. Large-scale investments are necessary for Australia to meet its 2030 emissions reductions targets. Maintaining competitiveness and market access, the Australian agricultural industry needs to continue to adapt to policy and market fluctuations and ensure compliance with relevant requirements overseas. The EU green deal sets ambitious goals resulting in changes for exports, creating market barriers that must be overcome by the Australian sheep and wool industry to be able to meet regulatory expectations. For example, the EU is phasing out glyphosate (herbicide); a ban on this could result in losses of up to 57% per year for producers in the Australian agricultural sector due to weed control costs and a decrease in crop yield. The EU Corporate due diligence directive - might affect Australian agriculture producers if they are part of EU value chains and will be asked to provide detailed information on environmental and human rights risks of their supply chains, ensuring EU buyers can meet their reporting obligations. Australian producers perceive a risk that, in the future, agriculture will be included in the EU's emissions trading system</p>
<p><b>Local and global market challenges:</b> ESG expectations are shaping the demands of agribusiness corporations. Increased quality social and environmental awareness and demands of global and local consumers. Further, consumer's public perception that products like beef, pork, poultry, dairy and lamb have the most negative impacts of the environment. Consumers are increasingly demanding carbon neutral products, as a way of taking individual action. Buyer expectations are evolving, with large companies now extending sustainability requirements beyond their individual organisations and across the entire supply chain to fulfill traceability and reporting demands.</p>	<p><b>Nature-based solutions:</b> The significance of nature and biodiversity is gaining recognition alongside climate change across policymakers, investors and businesses. This is reflected in global goals to protect at least 30% of the world's land and ocean by 2030 and the new Nature-Related Financial Disclosures (TNFD) framework to assess nature-related risk. Nature-based solutions are now being recognised by governments, businesses and communities as a critical source of negative emissions solutions. Improved and sustainable crop and livestock management and carbon sequestration have a large role to play in reducing agricultural CO<sub>2</sub> emissions. Climate repair solutions, such as carbon farming, are becoming a foundation of future global trade and economic development. Carbon farming makes a strong contribution to Australia's 2030 emissions reduction target of 26-28% on 2005 levels. The carbon farming industry is rapidly evolving in Australia, with changes being seen through the emergence of subnational carbon markets - Subnational governments are developing investment programs that support localised carbon farming opportunities. Carbon Farming activities under the ERF are subject to a range of criteria - Australia's Offsets Integrity Standards - which ensures the environmental integrity of offsets.</p>
<p><b>Traceability:</b> Growing recognition of the need to carefully evaluate supply chains to achieve short- and long-term sustainability goals. This is partly driven by customers demanding greater traceability across the agricultural supply chain. As the need for information regarding the production and distribution of agricultural products increases, producers will increasingly turn to traceability to improve the visibility of their operations and validate their product's footprint whenever feasible. Nevertheless, implementing these practices comes with significant costs and logistical challenges. With emerging automation and measurement technologies, there will be more</p>	

opportunities for producers and their value chain partners to share information and facilitate greater transparency

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## 5.2 PHASE 2: STAKEHOLDER ENGAGEMENT

Building on the work the Australian wool and sheepmeat industry has already undertaken to understand their stakeholders' perspectives, ERM and STR implemented a three-staged approach to stakeholder engagement, summarised below.

ERM and STR engaged with a broad range of internal and external stakeholders including:

- *Internal stakeholders:* Sheepmeat and Wool producers/processors, the SSF project team, SSG, SSF Board, and industry stakeholders' part of the SSF Consultative Forum; and
- *External stakeholders:* Customer/Retailers, NGOs, ESG investors, Government representatives and external participants of the Sheep Sustainability Framework Consultative Forum.

A summary of the three-staged approach to stakeholder engagement is included on the next page:

Stage 1: Stakeholder mapping	Stage 2: Stakeholder engagements	Stage 3: Stakeholder engagement findings
<ul style="list-style-type: none"> <li>ERM developed a stakeholder engagement plan aligned to <b>AA1000 Stakeholder Engagement Standard (2015)</b>, and <b>AA1000 AccountAbility Principles Standard (2018)</b>, to support the stakeholder engagement.</li> <li>ERM worked with the SSF team to agree on relevant individuals to be engaged across each of the seven stakeholder groups previously defined.</li> <li><b>Stakeholder groups:</b> <ol style="list-style-type: none"> <li>1. Sheepmeat producers</li> <li>2. Wool producers</li> <li>3. Wool Processors/Mills</li> <li>4. ESG Bank/Investors</li> <li>5. Government</li> <li>6. Customer/Retailer</li> <li>7. NGOs</li> </ol> </li> </ul>	<p>ERM and STR engaged wool and sheepmeat industry stakeholders through <u>three mechanisms</u> to identify topics with significant impacts on the environment, people, animals, and the economy, as well as challenges, risks, and opportunities:</p> <ol style="list-style-type: none"> <li>1. <b>SSF Industry stakeholder workshop:</b> March 2023 – STR conducted a workshop to engage stakeholders and identify ‘What was new’ in sustainability themes and review existing SSF topics.</li> <li>2. <b>SSF Consultative Forum:</b> October 2023- ERM and STR engaged with the industry through a workshop and on-line survey.</li> <li>3. <b>Stakeholder Interviews:</b> October – November 2023- ERM and STR conducted <b>9, 30–45-minute</b> online interviews with industry stakeholders.</li> </ol>	<p>ERM and STR developed a report including detailed findings from the three stakeholder engagements conducted in stage 2.</p> <p>Findings were grouped under four key areas, aligning with the SSF themes, presented and validated by the SSF Steering Committee.</p> <ol style="list-style-type: none"> <li>1. Animals</li> <li>2. Environment</li> <li>3. People</li> <li>4. Economy</li> </ol>

Below are the key themes identified by stakeholders and new dimensions raised across the three engagements undertaken. Stakeholders were asked to identify the industry’s biggest positive contributions, as well as negative impacts, risks, challenges and opportunities for the wool and sheepmeat industry.

Animal welfare is a top priority	Growing stakeholder expectations for action on climate	Biodiversity and managing natural capital are growing in importance
<p>Animal husbandry and welfare practices have been acknowledged as top priorities given the reputational risks posed to the industry.</p> <p>High standards of animal welfare, including ‘mandated pain relief’ applicable for all painful procedures (e.g., docking and castration) and the ‘phase-out of mulesing’ were viewed by stakeholders as actions required to continue attracting investment and ensuring market access.</p>	<p>Stakeholders have emphasised the opportunity for the industry to proactively curb the industry's emissions and establish carbon management practices to get to net zero.</p> <p>There have been strong interconnections drawn between existing carbon management practices (carbon credits, tree planting, insetting, on-farm carbon offsetting, carbon sequestration), the need to be prepared to manage impacts from climate change on industry operations (e.g.,</p>	<p>Biodiversity is mentioned as growing in importance for stakeholders. However, the industry’s role and how it is measured is poorly understood.</p> <p>Stakeholders acknowledge industry progress regarding soil health improvements, reducing fertiliser and chemical use and revegetation as practices to improve biodiversity outcomes. They have also considered regenerative agriculture critical to improving revenue flows and farm viability.</p>

<p>Changes in genetics and breeding of sheep have been mentioned as opportunities to reduce susceptibility to flystrike and shift away from mulesing practices.</p>	<p>impacts of drought, water security and to manage grazing) and the need to respond to growing markets (UK, EU) investors and policy/regulations expectations to reduce emissions.</p>	<p>Stakeholders see a lack of industry robust metrics/targets for measuring biodiversity outcomes. Regulation is seen as the next key driver to move in this direction.</p>
<p><b>New dimensions of concern:</b> Ethics for animal treatment, changes to genetics, breeding, and end live export.</p>	<p><b>New dimensions of concern:</b> Net zero emissions, climate change risk mitigation</p>	<p><b>New dimensions of concern:</b> Soil health, biodiversity management and regenerative agriculture.</p>

Traceability and transparency of sustainability initiatives	Zero deforestation
<p>Stakeholders acknowledged the need to <b>enhance and improve traceability practices</b> and <b>data collection</b> across the value chain, to ensure truthful reporting of sustainability practices, reduce reputational risks (e.g., avoid mulesed wool being labelled as non-mulesed), and realise market benefits (e.g., price).</p> <p>Stakeholders also see great opportunities to <b>increase transparency</b> when reporting. They emphasise the need to <b>'Build and share a positive story'</b> -taking advantage of inherent sustainable features from sheep (e.g., natural fibre) and communicating existing industry progress on initiatives (e.g., renewable energy).</p>	<p><b>Zero deforestation across the value chain</b> is a prominent concern raised by stakeholders.</p> <p>Although less prevalent in sheep farming than cattle farming, stakeholders have drawn broader connections.</p> <p>Stakeholders see deforestation as a topic <b>driven by the market</b>, particularly the EU.</p> <p><b>Deforestation Due Diligence Regulation</b> was mentioned as a key regulatory piece posing pressure to improve traceability and reporting generally. There is concern that such regulations may eventually apply to where sheep <b>are traded and sourced</b> and/or to other dimensions of sustainability.</p>
<p><b>New dimensions of concern:</b> Traceability across the value chain (on farm, and at processing stages)</p>	<p><b>New dimensions of concern:</b> Due Diligence to ensure Deforestation-free (trade and source)</p>

### 5.3 PHASE 3: IDENTIFY MATERIAL TOPICS AND ASSESSMENT METHODOLOGY

The 2024 materiality process involved five key phases which have been summarized below.

#### 5.3.1.1.1 Identify topic universe

Building on the work from phases 1 and 2, ERM developed a proposed topic universe. Topics were generated and grouped using the existing four SSF pillars.

Through iterative rounds of refinement, ERM, STR and the SSF project team assessed and validated the relevant sustainability dimensions to be incorporated under each new refreshed topic. This exercise built on the existing topic definitions and scopes disclosed on the '2023 SSF annual report'. The 2024 topic universe includes 25 topics across the four SSF pillars, incorporating *five new topics, three updated topic names and several changes* to the dimensions under each topic.

### 5.3.1.1.2 Refined Material Topic List 2024

Overview of the SSF's refined material topics 2024 and their respective definitions.

#### Changes legend: Changes based on existing SSF sustainability topics

	New topic
	Updated topic name

SSF Pillars	Topic name	2024 Definition
Caring for our sheep	Animal husbandry and handling	Animal management and handling practices, include shearing, lamb marking, and the use of pain relief on-farm euthanasia, slaughter practices at processing, and mulesing. This also includes treatment and compliance with regulations and industry guidance on the farm, in transit and at the final destination.
	Animal wellbeing and welfare	Animal welfare including access to food and water, the provision of shelter and space and lamb survivability in transit and at destination. This includes progressively shifting away from mulesing practices through the development of long-term management plans to protect sheep against flystrike, as well as genetic and breeding innovation and the management of broad impacts of climate change on animal conditions (e.g., water availability, heat, floods, droughts, etc).
	Feed sourcing	Sourcing of animal feed and the associated impacts of feed production on water stress, vegetation and labour standards.
	Biosecurity	Involves the management of infectious diseases including through managing the risk of transmission.
	Biodiversity	Practices impacting on biodiversity, including vegetation and land clearing (deforestation and reforestation), forestation and carbon sequestration, the management of invasive species (including pests, weeds and wildlife management) and the protection of the native plants, animal species and genetic diversity. This also includes positive and negative impacts on natural ecosystem services, such as through working towards regenerative farming practices.
Enhancing the environment	Water security	Practices impacting water security, including water withdrawal (extraction) and consumption, as well as responses to water scarcity.
	Greenhouse gas emissions & carbon management	Management of scope 1, 2 and 3 emissions and the mitigation of emissions in the medium and long term, in line with net zero and carbon neutrality targets. This includes carbon management practices, including carbon sequestration, carbon credits, offsetting and in setting, etc.
	Soil health and pasture management	Soil health and pasture management focuses on positive and negative practices impacting soil nutrient and sediment loss, erosion, pasture management and soil carbon.
	Water quality	Water stewardship involving waterway management, water reuse, wastewater treatment and discharges to watercourses, as well as contamination of waterways due to fertiliser and chemicals.
	Chemicals	The responsible use of fertilisers, herbicides, and pesticides on farms, including withholding periods. This includes managing the restricted substances and hazardous chemicals on the farm and in processing.
	Climate change resilience	Responding to and preparing for extreme weather and events which are expected to increase due to climate change, such as droughts, floods and fires. This includes increasing resilience to physical and transitional climate-related risks.
	Waste	The circular management of solid and liquid waste streams including fibre recovery, food waste and packaging trade waste.
	Energy	Includes energy consumption, as well as resource efficiency and the use of renewable energy
Ensuring financially	Food safety and quality	Encompasses all aspects of food safety and quality, including product integrity and compliance with standards
	Economic contribution	Industry contributions to national and regional development through export income and employment.

SSF Pillars	Topic name	2024 Definition
resilient industry	Economic Resilience &	Improving economic resilience through addressing supply chain disruptions, free trade commerce, global economic growth and managing resilience to global pandemics, including through best practice biosecurity management practices.
	Market access	Access to markets through productivity, profitability, critical mass in processing, and equitable value creation across the industry value chain. This includes through increasing market share of wool in the fibre market and improving the viability of wool.
Ensuring financially resilient industry	Product innovation and stewardship	Product and packaging innovations such as reducing plastic packaging and microplastics, as well as advocacy work to enhance recognition of the environmental credentials of wool products. This includes product stewardship practices involving the management of environmental and social impacts across the value chain.
	Responsible value chain & traceability	Traceability throughout the supply chain, including at sourcing, production, processing, and trade phases. This encompasses communication and transparency of sustainability initiatives, digital connectivity, and data systems to enable supply chain data integration and efficiency to build trust and respect throughout the supply chain. This includes compliance with accepted standards, including sustainability-related disclosure verification and certifications.
Looking after our people, our customer, and the community	Safety	A safe work environment for workers across the value chain, including farm owners, direct employees, seasonal workers, and contractors.
	Labour standards, human rights and employment	Labour practices and decent work for all workers including freedom of association and freedom from modern slavery, as well as the protection of human rights across the workforce including non-discrimination, diversity, and indigenous employment
	Human health and nutrition	Nutrition and food security including access to safe, sufficient, and nutritious food, as well as antimicrobial stewardship.
	Occupational Health	Healthy working conditions for all workers and farm owners including mental health, and protection against occupational illnesses and exposure to chemicals.
	Access to labour & capacity building	Access to people with the appropriate skills, knowledge, training, and experience to perform the activities needed to run sheep industry businesses, including modernisation skills. This includes building capacity through attracting and retaining younger workers and enhancing individual capabilities through training.
	Community engagement	Community engagement supporting meaningful relationships with surrounding communities, including through engaging and promoting opportunities for Indigenous development (RAP) and providing education and contributions to society.
	Industry engagement and collaboration	Engaging in collaboration across the industry, with a focus on strong partnerships and information sharing, reducing unnecessary industry and government regulations, as well as facilitating industry-wide social and environmental measurement disclosure.

### 5.3.1.1.3 Define an assessment methodology:

ERM and STR defined an assessment methodology considering the ongoing evolution of materiality in the key sustainability standards, which has evolved to the articulation of 'Double Materiality.' Double Materiality has been formalised in the ESRS that underpins the EU CSRD. It requires users of the standard to assess topics based on their 'financial materiality' and 'impact materiality' as the two dimensions.

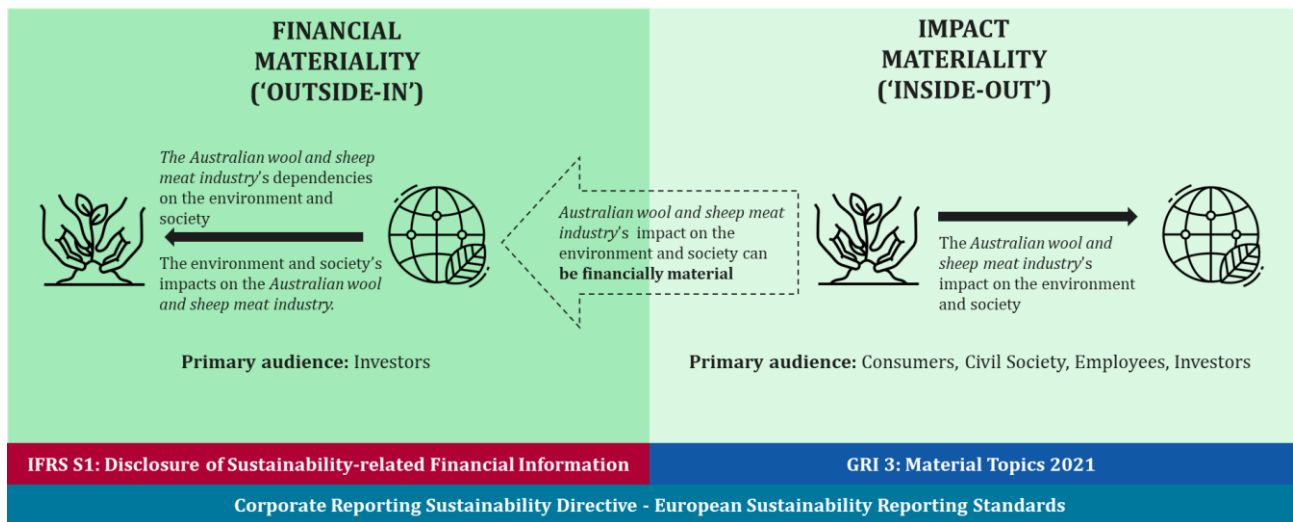
- Financial Materiality** *'The financial impacts, and risks and opportunities the industry faces as a result of their dependence on the environment, society and economy'* – Assessment expectations for financial materiality are outlined in the ESRS definition of financial materiality being a function of financial effects and dependencies arising from

topics and the IFRS S1 requires consideration and disclosure of risks and opportunities that could reasonably be expected to affect the entity’s prospects.

- **Impact Materiality** ‘The actual and potential impacts of the industry on the environment, society, and economy over the short-, medium- and long-term’ – Assessment expectations for impact materiality are outlined in the ESRS definition of impact materiality being driven by actual or potential negative impacts, activities up and down the industry value chain, and via engagement with affected stakeholders.

The dimensions of ‘financial materiality’ and ‘impact materiality’ that form the Double Materiality expectation, and their links to related standards are summarised in Image 1, below:

**IMAGE 1: OVERVIEW OF DOUBLE MATERIALITY**



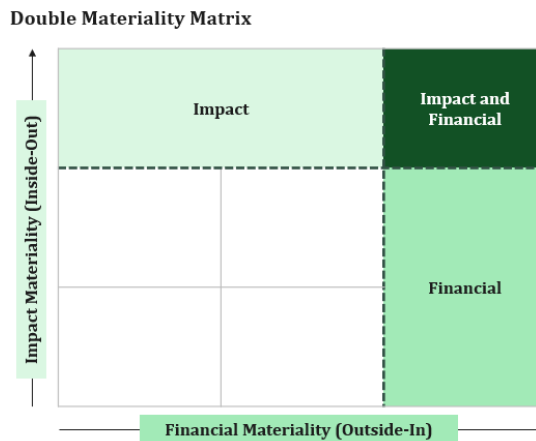
Source: Image adapted from IFRS S1, GRI 3 and ESRS standards.



### 5.3.1.1.2 Visualising materiality assessment results

The Double Materiality assessment methodology incorporates the various definitions and emphasis across the dimensions of 'inside-out' impact materiality and 'outside-in' financial materiality and supports alignment to all the key standards.

#### IMAGE 2: ILLUSTRATIVE MATERIALITY MATRIX REFLECTING THE TWO DIMENSIONS OF DOUBLE MATERIALITY



*Source: Image adapted based on IFRS S1, GRI 3 and ESRS standards.*

While the standards outlined above do not require a visual representation of relative topic priorities, some form of visualisation is commonly applied to assist in communicating materiality assessment outcomes. The results of a materiality assessment can be shown using a materiality matrix, which plots each topic on a graph, based on financial impacts to the industry (X axis) and key areas of impact (positive and negative) on communities, the economy and environment (Y axis). The highest impact topics are shown in the top right corner and are known as material topics.

*Note: Colour shading, and dashed lines are illustrative to communicate concepts of Impact and Financial materiality*

Each topic is considered from a financial and impact materiality perspective as follows.

#### 5.3.1.1.3 Financial Materiality (Outside- In): 'X- Axis'

Assess the financial effects and impacts experienced by the Australian wool and sheepmeat industry arising from dependencies on the economy, environment, and society, as well as the risks and opportunities associated with the drivers of financial value creation.

#### 5.3.1.1.4 Impact Materiality (Inside- Out): 'Y - Axis'

Assess the actual and potential impacts of the Australian wool and sheepmeat industry on the environment and society over the short, medium and long-term, as well as the concerns and interests of stakeholders affected by the industry.

Each axis incorporates individual dimensions and scoring criteria as a function of: Impacts on the economy, environment and society, and views of stakeholders on the *Impact materiality axis*; and as a function of the influence over the drivers of industry value creation and dependency on sources of capital on the *financial materiality axis*. Table 1 below summarises the respective scoring criteria used to assess each of the topics identified.

TABLE 1: SCORING METHODS TO ASSESS FINANCIAL AND IMPACT MATERIALITY

Financial Materiality scoring method	Impact Materiality scoring method
<p><b>1. Value creation effects:</b> Risks and opportunities impacting value creation or erosion. <b>Five value creation effects</b> categories are considered and scored:</p> <ol style="list-style-type: none"> <li>1. Financial effects</li> <li>2. Strategic effects</li> <li>3. Operational effects</li> <li>4. Reputational effects</li> <li>5. Regulatory effects</li> </ol>	<p><b>1. Impacts:</b> Positive or negative impacts assessed based on Scale, Scope, Irremediability and Attribution. <b>Three impact</b> categories are considered and scored:</p> <ol style="list-style-type: none"> <li>1. Impact on environment</li> <li>2. Impact on people (including human rights)</li> <li>3. Impact on the economy</li> </ol>
<p><b>2. Dependencies:</b> Sources of risk and/or opportunity. Dependencies on natural, human and social resources as sources of financial risks or opportunities. Financial dependency across four sources of capital is considered and scored:</p> <ul style="list-style-type: none"> <li>◦ Human capital</li> <li>◦ Natural capital</li> <li>◦ Produced capital</li> <li>◦ Social capital</li> </ul>	<p><b>2. Value chain stakeholder interest/concern:</b> How concerned or interested are stakeholders in the topic? Seven stakeholder groups were considered and scored:</p> <ol style="list-style-type: none"> <li>1. Sheepmeat producers</li> <li>2. Wool producers</li> <li>3. Wool Processors/Mills</li> <li>4. ESG Bank/Investors</li> <li>5. Government</li> <li>6. Customer/Retailers</li> <li>7. NGOs</li> </ol>
<p><b>Scoring:</b> Financial Materiality assessed by scoring each topic from 1-5 for its influence over the drivers of industry value creation and the industry's dependencies on sources of capital. Value creation scoring ranges from no measurable or minor short-term impact (1) to significant long-term impacts (5). Dependencies scoring ranges from no measurable change in financial dependency (1) to Significant/permanent financial dependency risks or opportunities (5).</p>	<p><b>Scoring:</b> Impact Materiality assessed by scoring each topic from 1-5 for the industry's impacts on economy, environment and society, and the views of affected key stakeholder groups. Impact scoring ranges from no measurable or minor short-term impact (1) to significant long-term impacts (5). Stakeholder concern and interest scoring ranges from awareness amongst few, but no real concern or interest (1) to high level of widespread concern or interest (5).</p>

## 6. LIMITATIONS IN MATERIALITY PROCESSES

Materiality, as used in sustainability-related standards has limitations which should be considered when viewing results.

**Evolving methodologies** – ERM and STR consulting used a double materiality methodology when approaching this assessment. The approach harmonises leading double materiality standards to systematically consider 'financial' and 'impact' materiality. It integrates key materiality requirements from sustainability standards (IFRS S1, GRI 3: Material topics 2021, Universal Standard, and the CSRD and the associated ESRS) and is aligned with the AA1000 Accountability Principle of Materiality. The evolution of standards and methodologies will likely continue to harmonise over the next five years as global institutions seek to standardise approaches to double materiality. MLA should continue to monitor evolving mandatory and discretionary methodology requirements and best practices.

**Defining materiality** – Materiality terminology has been borrowed from the financial sector and refers to the relative level of importance regarding financial impacts. This report grounds its definition in the IFRS S1 definition which, "Requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the

entity's cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as 'sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects'. IFRS S1 language is drawn directly from finance sector usage.

- **Stakeholder perspectives** – Stakeholder's depth and breadth of knowledge on specific material topics varies across individuals and can at times reflect differences in opinion. Detailed review of stakeholder engagement initiatives, including surveys, workshops and forums, will enable the SSG to identify areas where additional stakeholder engagement efforts may be required.
- **Stakeholder representation** – The breadth of stakeholders participating in this assessment has been diverse and robust enough to deliver decision-useful results for the industry, further opportunities to increase engagement of stakeholders at both ends of the value chain is recommended.

Given these limitations, the results presented in the following section is based on ERM and STR's analysis and is valid at the time of writing.

## 7. MATERIALITY ASSESSMENT RESULTS

This section summarises the wool and sheepmeat industry's 2024 materiality assessment findings and provides a detailed comparison to the previously conducted assessment in 2020. It combines all the work to date and summarises the scores identified for each material topic. As outlined in the previous section, the scoring of these topics is based on their financial impact and dependencies on the industry and their significance to the industry and supply chain stakeholders.

The material topics, along with their initial scoring, have *been presented to the SSF project team and SSG*. ERM and STR reviewed and incorporated additional feedback and refined scores, drawing upon industry insights and data analysis. This iterative process ensures our assessments' accuracy and underscores the commitment to delivering comprehensive and informed evaluations of each material topic. *2024 SSF Materiality Assessment results were then validated by SSF Industry forum and signed off by the SSF board.*

The SSF's 2024 materiality assessment has identified what material topics and impacts are most significant to the wool and sheepmeat industry. This materiality assessment has identified *14 highly material topics* of most importance to the industry and its key stakeholders.

In line with sustainability standards, this materiality assessment has identified and prioritised topics based on the positive and negative impacts the wool and sheepmeat industry has on livestock and climate, the environment, and the economy, as well as the financial effects and impacts experienced by the industry arising from dependencies on people, the environment and economy.

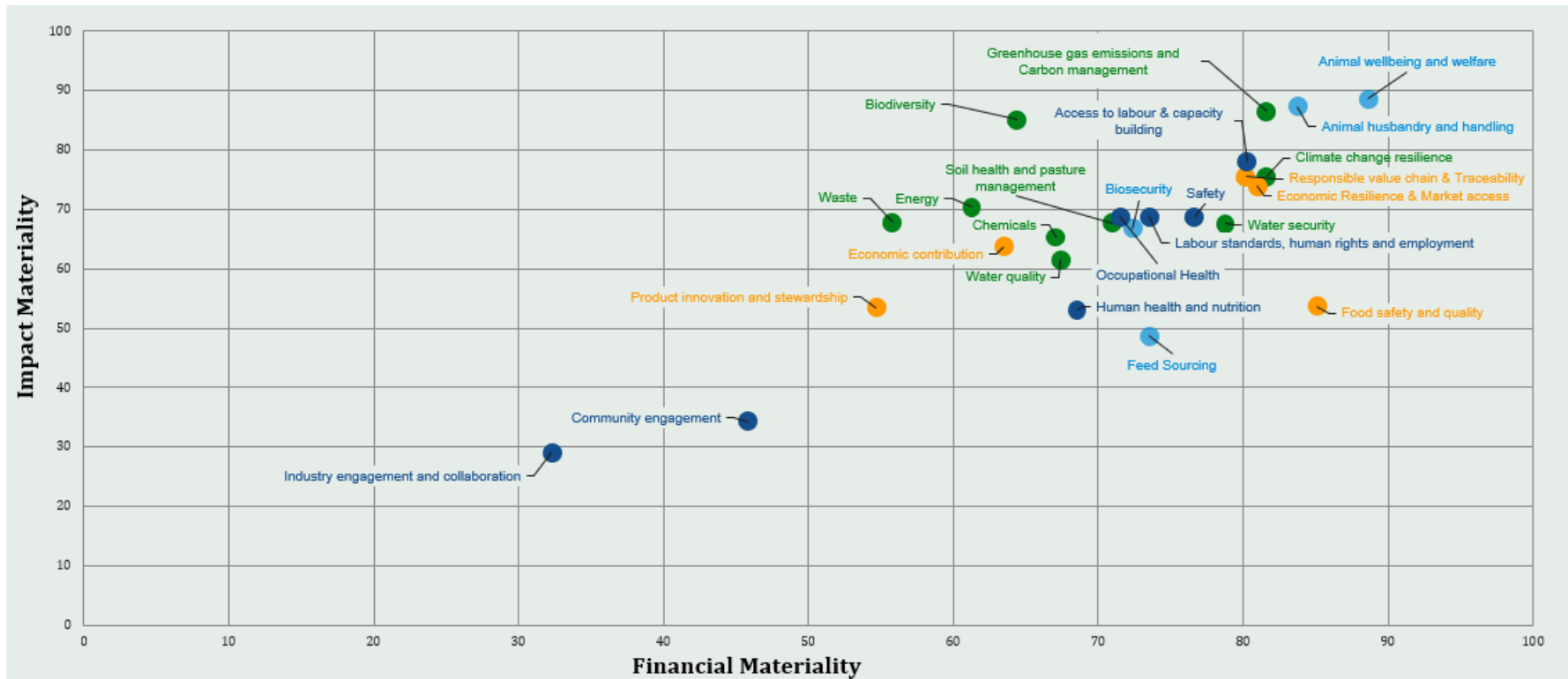
The assessment results are displayed in the Image below, detailing the financial materiality on the x-axis and the impact materiality on the y-axis.

## 8. MATERIALITY MATRIX

The topics that received the highest scores are considered the most material (located in the top right corner), meaning they are highly important to both the industry and stakeholders. The colours of the bubbles indicate each of the SSF’s focus areas.

Key	
Caring for our sheep	Ensuring financially resilient industry
Enhancing the environment	Looking after our people, our customers, and the community





IMAGE 3: SSF’S 2024 MATERIALITY MATRIX.



### 8.1 SSF HIGHLY MATERIAL TOPICS

The 2024 materiality assessment highlighted the following 14 topics as being the most material for the industry and its stakeholders:

IMAGE 4: 2024 SSF HIGHLY MATERIAL TOPICS

 Caring for our sheep		 Enhancing the environment and climate		 Looking after our people, our customers, and the community		 Ensuring financially resilient industry	
1	Animal wellbeing and welfare	3	Greenhouse gas emissions and carbon management	4	Access to labour & capacity building	6	Responsible value chain & traceability
2	Animal husbandry and handling	5	Climate change resilience	10	Safety	7	Economic resilience & market access
14	Biosecurity	8	Biodiversity	11	Labour standards, human rights, and employment	12	Food safety and quality
		9	Water security	13	Occupational health		

Highly material topics fall relatively equally within SSF’s four focus areas, indicating that all areas are relevant and that the SSF has a holistic approach which focuses relatively evenly on people, environment, and economic topics.

**New topics** - The assessment resulted in the development of several new topics, or additional dimensions to existing topics which required review and offer further opportunities to explore cross-sector initiatives to address them. These include:

- Responsible value chain and traceability (new topic)
- Economic resilience and market access (new topic)
- Product innovation and stewardship (new topic)
- Community engagement (new topic)
- Industry engagement and collaboration (new topic)
- Access to labour (updated topic)
- Climate change resilience (updated topic); and
- Greenhouse gas emissions and carbon management practices (updated topic).

**2020 SSF Materiality material topics remaining top priority** - Animal wellbeing and animal husbandry and handling, under the animal pillar, were once again identified as a high priority across the stakeholder groups engaged. They were seen as continuing to present significant financial impacts to the industry, mainly through operational risks, reputational risks from public perceptions, and regulatory effects if risks are not well managed. Greenhouse gas emissions and carbon management also remained a high priority due to increasing regulatory

expectations, heightened public awareness and increased focus by investors on adequate long-term management of climate risks and opportunities.

**Several topics increased in importance in terms of sustainability risks or opportunities for the industry. These include:**

- Access to labour with the right skill set has been an ongoing challenge for the industry for the last 18 months. The assessment has identified that not having access to skilled labour constitutes a significant ongoing risk for the industry, with the potential for substantial impacts on people and the economy.
- Occupational health and safety have climbed in importance since the 2020 materiality assessment. Scarcity of skilled labour has increased risks associated with health and safety incidents, particularly regarding the operation of machinery.
- Renewable energy production is seen as a key opportunity for the industry, as evidenced by its elevation in the Energy topic ranking since the 2020 assessment.

**Additional findings from the materiality assessment process:**

- **Stakeholders increasingly engaged** – stakeholders both internal to the industry and along the value chain are very engaged and offered feedback on drivers and topics as well as on the SSF itself, including suggested actions and initiatives. It is important, however, that the SSF monitors and reviews stakeholder representation to include equitable distribution of actors along the value chain and those who the industry's activities might impact.
- **Greater connections are being made between the drivers of topics** – The project illustrated strong interconnections and complex relationships between topics and their respective impacts on one another. This also represents an evolution in maturity as industry stakeholders are increasingly identifying links between the drivers of impacts and their flow-on effects. Climate change, for example, presents challenges in the form of heat stress and animal welfare outcomes, particularly in transport, as well as shifts in the spread of disease and the management of biosecurity risk.

## 8.2 BENEFITS TO INDUSTRY

Some of the clear benefits to the wool and sheepmeat industry are included below:

- **Ensure a resilient position within the market** by addressing emerging risks and opportunities, consequently presenting an opportunity for continuous improvement in the industry's own response and performance.
- **Focusing of resources.** Prioritising topics through materiality helps the industry channel resources into the areas of greatest impact, risk, opportunity, or interest to stakeholders.
- **Improved responsiveness to stakeholders** ensures a dynamic approach to sustainability, with some minor shifts in topics indicating an already progressive trajectory. Efforts to address risk-oriented topics have been recognised, with many now perceived as opportunities for industry advancement. Energy, for example, as a material topic presents tangible opportunities, particularly evident in the rise of on-farm renewable energy initiatives. This shift in perception reflects **the industry's adaptability and strategic foresight in the transition to a low-carbon economy.**

- **Demonstrated alignment of the industry’s financial prospects and sustainability-related financial reporting** - integrating a financial component into the materiality assessment methodology signifies a comprehensive approach, encompassing regulatory and reputational risks alongside financial considerations. This multi-dimensional evaluation not only enhances the robustness of the assessment but also ensures alignment with the latest sustainability standards and industry standards, including those set forth by the **GRI, multiple EU instruments and the direction of domestic programs such as Australian Accounting Standards Board, the Australian Sustainable Finance Initiative and the Australian Agricultural Sustainability Framework.**
- **Partnership opportunities with industry stakeholders.** Engaging with stakeholders on priorities internally and across the broader value chain in this project presents opportunities to explore mutual challenges and potential solutions. This is particularly important as stakeholder interests and the industry operating context shifts. Emerging domestic and global regulation on climate disclosure is an example of how various actors in the wool and sheepmeat value chains will be liable and seek information from producers on greenhouse gas emissions and climate risks.
- **Partnership opportunities with other domestic agriculture initiatives.** The materiality work has identified priority topics, some of which are common to other agriculture sectors such as safety, access to labour, greenhouse gas emissions and feed sourcing. Although the nature of the topics may differ in their detailed application in the wool and sheepmeat industry, this work may be shared more broadly across the red meat industry and other agriculture frameworks.

### 8.3 IMPACT MATERIALITY SCORES AND FINANCIAL MATERIALITY SCORES

Material topics do not reflect significant scoring differences when assessing financial materiality and impact materiality. Minor changes have been shown in *Water security and Food safety and quality*, highlighting the significant financial impacts on the industry as shown in Image 5 below.

IMAGE 5: 2024 SSF FINANCIAL MATERIALITY SCORES AND IMPACT MATERIALITY SCORES

Pillars	Topic	Financial Materiality (median scores)	Impact Materiality (median scores)	Difference
Caring for our sheep	1 Animal husbandry and handling	4	4.4	-0.4
	2 Animal wellbeing and welfare	4.2	4.5	-0.3
	3 Feed sourcing	3.4	2.9	0.5
	4 Biosecurity	3.8	3.5	0.3
Enhancing the environment	5 Biodiversity	3.6	4.3	-0.7
	6 Water security	4	3.1	0.9
	7 Greenhouse gas emissions and carbon management	3.8	4.3	-0.5
	8 Soil health and pasture management	3.6	3.2	0.4
	9 Water quality	3.8	3.1	0.7
	10 Chemicals	3	3.4	-0.4
	11 Climate change resilience	3.8	4	-0.2
	12 Waste	3.4	3.8	-0.4
Ensuring financially resilient industry	13 Energy	3.2	3.7	-0.5
	14 Food safety and quality	3.8	2.9	0.9
	15 Economic contribution	3	3.2	-0.2
	16 Economic resilience & market access	3.6	3.7	-0.1
	17 Product innovation and stewardship	3.2	3.1	0.1
	18 Responsible value chain & traceability	4.4	4.1	0.3
Looking after our people, our customers and the community	19 Safety	3.8	3.5	0.3
	20 Labour standards, human rights and employment	3.4	3.3	0.1
	21 Human health and nutrition	3.4	3	0.4
	22 Occupational health	3.4	3.5	-0.1
	23 Access to labour & capacity building	3.2	3.8	-0.6
	24 Community engagement	2.2	2.2	0
	25 Industry engagement and collaboration	2.2	2.1	0.1

### 8.4 COMPARISON TO THE 2020 SSF MATERIALITY ASSESSMENT

#### Topic ranking

New topics were identified in these materiality assessments meaning that a direct comparison between the two cannot be made. However, important ranking changes have been identified by comparing the results of the 2020 and 2024 SSF materiality assessments. These have been summarised in the table below:

**Key: changes**

- Positive changes in ranking
- Negative changes in ranking
- New Topic
- Updated topic name

TABLE 2: SSF’S TOPIC UNIVERSE AND RANKS 2024 AND 2020

Focus area/ themes	2024 topic names	Rank 2024	Rank 2020	Changes
Caring for our sheep	Animal husbandry and handling	2	1	-1
	Animal wellbeing and welfare	1	2	+1
	Feed Sourcing	20	24	+4
	Biosecurity	14	10	-4
Enhancing the environment and climate	Biodiversity	8	3	-5
	Water security	9	4	-5
	<b>Greenhouse gas emissions &amp; carbon management</b>	3	5	+2
	Soil health and pasture management	15	6	-9
	Water quality	18	7	-11
	Chemicals	16	8	-8
	<b>Climate change resilience</b>	5	/	/



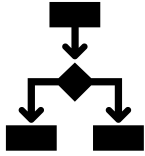
	Waste	21	21	0
	Energy	17	23	+6
Ensuring financially resilient industry	Food safety and quality	12	11	-1
	Economic contribution	19	22	3
	Economic resilience & market access	7	/	/
	Product innovation and stewardship	23	/	/
	Responsible value chain & traceability	6	/	/
Looking after our people, our customers and the community	Safety	10	9	-1
	Labour standards, human rights and employment	11	12	+1
	Human health and nutrition	22	20	-2
	Occupational health	13	19	+6
	<b>Access to labour &amp; capacity building</b>	4	25	+21
	Community engagement	24	/	/
	Industry engagement and collaboration	25	/	/

Comparing these results highlights three key changes between the 2020 and 2024 SSF materiality assessments:

- **A shift in methodology** - particularly in the examination of financial materiality and impact materiality (double materiality). Notably, financial materiality encompasses 'new' assessment factors such as reputational and regulatory effects, among others, influencing the comprehensive evaluation of scores.
- **More mature approach to understanding sustainability topics** - some material topics are clearer and better understood than others, contributing to the nuanced assessment of scores and highlighting the complexity in evaluating the diverse landscape of materiality considerations.
- **New topics and accelerating impacts** – the third and perhaps most significant change between the 2020 and 2024 results is the emergence of several new topics, such as Responsible value chain and traceability (amongst others) as well as the acceleration of topics such as Energy, which presents increased opportunities for the industry around renewable energy generation, while other topics scores increased due to increased perceived risks for the industry.

## 9. RECOMMENDATIONS

Throughout the materiality assessment work, several recommendations arose, highlighting key areas for future research and development, strategic focus, and improvement in sustainability practices. These are clustered below into three groups:



### **Procedural recommendations for the Sheep Sustainability**

**Framework Steering Group:** Based on the results of the SSF materiality assessment, the sheepmeat and wool industry could investigate and discuss the potential for direct updates to the existing SSF framework.



**Areas for further research and consideration:** The sheepmeat and wool industry could undertake further research into topics which are less clearly defined or where impacts of the industry are more problematic to assess, such as the term 'regenerative agriculture' and value chain impacts regarding circular economy and labour standards.















### **Opportunities for collaboration and partnerships across sectors:**

There are opportunities to increase collaborations and partnerships with other sectors on specific topic areas interconnected with other industries and in need of clarification, such as Responsible value chain and traceability.

Recommendations have been prioritised based on their level of relevance to catalyse and accelerate momentum and their impact on the wool and sheepmeat industry's value chain. A summary of the recommended actions is outlined below:

TABLE 3: SUMMARY OF RECOMMENDATIONS

	Short term actions	Medium term action	Long term action
High priority	 <p>Update priority topics reflected in the SSF in response to the materiality results. Specifically, reflect on the highly material topics and how they are reflected in the SSF as well as emerging topics and how they may be monitored.</p> <p>Conduct a value chain exercise as a part of or ahead of any update to the SSF to clarify and confirm the current onshore boundary of the SSF with industry</p>	 <p>Review material topics internally (annually) and externally (every 3 years).</p>	 <p>Work in labour standards, human rights and employment may be further progressed with Dairy Australia, which is facilitating work on behalf of the Dairy Sustainability Framework.</p>
	 <p>Identify current projects and industry activities under the SSF associated to each priority topic.</p>	 <p>Consider pathways for monitoring material topic impacts beyond Australian operations.</p>	
	 <p>Further assessment of the nature of labour standards, human rights, and employment as a risk to people.</p>	 <p>Mapping SSF 2024 topics to material topics in other agriculture and related sectors (e.g. beef, dairy, grains, fodder, sheep skins and the AASF) with a view to confirming topics and identifying likely collaborations.</p>	
Medium priority	 <p>Review the relationship between nature-related topics to clarify impacts and develop metrics and indicators which are fit for purpose.</p>	 <p>Understanding the sources of feed and its impacts - both domestic and offshore as an emerging issue.</p>	
Low priority	 <p>SSG to consider a position on the use of the term 'Regenerative Agriculture.'</p>	 <p>Further alignment of the SSF with GRI13 to support ongoing alignment of reporting with international good practice.</p>	 <p>Work with other relevant industry organisations and initiatives to identify potentially compatible nature related metrics and data sources to establish practical, comparable reporting approaches.</p>

## 9.1 SHORT TERM ACTIONS

Priority actions required to strengthen the foundations, catalyse, and accelerate momentum of the SSF within the wool and sheepmeat industries.

	<p><b>Review of topics reflected in the SSF:</b> Reflect on the results of the materiality project and review the structure and priority areas to ensure that it is focused on the most important topics. Further, conduct a value chain exercise as a part of or ahead of any update to the SSF to clarify and confirm the current onshore boundary of the SSF with industry.</p>
	<p><b>Identify current projects and industry activities under SSF:</b> Consider the current industry response to the topics identified, particularly to identify gaps in practices and programs.</p>
	<p><b>Further assessment of the nature of labour standards, human rights and employment as a risk to people:</b> The nature of labour standards, human rights and employment as a risk to people in the industry requires further assessment. While this topic did not increase significantly in ranking, access to labour from a risk perspective increased significantly. There is a likely relationship between these topics to explore, particularly as the business and human rights agenda progresses into legal instruments such as <b>modern slavery reporting</b>. Stakeholders representing organised labour are rarely included in stakeholder interviews, surveys, or outreach by the agriculture sector frameworks and this represents a common gap.</p>
	<p><b>The relationship between nature-related topics such as biodiversity, soil health and pasture management, require further work to clarify impacts and develop metrics and indicators which are fit for purpose:</b> This is not unique to the industry and is likely to require participation in national initiatives such as Australia's National Soil Action Plan 2023-2028. Evaluating and assessing nature-related impacts and dependencies for the industry will also provide a valuable base of information to support members with their emerging TNFD needs.</p>
	<p><b>Stakeholders raised the concept of regenerative agriculture in discussions, which will require further internal definitions:</b> Opinions were divided. While some stakeholders, particularly external stakeholders, would like to see the term being actively used in the SSF, others were concerned by the lack of commonly accepted definitions and see it as a polarising term. The SSG should <b>consider a position on the use of the term, or not, in the SSF</b>. If the term is to be adopted for use within the SSF we recommend that consultation be undertaken with stakeholders to align on a commonly accepted definition. MLA has contributed to recent work in this area by the SAI Platform Australia and Agricultural Innovation Australia, and this may be used to inform a position on the topic.</p>

## 9.2 MEDIUM TERM ACTIONS

Actions that will lay the groundwork required to achieve medium and long commitments once priority areas are actioned. Some of the recommendations outlined below can be brought forward as short-term actions are completed.

	<p><b>Monitoring of issues beyond Australian operations:</b> While the study has focused on topics which can be controlled or strongly influenced within the Australian domestic context, the SSF should monitor issues which reflect impacts occurring offshore, even though the Australian industry may have little or no direct control. This is particularly evident in wool where risks and opportunities associated with wool processing, retail, use and end of life predominantly occur outside of Australia.</p>
	<p><b>Review material topics:</b> Review material topics internally annually and continue an external review every 3-5 years. Consider third-party assurance of the application of the materiality principle in future to provide confidence to stakeholders.</p>



**Mapping of topics from this project to material topics in other agriculture and related sectors** (e.g. beef, dairy, grains, fodder, sheep skins and the AASF) would help to identify further investigations which may be mutually beneficial across multiple agriculture sustainability frameworks.



**Sourcing of feed and its impacts - both domestic and offshore** is not well understood or quantified by current domestic agriculture frameworks. That is, understanding the sources of imported feed and possible association with deforestation as well as water security and other risks associated with domestically sourced feed. It is a topic common to multiple livestock sectors, grain and fodder industries and presents an opportunity for the more mature agriculture frameworks to work together to better understand the likely impact.

### 9.3 LONG TERM ACTIONS

Actions that are made possible by a mature SSF, socialisations within the wool and sheepmeat industry and interactions with other agricultural industries.



Work in **labour standards, human rights and employment** may be further progressed in collaboration with other industries, such as Dairy Australia, which is facilitating work on behalf of the Dairy Sustainability Framework to identify labour and human rights risks in the dairy value chain and actions to address these risks.

## 10 APPENDIX

### 10.1 LIST OF ABBREVIATIONS

AA1000	AccountAbility Principle Standard
AA1000SES	AA1000 AccountAbility Stakeholder Engagement Standard
AASB	Australian Accounting Standards Board
AASF	The Australian Agricultural Sustainability Framework
ABSF	Australian Beef Sustainability Framework
ASFI	Australian Sustainable Finance Institute
AWI	Australian Wool Innovation
CN30	Red Meat Industry's Carbon Neutral 2030 Initiative
CSRD	Corporate Sustainability Reporting Directive
ERM	Environmental Resources Management
ESRS	European Sustainability Reporting Standards
GRI 3	Standards Global Reporting Initiative GRI 3: Material topics 2021
IFRS S1	International Financial Reporting Standard. General Requirements for Disclosure of Sustainability-related Financial Information
MLA	Meat and Livestock Australia
SSF	Sheep Sustainability Framework
SSG	Sheep Sustainability Framework Steering Group
STR	STR Consulting

## 10.2 COMPARISON SSF MATERIALITY ASSESSMENT SCORES 2020 VS. 2024

Caring for our sheep				
2024 topic universe	Rank 2024	Rank 2020	Changes	Analysis
Animal wellbeing and welfare	1	2	+1	<ul style="list-style-type: none"> <li>Described as highly material by all stakeholder groups.</li> <li>High to significant financial impacts on operation, strategic, reputational and regulatory effects.</li> </ul>
Animal husbandry and handling	2	1	-1	<ul style="list-style-type: none"> <li>Described as highly material by all stakeholder groups.</li> <li>High to significant financial impacts on operation, strategic, reputational, and regulatory effects.</li> </ul>
Feed sourcing	20	24	+4	<ul style="list-style-type: none"> <li>High to significant financial impacts on operation, strategic, reputational, and regulatory effects.</li> <li>Global regulatory changes, related industries being affected and having to react. For example, EU deforestation due diligence peace.</li> <li>Origin of feed crucial, differentiate between locally sourced feed and imported feed from critical areas (e.g., areas linked to water stresses and deforestation).</li> <li>El Niño weather predictions, resulted in farmers having to weigh up between potentially higher expenses for feed or opting for destocking.</li> </ul>
Biosecurity	14	10	-4	<ul style="list-style-type: none"> <li>Poor biosecurity management could lead to significant financial impacts and regulatory effects.</li> <li>Heavily regulated industry</li> <li>Scores are responsive to perceived biosecurity threats, especially from neighbouring countries; status indicates effective control and management without recent alarming cases.</li> <li>External stakeholders more concerned due to distance from management and mitigation processes; internal stakeholders reassured by regulations and secure management approach, resulting in lower scores.</li> </ul>

## Enhancing the environment and climate

2024 topic universe	Rank 2024	Rank 2020	Changes	Analysis
Biodiversity	8	3	-5	<p>Regulatory changes expected around biodiversity, for example Nature Repair Bill indicating an intention to establish a biodiversity market with trading certificates, potentially introducing financial incentives for biodiversity conservation.</p> <p>Positive financial impacts and opportunities such as carbon sequestration present positive financial prospects.</p> <p>Deforestation is less critical for sheep compared to beef, as sheep farming is not on the EU's commodity list for due diligence. However, there is a potential future inclusion of sheep on lists.</p> <p>Biodiversity loss linked to sheep farming could carry reputational impacts.</p> <p><b>Notes:</b> We have divided attention to biodiversity by splitting out topics such as soil and pasture management and water, which, in other frameworks, are grouped under "nature" and elevating that score.</p> <ul style="list-style-type: none"> <li>Scores are likely to rise again due to increased awareness and better knowledge, along with new domestic policies. However, other urgent issues currently take precedence. Still, it is crucial to keep a close eye on and properly handle all nature-related matters.</li> </ul>
Chemicals	16	8	-8	<p>Lower to moderate financial impacts regarding financial, strategic and operational effects.</p> <p>Significant regulatory impacts, as industry is highly regulated. Industry has great control of chemical management and processing.</p> <p>Higher environmental impacts if breaches occur.</p> <ul style="list-style-type: none"> <li>Change of topic dimensions. Previous assessment touched on the use of chemicals in wool processing, with implications for water quality. However, the current assessment is concentrating on control, influence domestic impacts and response with more defined boundaries.</li> </ul>
Greenhouse gas emissions & carbon management	3	5	+2	<ul style="list-style-type: none"> <li>Significant reputational risks GHG emission and carbon mitigation is a significant risk area for social outrage, especially once public claims have been made.</li> <li>Regulatory changes and rising reporting requirements/ due diligence: For example, federal government formulating <u><a href="#">Agriculture and Land Transition Strategy paper for achieving net zero by 2050</a></u>.</li> <li>Shifting global trends driven by heightened customer and stakeholder pressure, demanding increased GHG performance.</li> </ul>
2024 topic universe	Rank 2024	Rank 2020	Changes	Analysis



Climate change resilience	5	/	/	<ul style="list-style-type: none"> <li>• High to significant financial impacts on operation, strategic, reputational and regulatory effects.</li> <li>• Heightened industry awareness and increased understanding on climate change's significant impacts e.g., quantifiable financial consequences from weather events</li> <li>• Heightened awareness and understanding of actively managing climate risk and operating responsibly (opportunities as well as risk mitigation)</li> <li>• Global trends reveal a surge in frequency and severity of severe weather events</li> </ul>
Water security	9	4	-5	<ul style="list-style-type: none"> <li>• Score decline may be attributed to the timing of the previous materiality assessment aligning with a drought period, impacting desktop review outcomes due to increased industry and media coverage.</li> <li>• Placement of water security linked to climate change resilience discourse.</li> <li>• Heightened awareness and perception of future droughts.</li> <li>• Water security significantly influences business models and strategies, with both positive and negative impacts. Strategic water management is essential for farmers to sustain operational continuity during droughts, safeguarding their ability to care for</li> </ul>

## Enhancing the environment and climate

2024 topic universe	Rank 2024	Rank 2020	Changes	Analysis
Energy	17	23	+6	<ul style="list-style-type: none"> <li>Moderate financial effect due to rising energy and fuel costs affecting both on-farm and processing operations (meat and wool)</li> <li>Positive strategic impacts and growing interest in renewable energy opportunities among sheep farms</li> <li>Global and regulatory trends, anticipation of stricter regulations due to Australia's commitment to net zero by 2050, necessitating a transition to clean energy. Other Livestock industries pledging carbon neutrality by 2030.</li> <li>Positive environmental impact expected reduction in emissions, with potential benefits for sheep wellbeing (studies indicate that solar panels provide shade, contributing to increased animal welfare)</li> </ul>
Soil health and pasture management	15	6	-9	<ul style="list-style-type: none"> <li>Poor soil health and pasture management could result in higher financial and operational impacts, linked to feed sourcing related issues.</li> <li>Origin of feed crucial, differentiate between locally sourced feed and imported feed from critical areas (e.g., areas linked to water stresses and deforestation).</li> <li>El Niño weather predictions, resulted in farmers having to weigh up between higher expenses for feed or opting for destocking.</li> <li>High dependencies between locally sourced feed and good soil health and pasture management.</li> <li>Score fluctuations may be attributed to the timing of the previous materiality assessment aligning with a drought period, placing considerable stress on soil and pasture which made it a prominent concern.</li> </ul>
Water quality	18	7	-11	<ul style="list-style-type: none"> <li>Score changes could be linked to the previous materiality assessment boundaries; offshore wool processing was more pronounced in previous assessment. Current assessment focuses more on local processing.</li> <li>Heightened financial impacts on financial, strategic, reputational and regulatory effects. Strategic water management enables farmers to maintain operational and improve on farm efficiencies, whereas poor water quality could impact ability to operate resulting in lower productivity.</li> </ul>
Waste	21	21	0	<ul style="list-style-type: none"> <li>Overall moderate financial effect and impact materiality scores.</li> <li>Comprehensive assessment including both sheepmeat and wool processing reveals an overall score, with a noteworthy impact from the sheepmeat sector. Sheepmeat has lower concerns about waste stemming from their high-value product perception and minimal on-farm waste.</li> <li>The wool sector is interested in adopting effective waste management practices, emphasising fibre recovery and circularity. Heightened commitment is driven by the textile industry's influence, coupled with increasing customers and stakeholders' pressure who are increasingly concerned about waste issues.</li> </ul>

## Looking after our people, our customers and the community

2024 topic universe	Rank 2024	Rank 2020	Changes	Analysis
Labour standards, human rights and employment	11	12	+1	<ul style="list-style-type: none"> <li>• Significant financial impacts regarding regulatory and reputational effect.</li> <li>• Labour and human rights standards have a significant impact to people.</li> <li>• Global trends: increased labour standards, human rights due diligence and reporting obligations on modern slavery and human rights risks.</li> <li>• Customer and stakeholder pressure, growing demand for transparency and information disclosure across the entire value chain regarding human rights risk management.</li> </ul>
Safety	10	9	-1	<ul style="list-style-type: none"> <li>• Significant operational effects, worker health and safety are vital to operate effectively and efficiently.</li> <li>• Farming has been described as an inherently dangerous occupation, requiring sufficient safety measures. Unsafe practices are highly likely and the need for safe work practices applies throughout the supply chain.</li> <li>• Poor safety could lead to high risk of reputational damage.</li> <li>• High regulatory effects, as industry adheres to strict work health and safety regulations.</li> </ul>
Access to labour & capacity building	4	25	+21	<ul style="list-style-type: none"> <li>• Increasing labour shortage poses significant operational risks, impacting production efficiency. Access to skilled labour viewed as becoming more difficult resulting in compromised productivity/efficiency and exposure to higher health and safety risks to workers.</li> <li>• Aging workforce, posing a potential challenge to labour availability and sustainability.</li> <li>• Aftermath of COVID-19 has resulted in a decreased influx of workers from overseas, impacting the overall labour pool.</li> <li>• Heavy reliance on migrant workers is a key characteristic, raising concerns about the resilience of the workforce.</li> <li>• Industry is predominantly reliant on manual labour, intensifying the need for a consistent and skilled workforce.</li> </ul>
Occupational health	13	19	+6	<ul style="list-style-type: none"> <li>• Scarcity of skilled labour increases exposure to higher health and safety risks for both workers and livestock, particularly in tasks involving heavy machinery.</li> <li>• Effective occupational health management could have significant positive reputational outcomes, directly influencing the perception of the industry. Poor management, on the other hand, could lead to negative repercussions.</li> <li>• Inadequate occupational health management can moderately impact the ability of farmers and manufacturers to operate their sites.</li> <li>• Moderate positive financial impacts, investing in occupational health measures (e.g., training, preventive healthcare), could bring financial benefits, including reduced healthcare costs,</li> </ul>

				lower worker compensation claims, increased productivity, and improved overall workforce wellbeing.
Human health and nutrition	22	20	-2	<ul style="list-style-type: none"> <li>• Moderate impact on financial effects. Antimicrobial use could limit market access due to strict regulatory requirements impacting the industry's financial position. Proactive management of antimicrobials can contribute to lower veterinary costs, reduced losses due to disease, and improved overall productivity.</li> <li>• Industry remains static concerning health-related incidents. There have been no food safety incidences or scares, reflecting well-managed practice.</li> <li>• Industry operates within a high-regulation environment, with stringent controls in place for food safety. Adherence to these regulations is vital for maintaining the industry's reputation and consumer trust.</li> </ul>
Community engagement	24	/	/	<ul style="list-style-type: none"> <li>• Limited to moderate financial effects and impacts.</li> <li>• Opportunities to create more positive perception of industry in surrounding communities.</li> <li>• Community engagement could enhance access to labour. Strengthening local workforce.</li> <li>• No measurable change in negative/positive impact on regulatory effects.</li> </ul>
Industry engagement and collaboration	25	/	/	<ul style="list-style-type: none"> <li>• Limited to moderate financial effects and impacts.</li> <li>• No measurable change in negative/positive impact on regulatory effects.</li> <li>• Mitigation of risks through a coordinated industry response, preventing potential crises and ensuring effective management</li> <li>• Addressing limitations of existing consultation structures with key stakeholders to prevent reputational risks and demonstrate responsiveness to industry concerns.</li> <li>• Positive contribution to solving cross-industry problems (e.g., feed sourcing, access to labour)</li> </ul>

## Ensuring a financially resilient industry

2024 topic universe	Rank 2024	Rank 2020	Changes	Analysis
Responsible value chain & traceability	6	/	/	<ul style="list-style-type: none"> <li>Described as highly material by most stakeholder groups.</li> <li>High to significant financial impacts on operation, strategic, reputational, financial and regulatory effects. Potentially high financial effects, intimal costs of implementing traceability technology/ schemes.</li> <li>Global trends, increased traceability demands effecting related industries. For example, EU deforestation due diligence peace.</li> <li>Overall traceability is being linked to multiple material topics, such as deforestation, waste, mulesing, animal welfare claims and GHG emissions. Traceability is understood to identify, manage, and reduce environmental, social, and economic risks and impacts throughout the supply chains.</li> <li>Increased customer pressure, demanding information around products origin. Establishing trust through transparency and traceability.</li> </ul>
Economic resilience & market access	7	/	/	<ul style="list-style-type: none"> <li>High to significant financial impacts on operation, strategic, and financial effects. Market access and resilience significantly influence the positioning and performance of industries.</li> <li>Changing market dynamics; sheepmeat and wool industry facing challenges with low meat prices, escalating input costs, and increased wool prices.</li> <li>Rising geopolitical shocks, exemplified by conflicts (e.g., Ukraine), coupled with the increasing frequency of global extreme weather events due to climate change, are impacting market access and economic resilience.</li> <li>Global trends impact the industry, with changing regulatory landscapes potentially affecting market access (e.g., EU deforestation diligence changes), and stakeholders increasingly demanding sustainability.</li> </ul>
Food safety and quality	12	11	-1	<ul style="list-style-type: none"> <li>Significant reputational risk if there are food safety and quality issues.</li> <li>Strict standards and regulations in place.</li> <li>Industry remains static concerning, food safety and quality and has high levels of control. There have been no food safety incidences or scares, reflecting well-managed practice.</li> </ul>
Economic contribution	19	22	+3	<ul style="list-style-type: none"> <li>Growing demand for the industry to showcase economic significance and contributions.</li> <li>Australia's status as the leading sheepmeat exporter brings higher financial and strategic implications.</li> <li>Moderate impacts on the business activities, higher export income requires industry to enhance operational efficiency and meet international quantity and quality standards.</li> </ul>
Product innovation and stewardship	23	/	/	<ul style="list-style-type: none"> <li>Comprehensive assessment including both sheepmeat and wool processing reveals an overall score, with a noteworthy impact from the sheepmeat sector. Sheepmeat has lower concerns regarding product innovation and stewardship than wool. Wool particularly interested in improving environmental credentials.</li> <li>Topic places a greater emphasis on opportunities rather than risk mitigation. It is generally regarded less influential and impactful compared to other topics.</li> </ul>