Final report

ESG scan for the Australian sheepmeat industry

Project code: E.SUS.0016

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Date published: 29 May 2026

PUBLISHED BY
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Meat & Livestock Australia acknowledges the matching funds provided by the Australian Government to support the research and development detailed in this publication.

Abstract

This project was undertaken to help the Australian sheepmeat industry understand and respond to emerging environmental, social and governance (ESG) expectations that are increasingly influencing buyer procurement decisions in key export markets. The work focused on identifying which ESG topics are most likely to translate into material information requests, compliance burdens or competitiveness risks over the next 3-5 years, and where the largest gaps exist between market expectations and current Australian standards, assurance settings and data availability.

The project was delivered through a literature review and desktop analysis of international reporting and due diligence developments, supplemented by consultation with exporters, processors, in-market Meat & Livestock Australia (MLA) staff, and government representatives. A set of buyer profiles was developed to illustrate how large retail and foodservice customers, subject to such developments, transmit ESG requirements through supply chains, including via third-party platforms. A gap analysis assessed ESG topic coverage across key Australian sheepmeat standards and policies, with reference to the relative emphasis reported across priority markets.

Key findings indicate that ESG pressure is driven primarily through business-to-business channels rather than direct import conditions, with the strongest expectations concentrated in the European Union and/or United Kingdom-linked and higher-value supply chains. The most consistent gaps relate to supplier-ready evidence for climate and emissions, land-use and nature-related topics, and responsible business conduct. The project provides a consolidated basis for prioritising future industry work on data, assurance and consistent messaging, supporting efficient responses to buyer questionnaires and helping maintain market access and competitiveness.

Executive summary

Background

This project was undertaken to help the Australian sheepmeat industry understand and respond to emerging ESG expectations that are increasingly influencing buyer procurement decisions in key export markets. The work focused on identifying which ESG topics are most likely to translate into material information requests, compliance burdens or competitiveness risks over the next 3-5 years, and where the largest gaps exist between market expectations and current Australian standards, assurance settings and data availability.

Objectives

MLA identified the following objectives for the project:

1. Conduct an analysis of emerging mandated international sustainability reporting standards or ESG requirements, particularly focused on key export markets for sheepmeat, including China, the United States, the Middle East, the European Union, India, Japan and the United Kingdom (UK).
2. Identify key issues, themes or compliance challenges to be addressed through research or industry policy to ensure ongoing trading opportunities in the near future (3-5 years).
3. Determine key opportunities to build relationships in existing and emerging markets based on alignment of Australia's sustainability credentials.
4. Review Australian domestic standards to identify gaps that need to be addressed to meet any mandated or emerging requirements in the target export markets.
5. Review relevant market research on sustainability perceptions in purchasing decisions of key target markets.

Methodology

The project was delivered through a literature review and desktop analysis of international sustainability reporting and related due-diligence developments, supplemented by consultation with exporters, processors, and in-market MLA and government representatives. Buyer profiles were developed to illustrate how large retail and foodservice customers transmit ESG requirements through supply chains, including via third-party platforms. A gap analysis assessed ESG topic coverage across key Australian sheepmeat standards and policies, with reference to the relative emphasis observed across priority markets.

Results/key findings

Dialogue

- ESG discussion happens in two channels: (1) government-to-government engagement focused on trade regulation, market access and standards (where sustainability-linked import conditions are relatively rare and targeted); and (2) business-to-business engagement where large retailers and foodservice customers request commitments, targets and performance data via questionnaires and third-party platforms.
- Key terms (including 'ESG' and 'sustainability reporting') are used inconsistently, creating confusion and reputational risk, reinforcing the need for clearer definitions and buyer-ready evidence expectations.

Drivers and instruments

- Sustainability-linked import conditions remain relatively rare and targeted, even where trade agreements reference climate and labour norms (with potential for scope expansion over time).
- National regulation often influences suppliers indirectly: mandatory reporting and due diligence requirements on large companies are driving deeper supply-chain data collection via buyers and ESG platforms, making many requests commercially binding.
- Large retailers and foodservice groups increasingly apply global policies and supplier standards across countries, so similar ESG questions can arise regardless of destination.
- ESG pressure is market- and channel-specific, with the highest near-term exposure in higher-value EU- and UK-linked supply chains and premium programs.
- Third-party platforms (e.g. Sedex and EcoVadis) are standardising questions and evidence requests, which can increase burden and reduce flexibility for smaller suppliers.

Priority topics

- Mandatory reporting is initially focused on climate, but nature is next, likely expanding buyer asks on land-use, deforestation-adjacent issues, water stewardship and soil health.
- The biggest gaps are in measurable proof points, especially climate/emissions, land-use and nature, and traceability, more than in on-farm intent or baseline practice.
- Domestic standards were not designed to answer ESG questionnaires; where buyers specify particular schemes, lack of clear mapping or accepted equivalence can create friction even when suppliers meet the underlying intent.
- Labour and human-rights due diligence (including modern slavery) is increasingly prominent in questionnaires and platforms; many requirements are organisation-level, so suppliers need capability uplift and practical guidance rather than industry-wide standards alone.

Benefits to industry

The project provides industry with a clear, consolidated view of where ESG expectations are likely to affect competitiveness and market access, and where they are less material. By clarifying how buyer ESG requirements are transmitted and where domestic standards do and do not support responses, the findings help industry prioritise action, reduce duplication and avoid unnecessary compliance burden. The work also supports more consistent and credible communication of Australia’s sustainability credentials to key customers.

Future research and recommendations

Clarify key concepts and use consistent language for industry sustainability credentials (including careful use of terms such as ESG, sustainability reporting and disclosure), to reduce confusion and reputational risk and support defensible claims.

Build the capacity of MLA’s in-country representatives to engage on business-led sustainability initiatives and requirements (including with non-trade regulators, standard setters and major customers) and systematise insights back to industry so emerging expectations are understood early.

Support supplier capability to respond efficiently to the most material buyer and platform requests, including responsible business conduct and labour/human-rights due diligence (e.g. modern slavery), recognising that many requirements are organisation-level and need practical guidance rather than industry-wide standards alone.

Review how current domestic frameworks (including the Sheep Sustainability Framework) map to the standards and platforms most commonly used by buyers and develop a buyer-ready minimum dataset/evidence pack (with careful mapping to purpose and method) to reduce duplication and improve consistency of responses.

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1. Background

This project responds to a rapidly evolving set of environmental, social and governance (ESG) expectations shaping global food supply chains and the operating context for Australia's sheepmeat exports. While traditional market access settings remain anchored in sanitary and phytosanitary (SPS) requirements, a widening range of sustainability-related signals are influencing buyer procurement decisions and, in some cases, the political conditions that sit around government-to-government engagement. Key export markets are also progressing mandatory sustainability and climate-related corporate reporting, which can drive more extensive data collection and due diligence in supply chains, even where sheepmeat is not directly targeted by border measures (OECD, 2025; IFRS/ISSB, 2023). At the same time, ESG concepts and terminology are used inconsistently across stakeholders, creating a practical challenge for producers, processors and exporters seeking to interpret what is being requested, why it is being requested, and what evidence is needed to respond credibly (Pollman, 2022).

The central question addressed is: what emerging ESG-related requirements and sustainability expectations in key sheepmeat export markets are most likely to translate into material information requests, compliance burdens, competitiveness impacts or market access risks over the next 3-5 years, and where are the most significant gaps between these expectations and the Australian sheepmeat sector's current standards, assurance settings and data readiness?

The research is intended to inform industry decision-making by clarifying the pathways through which ESG pressures are transmitted (particularly buyer-led programs and third-party supply chain platforms), and by identifying priority areas for coordinated evidence, messaging and capability uplift to support continued trade and reputation.

2. Project objectives

The objectives for the project were to:

1. Conduct an analysis of emerging mandated international sustainability reporting standards or ESG requirements, particularly focused on key export markets for sheepmeat, including China, the United States, the Middle East, the European Union, India, Japan and the UK.
2. Identify key issues, themes or compliance challenges to be addressed through research or industry policy to ensure ongoing trading opportunities in the near future (3-5 years).
3. Determine key opportunities to build relationships in existing and emerging markets based on alignment of Australia's sustainability credentials.
4. Review Australian domestic standards and export protocols to identify gaps that need to be addressed to meet any mandated or emerging requirements in the target export markets.
5. Review relevant market research on sustainability perceptions in purchasing decisions of key target markets.

This report addresses the above objectives through a synthesis of the findings of a detailed desktop review and stakeholder consultation, and an extension of these findings with a gap analysis and recommendations.

3. Methodology

3.1 Overview

The methodology for the project included:

1. A detailed literature review and desktop analysis, of both national and international sources, to identifying emerging ESG issues and sustainability pressures.
2. Stakeholder consultation to understand the drivers for the emerging ESG and sustainability issues identified in the above, considering factors such as, but not limited to, differences in production systems, regulatory requirements, trade agreements and/or economic partnerships and cultural influences.
3. A review of Australian domestic standards and export protocols to identify gaps that need to be addressed to meet to meet any mandated or emerging requirements in the target export markets.

3.2 Scope clarification

For the purposes of this project, ESG is used as a practical umbrella term for the environmental, social and governance topics that are increasingly being requested by customers and other stakeholders, and that may be reinforced by emerging mandatory reporting and due diligence requirements in export markets.

A detailed review (or full gap analysis) of export protocols was not undertaken because early stakeholder input indicated that export protocols do not typically cover ESG issues. The project therefore focuses on clarifying key terms, scanning emerging ESG expectations relevant to Australian sheepmeat, and identifying potential areas where domestic standards and practices may need to evolve.

3.3 A further note on defining key terms

Several key terms in the project scope are used inconsistently across stakeholders. This is increasingly common across Australian agriculture, not just the sheepmeat industry. While some confusion is simply a language problem, in other cases terms are deliberately co-opted -especially where definitions are loose or immature. Clarifying terminology is therefore important: ambiguity creates risk for the sustainability work of Sheep Producers Australia and MLA but also positions both organisations to lead the discussion.

First, **ESG** is essentially a process by which companies are evaluated against Environmental, Social and Governance factors for investors. It was chiefly coined to engage the finance sector and capital markets in the purpose of sustainable development by grouping topics under one of 'E', 'S' or 'G' and engaging investors on risks and opportunities. However, the use of the loosely defined acronym has spread from its origins and taken on diverse meanings often leading to confusion, unrealistic expectations, and co-optation to serve different goals (Pollman, 2022). Interviews with stakeholders during the project demonstrated that diversity of interpretation with some stakeholders, for example, assuming animal welfare issues to be quite separate from ESG, while others raising animal welfare as integral to ESG.

Given the broad use of the term in the project brief and intention, the authors have taken a broad view and interpreted ESG as a way of grouping topics. However, in the context of Australian agriculture, ESG should be considered as a subset of the corporate sustainability and broader sustainable development agenda, which is designed to serve commercial, and specifically, investor interests and audiences.

Second, the term **sustainability reporting** is used and interpreted very broadly by stakeholders and ranges from lengthy public reports by businesses to the sharing of a single data point with a customer or bank or on a product label. This also leads to confusion. The preparation of a public sustainability report by a business in accordance with one or more accepted standards is now generally seen as sustainability reporting. Increasingly, the term is also used when referring to mandatory public reporting of sustainability-related financial information in annual reports. In Australia, the Corporations Act has been amended to require certain companies to prepare a sustainability report as part of annual reporting, giving the term a specific, legal definition[1]. In this sense, sustainability reporting has begun to occupy a role similar to that of statutory financial reporting and should be used carefully. Sharing sustainability-related or product information between businesses, servicing of a supply chain questionnaire or a label should be distinguished from sustainability reporting.

Finally, the term **mandatory** is considered differently by stakeholders. Some stakeholders reflected on supplier queries for any sustainability-related information (e.g. surveys) as mandatory due to the audience and user of the information being a major customer. The term mandatory is generally defined as "required by law”. Clarity of language in this context is particularly important, given the previous comments on the Australian government's definition of sustainability reporting in a regulation.

3.4 Working hypothesis

An analysis of emerging mandated international sustainability reporting standards or ESG requirements, particularly focused on key export markets for sheepmeat, including China, the United States, the Middle East, the European Union, India, Japan and the UK, found that:

- Direct, targeted, trade-related measures driven by a national regulation and designed to create conditional market access are relatively few (e.g. EU Deforestation Regulation, EU and UK Carbon Border Adjustment Mechanisms) and currently do not apply directly to sheepmeat.
- Environmental and sustainability provisions in trade agreements tend to be broader commitments to cooperate, with more recent agreements including a greater range and more specific topics (e.g. climate change, animal welfare, respect for labour standards and sustainable agriculture).
- Mandatory international sustainability reporting regulations and standards are being taken up by the key export markets, starting with a focus on climate change. Importantly, these regulations apply directly to large buyers (i.e. foodservice and food retail customers) and are expressed indirectly through business-to-business channels.

[1] This currently includes climate statements as mandatory disclosure

Given this, a working hypothesis was proposed - that the drivers of sustainability and ESG-related information pressures on Australian sheepmeat producers are the customers in retail and foodservice in key markets who are:

- Captured or likely to be captured by one or more of the mandatory or voluntary reporting regimes.
- Committed to voluntary sustainability programs and/or are making public claims they need to defend.
- Curating key sustainability messages to consumers and other stakeholders (including investors).
- Communicating their requirements of producers through the major processors in Australia using supply chain questionnaires or dedicated supply chain platforms.

As a result, subsequent phases of the project focused on the testing of this hypothesis through:

- The inclusion of in-country staff from MLA and the Australian government as well as key processors in stakeholder interviews to identify large customers and their information needs and to test local sustainability priorities and policies which may drive further dedicated regulation aimed offshore.
- The identification, if possible, of the nature of the large customer base in the key markets.
- The identification of specific customers and development of a suite of customer profiles to demonstrate their exposure to multiple ESG and sustainability commitments and reporting requirements.

Illustrated in Figure 1, the working hypothesis proposed that currently ESG and sustainability-related discussions occur on two levels:

- Government-to-government discussions between Australia and the key export market. This is where direct, targeted and trade-related instruments are communicated (e.g. EU Deforestation Regulation).
- Business-to-business discussions between large foodservice and food retail customers and Australian suppliers. This is where the requirements of voluntary commitments are expressed. It is also a vehicle for customers, which are directly captured by other domestic laws including reporting regulations, to gather information on their supply chain.

The two discussions are not always mutually exclusive. Deforestation is a case in point. Nearly fifteen years before the EU Deforestation Regulation was passed, the membership-based Consumer Goods Forum adopted a goal of zero net deforestation in commodity supply chains. Early signatories included Nestle, Unilever and Mars.

As illustrated in Figure 1, given the commercial nature of the term ESG, it is much more likely to be used in business-to-business discussions than government-to-government. However, the increasing reach of ESG and sustainability initiatives aimed at a company's supply chains also highlights these differences. The introduction of mandatory reporting, particularly on climate change, demonstrates that the regulation is designed by the government, mostly to capture large companies. However, such regulations increasingly require those companies to understand and report on the impacts of their suppliers. Scope 3 emissions are a most often quoted example, but this increasingly extends to business conduct and human rights.

Figure 1 - Two ESG and sustainability-related discussions.

4. Results

4.1 Market and buyer profiles

4.1.1 Desktop review – summary and update

The following information summarises a desktop review examining the characteristics of each key market, the existing and emerging mandatory and voluntary sustainability or ESG reporting requirements in each of the key markets, domestic policy instruments and the sustainability or ESG-related objectives of current trade agreements between Australia and each of the key markets.

Trade mechanisms

The desktop review looked for direct, targeted, trade-related measures driven by a national regulation and designed to create conditional market access. The OECD's stocktake of trade-related measures linked to the environmental sustainability of agriculture is illustrated in Figure 2 and found very few examples (OECD, 2025). The EU Deforestation Regulation and the UK Environment Act (forest risk commodities) were cited as examples, which are both specific and targeted to regions and commodities. The EU Deforestation Regulation (EUDR) has been in force since late 2023 and applies to medium and large enterprises from December 2026. The EUDR bans the import and export of deforestation-linked commodities - such as beef, wood, cocoa, palm oil, coffee, soy and products containing them - and requires companies to prove that the goods they sell in the EU are deforestation-free. Although requirements have been diluted, the intention remains that companies have a responsibility to assess their links to deforestation.

Carbon Border Adjustment Mechanisms (CBAMs) are another example, taking full effect in the EU starting this year, and in the UK next year. CBAMs are designed to avoid carbon leakage which occurs when stricter climate policies in one region push emissions-intensive production to regions with less stringent policies. A CBAM generally requires importers to pay for the embedded carbon of specific imports to ensure that domestic production, subject to a carbon price, is not disadvantaged. The EU's CBAM covers cement, steel, aluminium and fertiliser. CBAMs are also under consideration in Japan and Australia. While neither the deforestation regulations or CBAMs directly capture sheepmeat, they are designed to allow for expansion in scope and have indirect implications through their application to inputs such as feed and fertiliser. Sheep Producers Australia and Meat & Livestock Australia should continue to monitor the global deforestation agenda and the uptake of CBAMs in major markets.

A report to the Australian Meat Processor Corporation (AMPC) in 2023 similarly raised the EU Deforestation Regulation and CBAM as "leading market-imposed environmental disclosures" (Integrity Ag, 2023). The report raised a third EU mechanism, the Product Environmental Footprint (PEF), which provides a standardised way to calculate and compare environmental impacts at product level. This was linked at the time to the EU's Green Claims Directive, but not applicable to red meat. While this Directive would have set the PEF methodology into EU law, it was withdrawn in 2025. The methodology may still be used voluntarily. It is possible that large customers exposed to mandatory or voluntary reporting commitments may encourage its use through surveys or questionnaires of suppliers and this should be monitored. The same report noted that as of 2023, no exporting processors have had to disclose their product environmental footprint.

Other national regulation focused on market-based measures regarding human rights and labour standards may also be considered within this category and are similarly both targeted and rare. The United States, for example, recently expanded the list of entities subject to the Uyghur Forced Labour Prevention Act (2021). This regulation blocks the import of goods associated with the Xinjiang Autonomous Uyghur Region, unless the importer can prove that the goods were not made with forced labour. The EU Forced Labour Regulation introduces a ban on products made with forced labour and applies to all products, imported or produced within the EU for domestic consumption or export. The Regulation applies from December 2027, and trading partners are expected to comply. Under the Regulation, allegations of worker exploitation in the production of goods from any country may trigger investigation and, ultimately, the loss of EU market access for goods found to be made with forced labour.

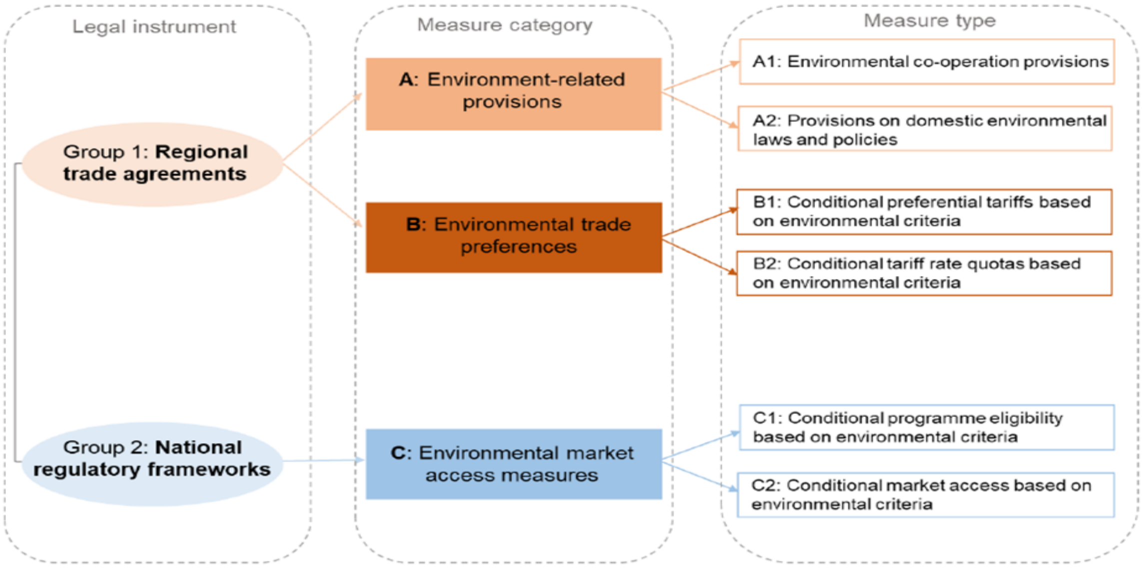

Figure 2 - Typology of trade-related measures linked to the environmental sustainability of agriculture (OECD, 2025).

The same OECD study also examined more than 110 regional trade agreements with environmental provisions. These tend to be broad commitments to cooperate on a variety of challenges including natural resource management, climate change, reducing food loss and waste and protecting biodiversity. They also include commitments to abide by global agreements (e.g. wildlife trafficking) and to not undermine the domestic policies of participating countries. A closer review of Australia's existing trade agreements with the key markets found that more recent agreements are more likely to overtly include specific provisions for further environmental and social cooperation.

The Australia-European Union Free Trade Agreement (A-EU FTA), finalised this year, includes a mutual commitment to implement the Paris Agreement on climate change, including through the elimination of tariffs on environmental goods such as wind turbines, lithium batteries and solar panels. The A-EU FTA specifically states that it will enhance cooperation to support sustainable agriculture and food systems and will not impose new regulatory requirements on Australian producers and exporters related to sustainability and will not require Australia to make new legislative or regulatory changes. Areas of shared interest include food loss and waste, climate impacts, animal welfare, antimicrobial resistance and food security. The A-EU FTA also includes Australia's most ambitious commitments in a trade agreement on workers' rights and labour standards, including provisions of the International Labour Organisation's Fundamental Conventions relating to discrimination, forced labour and health and safety It is important to note that the EU's CBAM, EUDR and Forced Labour Regulation will still apply.

Market characteristics

Key documents from MLA were reviewed to provide a broad understanding of each key market, including 'market snapshots' and consumer insights, prior to stakeholder interviews. The findings are summarised in Table 1 below. This includes categorising each market, the major lamb utilisation channel in that market and the general sustainability topics of interest to consumers and their expectations for action by the red meat industry. Developed markets are characterised by affluent consumers, demanding high quality. Retail is either a high or increasing proportion of lamb utilisation compared to foodservice. Consumer expectations of action by the industry focus on animal welfare, hormones and antibiotics and sophisticated environmental issues with a global view (e.g. greenhouse gas emissions). High growth markets are rapidly maturing and characterised by a greater dominance of foodservice. Consumer concerns tend to focus on a mix of local and nationally significant issues. Although less data is available on emerging markets, this group is also likely to be characterised by a greater dominance of foodservice. India's premium hospitality sector, for example, is known as the biggest user of imported lamb and mutton.

The review of lamb utilisation channels informed subsequent phases of the project, specifically stakeholder engagement and the profiling of large customers.

Table 1 - Summary of Australian lamb utilisation by channel (MLA, 2025) and international consumer trends (MLA, 2024) by key sheepmeat markets.

Market	MLA market category	Lamb utilisation channel	%	Consumer's personal sustainability interests	Consumer expectation of action by red meat industry
EU	Developed	Food Service Retail	50 50	Not included in analysis	Not included in analysis
UK	Developed	Retail	95	Not included in analysis	Not included in analysis
USA	Developed	Food service Retail	55 40	Lack of clean, safe water Poverty & hunger Water pollution	Animal cruelty Animal welfare inhumane processing of animals
Japan	Developed	Food Service Retail	45 25	Lack of clean, safe water Air pollution Carbon & GHG emissions	Use of added hormones or antibiotics Animal welfare Inhumane processing of animals
China	High growth	Food service Retail	90+ <10	Pollution Lack of clean, safe water Deforestation	Added hormones or antibiotics GHG emissions Lack of clean, safe water
UAE	High growth	Food service Retail	55 45	Lack of clean, safe water Air pollution Animal cruelty	Animal cruelty Animal testing Added hormones or antibiotics
Saudi Arabia	High growth	Food Service Retail	75 25	Poor sanitation Use of hormones or antibiotics Lack of clean, safe water	Use of added hormones or atibiotics Poor sanitation Lack of clean, safe water
India	Emerging	No data		Not included in analysis	Not included in analysis

Emerging mandated international sustainability reporting standards

More than half of Australian lamb and sheepmeat exports are to countries where mandatory sustainability reporting by companies is either in place or is proposed. These regulations have been introduced on the back of significant maturing of voluntary sustainability reporting practice and the referencing of standards, such as the Global Reporting Initiative, in stock exchange guidelines and similar initiatives. Two features are important to note. First, the Global Reporting Initiative (GRI) remains the world's most commonly used standard for sustainability reporting and is based on an organisation's material impact on people and the environment. It is referenced by more than four hundred policies relating to voluntary or mandatory sustainability reporting across 80 jurisdictions (GRI, 2024). Second, the International Financial Reporting Standards (IFRS) introduced two standards, IFRS S1 and IFRS S2, in June 2023 which focus on the material financial impacts of sustainability on business for investors, specifically risks and opportunities. S1 is a general requirement standard while S2 is focused on climate change. These standards are based on the coming together of several others focused on investor audiences, including the Taskforce on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB).

These regulations are generally designed to directly capture larger businesses, which then seek information from suppliers because this is where a significant proportion of their risks and opportunities rest.[2] Large Australian producers may also be directly captured by the domestic regulation of S1 and S2 under the Corporations Act (2001).

While the uptake varies somewhat by country (e.g. in Australia only S2 is mandatory), mandatory reporting with a significant initial focus on climate change has been legislated in the EU, UK, Japan and the UAE. China is developing dedicated standards on the same basis and while there is

[2] In Australia, producers cannot be compelled to provide data to customers who are exposed to mandatory climate reporting.

fragmentation in the USA, states such as California have passed legislation. The EU's Corporate Sustainability Reporting Directive (CSRD) has its own standards, which are aligned to both the IFRS and GRI.

These requirements include use of the GHG Protocol, and many jurisdictions are including scope 3 emissions, which are significant for food retail and foodservice companies. It is also important to note that this reporting is:

- aimed at investor audiences and is subject to financial regulators (e.g. ASIC in Australia).
- captures companies based on their size (e.g. Revenue, employee numbers)
- entity-based reporting using the GHG Protocol and not product level[3].

Mandatory reporting by businesses on modern slavery is also required in several markets, including the UK and California. In the EU, large companies undertake mandatory human rights due diligence under the Corporate Sustainability Due Diligence Directive and report on this work through the CSRD. Several jurisdictions in the EU have mandatory due diligence regulations for businesses and these include the French Duty of Vigilance Law, German Supply Chain Act and the Swiss Ordinance on Due Diligence. These are informed by global instruments including the OECD's Guidelines for Multinational Enterprises on Responsible Business Conduct and the UN Guiding Principles on Business and Human Rights. Communicating the results of such work is an important principle and due diligence has been built into both the GRI standards and those associated with the CSRD. A recent policy brief of the OECD noted that these requirements have cascading effects as they tend to rely on reporting entities collecting and compiling data and information from their suppliers or business partners (OECD, 2026).

Table 2 below summarises the current state of mandatory sustainability reporting by market. Australia has been included as a point of reference. Specifically, it outlines:

- the national rate of sustainability reporting practice by the largest 100 companies in that market (KPMG, 2024)
- an assessment of maturity of reporting practice and if guidelines are already in place which reference standards (e.g. Stock exchange guidelines referencing GRI)
- The development of a dedicated law for some form of mandatory reporting, the areas of focus, if it is aligned to the IFRS S1 and/or S2 standard and the expected start date for disclosure.

[3] The federal government is currently developing guidelines for each of the entity inventory and product footprint methodologies for agriculture which will help the sheepmeat industry make this distinction.

Table 2 - Summary of mandatory sustainability reporting by key market.

Market	National rate of sustainability reporting among largest 100 companies in 2024	Assessment of voluntary reporting practice	Guidelines in place referencing standards (eg. stock exchanges)	Dedicated law and standards for mandatory reporting	Focus areas	Aligned to IFRS	Expected start date	Modern slavery reporting required by law
Australia	98%	Mature	Yes	Yes	General provisions Climate-specific	Yes	2025	Since 2018
EU	Varies by member country	Mature	Yes	Yes	General provisions Dedicated standards Multiple topics	Aligned but EU developed its own standards	2024	Mandatory due diligence on both environment and human rights
UK	98%	Mature	Yes	Yes	General provisions Climate-specific	Yes	2027	Since 2015
USA	100%	Mature	Yes	Yes (California)	Climate-specific	Yes	2026	Since 2010 (California)
Japan	100%	Mature	Yes	Yes	General provisions Climate-specific	Yes	2027	No
China	88%	Rapidly maturing	Yes	Yes	General provisions Dedicated standards Multiple topics	Aligned but China is developing its own standards	2027	No
UAE	80%	Rapidly maturing	Yes	Yes	Emissions and mitigation	Not yet aligned	2026	No
Saudi Arabia	53%	Maturing	Yes	No				No
India	88%	Maturing	Yes	No				No

While mandatory climate-related reporting is generally being phased in over the next 3-4 financial years and will remain a focus, there are three developments to monitor closely. First, the next suite of topics expected to be the subject of standards development is nature (i.e. business impacts, dependencies, risks and opportunities regarding freshwater, oceans, land and air). The IFRS Foundation's International Sustainability Standards Board (ISSB) is developing disclosure guidance to respond to the needs of investors for information on nature-related risks and opportunities. These requirements will supplement IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures, to be applied to nature-related risks and opportunities. The ISSB is working with the Taskforce on Nature-related Financial Disclosures (TNFD), signalling that resulting work will be at least informed by the TNFD. An exposure draft is expected to be released at the end of October 2026. It is important to note that water is likely to be a significant topic in this work, particularly the extraction of freshwater, acute and chronic water stress and the connection with climate change. In short, nature-related disclosures will not be limited to or synonymous with biodiversity.

Second, the work of the Sustainability Accounting Standards Board (SASB) is also now part of the IFRS Foundation. While SASB's indicators and metrics were not yet made a mandatory part of IFRS S1 or S2 in Australia, they are being actively referenced in those standards, alongside others like GRI, as sources of sector-specific industry indicators and metrics. SASB standards are the subject of a global baseline exercise to modify them from their original content derived in the US to make them globally applicable. The ISSB has released revised exposure drafts of the SASB standards for Agricultural Products and Meat, Poultry & Dairy for further consultation until July 2026. These include detailed indicators and metrics likely to be used by companies when implementing IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information. Sheep Producers Australia and Meat & Livestock Australia should monitor the joint work of the ISSB and TNFD this year and the relevant sector standards being revised by SASB.

Third, modern slavery reporting has been under review in Australia and reforms to federal legislation are expected later in 2026. These should also be followed closely by Sheep Producers Australia and Meat & Livestock Australia for domestic implications, specifically the potential to introduce mandatory due diligence requirements for Australian businesses. While this will capture domestic customers, it may also include some suppliers and will be at least informed by the due diligence regulations in place in the EU.

4.1.2 Market profiles

Across all markets, the desktop review and stakeholder consultation point to a consistent pattern: ESG signals in the sheepmeat trade are driven primarily by commercial buyers rather than regulators, with large retailers, foodservice groups and multinational customers setting expectations.

Government-to-government engagement remains focused on sanitary, phyto-sanitary, and food safety (and occasional issue sensitivities), with ESG more likely to appear as symbolic cooperation language than as an import condition. Where ESG requirements do intensify, it is typically in markets with strong retailer dominance and greater exposure to mandatory corporate reporting regimes (notably the EU, UK, US and Japan).

By contrast, high growth and emerging markets tend to prioritise operational compliance first, with ESG considerations secondary (including China, MENA and India). Within developed markets, animal welfare increasingly functions as a de facto ESG gatekeeper - most clearly in the UK/EU and increasingly in the US - while third-party platforms such as Sedex and EcoVadis are expanding questionnaire and evidence requirements across supply chains.

4.1.2.1 China

Drivers: Price, food safety, supply reliability dominate. ESG is not a current buying lever.

Policy context: ESG reporting architecture is evolving, but agriculture/sheepmeat largely outside scope. No ESG-linked import requirements. Recent adoption of non-binding ESG reporting guidelines for companies listed on China's three stock exchanges for implementation this year with the phasing in of mandatory reporting based on the IFRS/ISSB between 2027 and 2030. While climate change will be a focus, a broader range of topics is expected to be included (e.g. product safety, waste, pollution).

Signal for sheepmeat: Any ESG asks are likely to come only via multinational/niche retail channels.

4.1.2.2 European Union

Drivers: EU is a global ESG rule-setter; indirect effects flow through retailer/processor sourcing, not import rules.

Policy context: Direct trade focused regulations (e.g. deforestation regulation, carbon border adjustment mechanism), due diligence requirements broaden data expectations (emissions, traceability, HRDD). Recently scaled back, mandatory reporting obligations under the EU's Corporate Sustainability Reporting Directive (CSRD) applies to approximately 10,000 companies, phasing in between 2024 and 2028. It also applies offshore and the scope includes multiple topics including climate change, workers in the value chain and biodiversity.

Signal for sheepmeat: Requirements operationalised via retailer assurance schemes, not border controls as direct trade focused regulations do not currently include sheepmeat.

4.1.2.3 India

Drivers: Early stage ESG; interest concentrated in premium hospitality and international hotel chains.

Policy context: Securities and Exchange Board of India's Business Responsibility and Sustainability Reporting framework is maturing and will impact the largest 1,000 listed entities from 2026-2027. This is not translating into sheepmeat procurement requirements at this stage.

Signal for sheepmeat: ESG is a soft differentiator, not a precondition.

4.1.2.4 Japan

Drivers: ESG is a ‘nice to have’ for lamb; pressure mainly from globally connected corporates (hotel groups/retailers).

Policy context: Highly mature voluntary reporting; mandatory IFRS/ISSB aligned and legislated climate reporting from 2027 for large corporates.

Signal for sheepmeat: Expectations expected to rise gradually but remain concentrated in premium/global buyer segments. The fragmented market for sheepmeat may also dull these signals.

4.1.2.5 The Kingdom of Saudi Arabia

Drivers: Core requirements remain halal, food safety, cold chain; ESG language is emerging but not decisive.

Policy context: ESG reporting maturing via Saudi Exchange guidance and the Gulf Cooperation Council, but this is not yet mandatory and is not shaping sheepmeat procurement.

Signal for sheepmeat: ESG requests may begin appearing only through modern retail and airlines, particularly given their exposure to multiple markets.

4.1.2.6 United Arab Emirates

Drivers: Chilled lamb into retail/hospitality; ESG interest rising fastest in multinational buyers and major retailers.

Policy context: Mandatory sustainability reporting for listed entities; Climate Change Law requires Scope 1–2 disclosure. The UAE is positioning to lead ESG reporting in the region.

Signal for sheepmeat: Large buyers increasingly seek emissions, welfare and labour information via platforms (e.g. EcoVadis), particularly if they are also operating across other markets.

4.1.2.7 United Kingdom

Drivers: Welfare and assurance are non-negotiable in retail; ESG strongly operationalised by supermarkets and NGOs.

Policy context: Mandatory climate disclosures and modern slavery reporting. The UK released its own standards for general sustainability and climate change based on IFRS S1/S2 standards in

February 2026. These are voluntary while the government consults on potential mandatory application. The UK has direct trade focused regulations regarding deforestation and a carbon border adjustment mechanism, neither of which capture sheepmeat at this stage.

Signal for sheepmeat: UK retailers require assurance equivalence and reject mulesed lamb; detailed ESG data increasingly required by retailers which are engaging with multiple, global sustainability initiatives and supply chain programs.

4.1.2.8 United States

Drivers: Highly customer-led ESG environment; large buyers maintain ESG commitments quietly, with extensive supplier questionnaires.

Policy context: Fragmented – state level laws (e.g. California), plus EU CSRD reach into US corporates with significant operations in Europe.

Signal for sheepmeat: Requirements vary by buyer; growing asks on emissions, welfare (including invasive procedures).

4.1.3 Buyer profiles

Large retail and foodservice customers are driving ESG-related information requests of Australian lamb and sheepmeat producers and processors. These are pursued through the direct, B2B communications (e.g. surveys, questionnaires or dedicated platforms) described earlier in the report. Requests are informed by a range of legal requirements aimed at businesses, including mandatory reporting, as well as voluntary commitments to normative sustainability frameworks. These include various and discrete methodologies for measurement, target setting, management, reporting, benchmarking and third-party assurance, which transcend national boundaries and markets. This is illustrated as a flow of information in Figure 3 where the data and narratives generated are then also used to assess performance in benchmarks and ratings for various business stakeholders, including investors. Importantly, the requirements of such frameworks are also reviewed and curated by supply chain platforms which offer their services to large customers with commitments to due diligence and sustainable procurement. A description of these programs is provided in Appendix 8.1.

While the presence of multiple programs may be indicative of a field which is still maturing, they serve different purposes even when focused on a single topic. While the GHG Protocol, for example, is used to measure entity-based emissions, the Science-based Targets Initiative (SBTi) is a methodology for setting emissions reduction targets, the Global Reporting Initiative (GRI) and the IFRS develop standards for how that information is to be publicly reported, the Carbon Disclosure Project (CDP) benchmarks the quality of company disclosure and MSCI uses the information generated to assess how well a company is managing its exposure to risks arising from emissions. Supply chain platforms seek similar information from suppliers due to an increasing emphasis in both mandatory and voluntary programs on understanding and addressing impacts and risks in the places where they occur (e.g. on farm emissions, safety incidents).

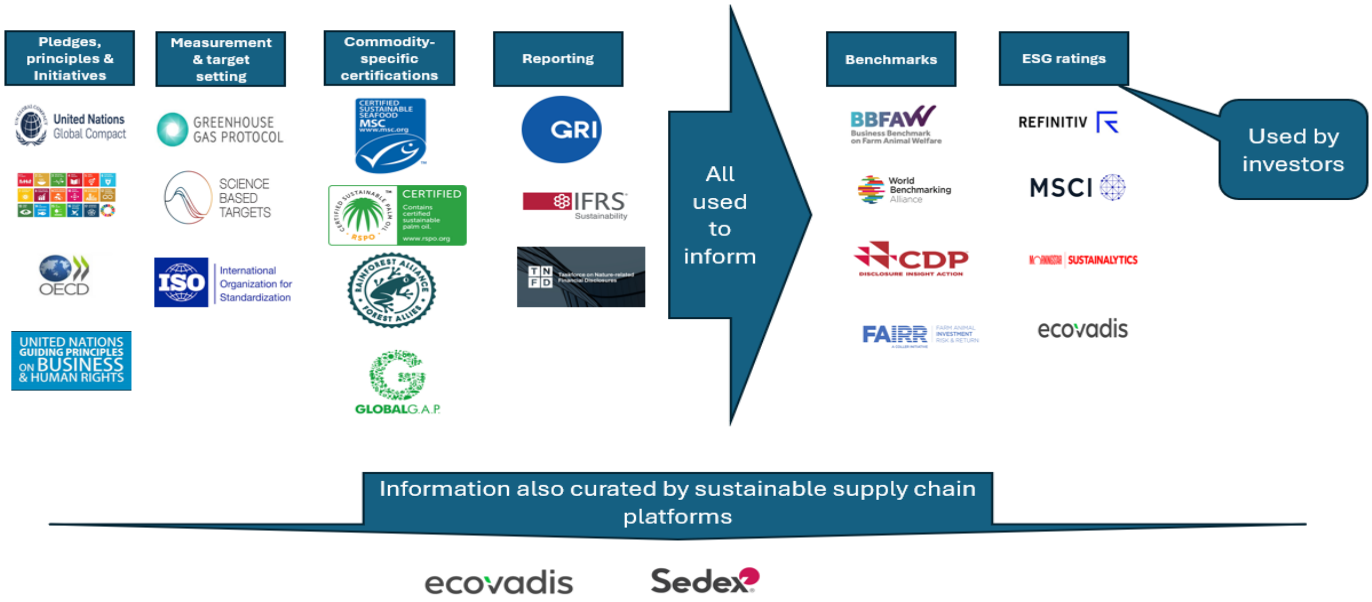

Figure 3: Example ESG and sustainability-related information flows in food retail[4].

Three trends are worth noting. First, large retail and foodservice customers implement some of these programs across multiple key lamb and sheepmeat markets, transcending national boundaries and familiar channels of dialogue with in-country industry or government representatives. Second, many of these programs are increasingly focused on a company's supply chain as a source of impacts, dependencies, risks and opportunities. The lamb and sheepmeat industry is likely to be familiar with reporting scope 3 greenhouse gas (GHG) emissions, however, this extended boundary is increasingly being applied to multiple topics including labour standards, human rights, water and biodiversity. As a result, demands on suppliers are also increasing. Examples from large customers reviewed include:

- Responsibly source 95%, by spend, of top 10 categories including animal proteins by 2025.
- 95% of suppliers set science-based or science-aligned targets (SBTi) by 2028.
- 50% of lamb sourced from farms with biodiversity improvement plans in place by 2030.

Third, large customers tend to follow an identifiable maturity path, and this is particularly evident among food retail businesses globally. That is, a focus on direct operations and measurement is prioritised first before the more complex task of assessing supply chains for environmental and social risks.

Profiles of five major food retail and foodservice customers are presented below. The profiles outline a summary of the programs used by the company, their priority topics and targets. Profiles have been anonymised for the purposes of this report.

Similar company profiles of red meat customers in the United States were presented in the report by Integrity Ag in 2023.

A profile of an Australian-based retailer is presented first due to its local familiarity for lamb and sheepmeat producers and as a basis of comparison.

[4] Note that this is not an exhaustive list of initiatives and is based on a sample of large customers who are also exposed to domestic regulations and programs in the country where they are registered. A description of each program is provided in Appendix 8.1.

4.1.3.1 Everyday Fresh

Everyday Fresh is a publicly listed company operating in Australia with operations including food retail, grocery retail, liquor and finance. Everyday Fresh is subject to multiple mandatory reporting requirements in Australia related to sustainability including the Modern Slavery Act 2018 and the Corporations Act 2001 which was amended to require reporting on climate-related disclosures from 1st January 2025.

Everyday Fresh has been an early and active member of multiple sustainability-related initiatives including the UN Global Compact and the Science-based Targets Initiative as well as reporting standards such as the Global Reporting Initiative and benchmarks including CDP and the Business Benchmark on Farm Animal Welfare.

The company is one of the dominant businesses in Australian food and grocery retail. As a listed company it is highly competitive and influenced by the sustainability work of British and European peers and the ESG-related interests of major institutional shareholders.

Everyday Fresh has identified a range of priorities across three strategic pillars: climate, nature and circularity and has set multiple targets likely to impact lamb and sheepmeat procurement, particularly in its own brand range. These include scope 3 emissions and emissions reduction target setting by suppliers, deforestation and animal welfare and third-party certification and labelling.

4.1.3.2 The Catering Group

The Catering Group is part of a State-owned corporation with operations across the key sheepmeat markets of the European Union, Saudi Arabia, United Arab Emirates, United Kingdom and the United States of America. This includes Australia. With more than 50,000 employees globally, the Catering Group recently joined one of the world's most significant voluntary sustainability programs which expects greater environmental and human rights due diligence in the supply chain. The Catering Group prioritises local sourcing and has set a target for suppliers to achieve 100% compliance with the company's Supplier Code of Conduct (the Code) within the next two years. The Code is centralised at corporate level and requires suppliers to comply with local environmental laws, manage waste and energy and demonstrate adherence with normative labour, human rights and business ethics principles.

The Catering Group's parent company is the subject of new climate disclosure laws which require reporting on scope 1 and 2 emissions, key climate-related risks and emissions reduction actions by mid-2026. Scope 3 emissions are expected to be included in future. The parent company has been voluntarily reporting on scope 1, 2 and 3 emissions and set reduction targets for scope 1 and 2 in 2019. Waste is included as a material source in reporting on scope 3 emissions but not purchased goods and services. While it is unlikely that sheepmeat would be considered to be a material source of scope 3 emissions in the supply chain, producers and processors may be asked to provide emissions estimates and information on climate-related risks and emission reduction actions. Given the identification of waste as a source of scope 3 emissions, the sheepmeat industry may be asked to provide information regarding the prevention and management of food waste, although this is more likely to apply at the point of use by the Catering Group.

The Catering Group's parent company reports voluntarily on water consumption and on water saving and recycling initiatives. This may be seen as positioning the company and building capacity ahead of potential mandatory reporting on nature in the future. This currently focuses on water consumption in operations.

4.1.3.3 Liberty International Hotels

Liberty International Hotels (Liberty) is a listed company in the USA which operates across multiple markets, chiefly through franchise agreements in which Liberty standards, branding, marketing and loyalty programs are centralised while the local hotel management manages day to day operations such as staffing and facilities. Liberty maintains a centralised Sustainability Policy and Responsible Business Principles for Franchisees which includes principles broad commitments to human rights, ethical recruitment, environmental impact reduction, greenhouse gas emissions, waste management, animal welfare and responsible sourcing.

Liberty submits reports to benchmarks prioritised by investors such as CDP's climate, forests and water global benchmarks. However, it is less formally engaged with other global sustainability frameworks (e.g. UN Global Compact) and aligns with reporting standards, rather than being in accordance. The company's public sustainability reporting identifies some priorities: climate action, biodiversity, sustainable buildings, water, waste, sourcing, deforestation, diversity and human rights. However, it does not quote a formal application of the materiality principle.

The company reports on scope 1,2 and 3 emissions and has set reduction targets. Liberty has adopted two important goals focused on suppliers:

- At least 22% of suppliers are to set science-based or science-aligned targets by 2028.
- Of the company's top 10 spend categories, 95% is to be responsibly sourced by 2025. This includes animal proteins (inclusive of beef, eggs, lamb, pork, and poultry) bottled water, cleaning supplies, cocoa, coffee, guest room amenities, paper products, seafood, sugar and textiles. To progress this goal, the company makes use of third-party certifications (e.g. Marine Stewardship Council).

Liberty uses EcoVadis as its supply chain platform for suppliers and specifically the dedicated module - Hospitality Alliance for Responsible Procurement – operated by EcoVadis.

4.1.3.4 Heritage Foods

Heritage Foods is a supermarket operating across the United Kingdom. The company is subject to multiple mandatory reporting requirements on modern slavery, diversity and the gender pay gap and climate change and emissions. Heritage Foods has identified material topics and publishes multiple targets, which may be in response to keeping pace with the ambitious commitments from local competitors and European peers.

While this includes carbon targets similar to other buyers, they also include a requirement that 50% of lamb will be sourced from farms with biodiversity improvement plans in place by 2030. Heritage Foods also set a target of growing plant-based sales by 100% by 2023, based on a 2020 baseline. This follows similar targets from peers and competitors which are expressed relative to sales of animal-based protein.

Importantly Heritage Foods has a detailed animal welfare approach in the public domain which prohibits mulesing and states that animals should be transported within 8 hours or less. All meat sourced from the UK is assured to Red Tractor and that lamb from NZ is assured to the NZ Farm Assurance Programme.

4.1.3.5 Gulf Retail

Gulf Retail is a fast-growing retailer operating in the Middle East and India. Recently listed on the stock exchange, it is exposed to increased public reporting requirements on ESG may be required to report under domestic laws which require mandatory reporting of scope 1 and 2 emissions in 2026.

Gulf Retail is in the early stages of developing an approach to corporate sustainability. The company has completed a materiality assessment and has stated strategic priorities including climate change, human rights and sustainable sourcing. However, it is yet to set targets or formally engage with some key global frameworks and does not yet appear in common benchmarks such as CDP. While the company has published a Supplier Code of Conduct, there is no evidence that a dedicated sustainability-related supplier platform is in use to address criteria, assess compliance or improvement at this stage. There is no animal welfare position available publicly and it is not included in the Supplier Code of Conduct or list of material topics.

Gulf Retail is likely to follow the example of similar food retail companies, particularly those in European and Britain when maturing its approach to corporate sustainability. That is, engaging with global commitments, such as the UN Global Compact and the Science-based Targets Initiative, and conducting greater due diligence of supply chains.

4.2 ESG supply chain platforms

The increasing use of ESG or sustainability focused supply chain platforms is a significant trend in business-to-business communication. The OECD noted recently that while reporting entities bear responsibility for collecting and disclosing due diligence information, suppliers are at the front line of generating and providing information. Many of these platforms use lengthy questionnaires and digital platforms. Sedex and EcoVadis are two leading examples which are known to be actively used by the customers sampled.

Sedex was founded in 2004 and has significant food retail uptake globally, focused on social and environmental due diligence. It allows suppliers to upload information, provide access to multiple buyers and includes an audit function known as SMETA (Sedex members ethical trade audit) used to assess suppliers. Importantly, Sedex commenced the development of an extended environmental data collection tool in 2024 to provide, among other things, data to support regulatory requirements of large companies. This will be important to follow in the context of evolving nature-related financial reporting. Sedex also released a tool for businesses to assess their maturity in human rights and environmental due diligence, informed by mandatory due diligence requirements in markets such as the EU and global frameworks. There are sixteen organisations in Australia approved by Sedex as affiliate audit companies to conduct SMETA audits.

EcoVadis was founded in 2007 and assesses businesses on environmental, social and ethical performance across their supply chains. In an important distinction from other platforms, businesses are scored for their performance against policies, actions and results and then benchmarked. While it provides supply chain transparency, EcoVadis results are used competitively and in ESG ratings. The platform now contains reporting data and ratings of 150,000 companies, more than most competitors.

Unlike other supply chain focused platforms, EcoVadis also acts as a trusted ESG rating by investors. According to a recent study, EcoVadis is perceived as the most useful ESG rating, above S&P Global and CDP. The rapid rise of EcoVadis as a trusted ESG rating for investors points to the growing popularity of supply chain solutions compared to the more traditional, investor-focused ratings. The adoption of EcoVadis by large companies helps businesses win and maintain multiple customer relationships. Investors are increasingly interested in understanding the sources of risks and opportunities in supply chains. The same study found that EcoVadis is among the several leading ESG ratings which have a truly global presence and recognition (ERM, 2025).

Several trends are worth noting, including:

- Supply chain platforms are actively curating content and questions to align with both the mandatory reporting and voluntary sustainability commitments outlined in this report. Table 3 provides a small number of examples of common queries from supply chain and ESG-related analysts and the links to the global standards and frameworks which inform them.
- Platforms are aimed at reducing the burden for the large customer but appear challenged when tailoring information requests based on a supplier's size, sector and regional operating context. As a result, questionnaires can be both lengthy and onerous, leading to potentially hundreds of individual questions.
- Joint supplier questionnaires (i.e. for multiple customers) and standardised templates have the potential to reduce effort and duplication (OECD, 2026).
- There is a risk that such platforms take on a life of their own, potentially leading the work of the procurement teams of large customers.
- While such platforms may request data points (e.g. water consumption), they also ask for specific information regarding the supplier's overall approach to responsible business conduct and governance (e.g. a human rights policy or a grievance policy).

Table 3: Sample sustainable supply chain platform questions and links to global programs

Example Link	Questions
Global Reporting Initiative, European Sustainability Reporting Standards, IFRS/ISSB and SASB	Does your company produce a sustainability report? Is it aligned to one or more standards?
UN Global Compact, Science-based Targets Initiative	Does your company engage with any external sustainability programs?
UN Guiding Principles on Business and Human Rights, OCED Guidelines for Multi-national Enterprises, Modern Slavery legislation (UK, Aust), EU Corporate Sustainability Due Diligence	Has the company assessed its supply chain for potential child labour or forced labour?
GHG Protocol, IFRS/ISSB, Global Reporting Initiative	What is the company's scope 1, 2 and 3 GHG emissions?
Global Reporting Initiative, SASB, TNFD	What is the company's total water consumption?
ISO14001	What % of operational sites have an externally certified environmental management system?

4.3 ESG topic coverage in domestic standards

A gap analysis of ESG topic coverage across selected Australian sheepmeat standards and policies focused on whether current domestic standards provide supplier-ready, buyer-relevant evidence, rather than whether topics are referenced in principle or addressed through baseline practice.

For the purposes of this analysis, 'coverage' refers to the presence of documented metrics, targets, reporting mechanisms or verifiable evidence pathways within domestic standards and policies. It does not assess on-farm or supply chain performance, nor does absence of coverage imply poor practice. Instead, the emphasis is on the practical ability of existing standards to support responses to buyer ESG requests and third-party platform questionnaires.

4.3.1 Overall patterns and market emphasis

Market emphasis on ESG evidence varies by channel and geography, with the most explicit and comprehensive expectations concentrated in the European Union and United Kingdom-linked supply chains, particularly higher-value retail and premium foodservice programs. Across other markets, ESG expectations are more selective, slower moving, or confined to specific buyers.

Across the domestic standards and policies reviewed, coverage is uneven across ESG topics, with recurring gaps in:

- climate and emissions evidence,
- land-use and nature-related evidence, and
- supply-chain transparency and traceability as enabling proof points for other ESG claims.

In many cases, baseline requirements or good-practice expectations exist, but are not accompanied by standardised, buyer-ready metrics or reporting formats aligned with how information is requested by major customers.

4.3.2 ESG consensus topics

Table 4 summarises the relative coverage of consensus ESG topics across the following domestic standards and policies reviewed:

- Livestock Production Assurance (LPA) Requirements
- Australian Animal Welfare Standards and Guidelines for Sheep
- Australian Animal Welfare Standards and Guidelines - Land Transport of Livestock
- Australian Animal Welfare Standards and Guidelines - Livestock at Saleyards and Depots
- The Sheep Sustainability Framework (SSF)

A star-rating system is used to indicate the availability of measurable indicators, targets or reporting mechanisms. The star ratings provide a comparative indication of coverage only and should be interpreted alongside the narrative discussion below.

Table 4: Coverage of consensus ESG topics across Australian sheepmeat standards and policies

ESG Topic	Coverage rating	Notes
General consensus		
Animal welfare	★★★★★	All documents include standards; SSF reports on pain relief uptake, lamb survival, and transport compliance. LPA requires welfare plans and training.

Greenhouse gas emissions	★★★☆☆	The Sheep Sustainability Framework (SSF) includes clear metrics (e.g. $MtCO_2e$), a carbon neutrality target by 2030, and annual reporting. No metrics or targets in other documents.
Water use	★★★☆☆	SSF includes water use per kg of product and water efficiency metrics. LPA and welfare standards mention water access but lack quantitative tracking.
Supply chain transparency, traceability, ethical sourcing	★★★☆☆	SSF reports on NLIS adoption and traceability systems. LPA mandates traceability but lacks performance metrics.
Chemical use	★★★☆☆	SSF reports on residue compliance and ChemCert participation. LPA mandates chemical records but lacks aggregate reporting.
Climate change	★★☆☆☆	SSF includes climate resilience indicators and drought adaptation metrics. Other documents mention extreme weather but lack measurable targets or reporting.
Use of hormones and antibiotics	★★☆☆☆	SSF tracks antimicrobial stewardship and ChemCert training rates. LPA requires documentation of HGP use but lacks quantitative reporting.
Worker safety	★★☆☆☆	SSF includes injury rate reduction metrics. LPA and welfare standards emphasise training but lack formal reporting or targets.
Labour Rights, Human Rights and Working Conditions	★★☆☆☆	SSF touches on workforce diversity and protection of human rights in supply chains but does not include concrete reporting on labour/human rights practices.
Deforestation	★☆☆☆☆	SSF discourages broad-scale clearing and tracks native vegetation retention. No metrics or targets in other documents.
Emerging consensus		
Animal freedoms (Five Freedoms)	★★★★☆	All standards align with Five Freedoms. SSF reports on pain relief and welfare outcomes. No explicit Five Freedoms metrics.
Responsible business conduct and due diligence	★★★☆☆	SSF includes governance and risk-based due diligence reporting. LPA and welfare standards enforce legal compliance but lack performance metrics.
Resource efficiency	★★☆☆☆	SSF includes productivity and feed conversion efficiency metrics. Other documents do not address this.
Food security and health	★★☆☆☆	SSF discusses food safety and nutrition contributions. LPA ensures food safety through standards but lacks quantitative reporting.
Energy security	★★☆☆☆	SSF reports on renewable energy adoption. No metrics or targets in other documents.
Circular economy and food waste	★★☆☆☆	SSF includes waste reduction and by-product reuse metrics. Not addressed elsewhere.
Biodiversity and ecosystems	★★☆☆☆	SSF tracks biodiversity indicators and native vegetation retention. Not addressed in other documents.
Soil health and land management	★★☆☆☆	SSF includes soil carbon and ground cover metrics. Not addressed in other documents.
Low consensus		
Water quality	★★☆☆☆	SSF includes waterway protection practices and catchment health indicators. LPA mentions water contamination risks but lacks metrics.

Local communities	★★☆☆☆	SSF reports on community engagement and regional initiatives. Not addressed in other documents.
Air pollution	★☆☆☆☆	SSF indirectly addresses air quality via emissions and manure management. No direct metrics or targets.
Data privacy and security	☆☆☆☆☆	Not mentioned in any document. No metrics, targets, or reporting.

4.3.3 Limits of current standards for ESG disclosure

A central finding of the gap analysis is that most Australian sheepmeat standards and policies were not designed as ESG disclosure or due-diligence tools. They are primarily assurance-based frameworks, focused on minimum requirements, compliance and good practice, often expressed qualitatively or through process-based controls.

As a result, even where ESG-related topics are addressed, the form of evidence available does not always align with the information requested by large customers, investors or ESG supply-chain platforms. This creates friction for producers, processors and exporters who may meet the intent of buyer expectations, but struggle to demonstrate this efficiently or consistently using existing industry documentation.

4.3.4 Measurement mismatch and buyer expectations

Across several priority topics, the main point of misalignment relates to how information is measured and structured, rather than whether the topic is addressed. This is most evident for greenhouse gas emissions.

Domestic industry frameworks and reporting tend to emphasise sector-level trends, emissions intensity measures, or progress against long-term targets, which are appropriate for benchmarking and continuous improvement. By contrast, large buyers and ESG platforms typically request entity-level absolute emissions data, aligned to the GHG Protocol and mandatory corporate reporting requirements, including Scope 3 supply-chain emissions.

This mismatch means that existing industry data is not always directly usable in buyer questionnaires or platform templates, even where emissions are actively measured and managed. Similar issues arise for other topics where buyers increasingly seek quantified, supplier-specific and platform-compatible evidence, including land-use and nature-related information, traceability, and selected labour and human-rights indicators.

4.3.5 Topic-specific observations

Climate and emissions

Climate and emissions evidence is one of the most consistently underrepresented areas when assessed against buyer needs. While industry-level metrics and targets exist, supplier-ready emissions data aligned to corporate reporting formats is limited, particularly for EU/UK-linked customers and multinational buyers.

Land-use and nature-related topics

Land-use, deforestation-adjacent issues and broader nature-related topics (including biodiversity and ecosystem stewardship) are lightly specified in domestic frameworks. Buyer expectations in sensitive markets increasingly extend beyond legal compliance to include demonstrable risk management and, in some cases, positive stewardship, which current standards are not designed to evidence consistently.

Traceability

Australia's traceability systems provide a strong foundation, but current standards do not consistently translate this into quantified or buyer-ready traceability evidence. Traceability increasingly functions as an enabling requirement for other ESG claims (e.g. emissions, deforestation, welfare), particularly in EU/UK supply chains.

Animal welfare

Animal welfare is the most comprehensively specified area across domestic standards and represents a relative strength. However, some buyers seek additional outcome-oriented or market-specific evidence (e.g. pain-relief uptake, assurance equivalence, or specific practice prohibitions), which may sit outside existing reporting norms.

4.3.6 Responsible business and governance: structural constraints

The gap analysis also highlights a structural challenge for industry-level sustainability frameworks. Many buyer expectations under the social and governance dimensions of ESG - including human-rights due diligence, grievance mechanisms, supplier codes of conduct and governance oversight - are inherently company-specific.

While domestic standards can provide baseline assurance and contextual support, they cannot substitute for organisation-level policies, systems and risk assessments required by large multinational customers and ESG platforms. This limits the extent to which responsible business requirements can be mandated or fully encompassed through an industry-wide sustainability reporting approach alone.

This reinforces the need for a complementary model: industry-level alignment and common evidence where feasible, alongside company-level capability to respond to buyer-specific ESG requirements.

5. Conclusion

5.1 Key findings and trends

The findings and trends below are framed through the ESG information and evidence most likely to be demanded by capital markets and regulated corporate reporting and therefore transmitted to sheepmeat suppliers via buyers and ESG platforms.

5.1.1 Dialogue between partners and use of language

Key terms and concepts in sustainability and ESG itself are not well understood or used consistently by industry stakeholders leading to confusion. This is not unique to the sheepmeat industry and is common across Australian agriculture. 'ESG' itself is a concept of the finance sector, focused on risks and opportunities, but is often conflated or used interchangeably in the agriculture sector with 'sustainability' or 'sustainable development' or when referring to groups of topics. Other specific terms such as 'sustainability report' are also often misused to describe any communication on sustainability.

Inconsistent definitions and evidence standards increase 'greenwashing' and reputational risk. Where ESG terms are interpreted differently (e.g. 'regenerative', 'deforestation-free', 'net zero', 'responsibly sourced'), buyers and platforms may ask for evidence that is not currently standardised at sector level. This heightens the need for clear sector definitions, claim rules and a defensible evidence base so exporters can respond consistently across markets and platforms.

There are two separate conversations regarding sustainability and ESG-related topics. Firstly, government-to-government discussions on direct trade regulations, market access, local controversies and standards. Secondly, business-to-business discussions between large buyers and suppliers on organisational commitments, targets and performance data.

Local producer expectations influence government-to-government negotiations. Local producers in key export markets influence government-to-government negotiations and market access settings can be influenced by advocacy and social licence issues, particularly where animal welfare or environmental concerns become visible and politically salient. ESG-related controversies can also be used as leverage in this environment.

5.1.2 Drivers and instruments

Conditional market access based on sustainability and ESG is specific and targeted. Free Trade Agreements include broad provisions informed by global agreements (e.g. climate change) and norms (e.g. labour standards). Conditional market access measures tend to be specific, targeted and relatively rare (e.g. EU Deforestation Regulation). They are, however, designed with a view to scope expansion if deemed necessary and can still have indirect impacts on sheepmeat inputs.

National policy and regulation still matter, but not in familiar ways. National regulation remains important, but it often influences trade indirectly (e.g. via mandatory corporate reporting on emissions and due diligence obligations on major buyers) rather than appearing as familiar trade-related regulation or import conditions for sheepmeat. These are also administered by agencies less familiar to agriculture (e.g. financial regulators).

Initiatives transcend individual markets. ESG-related initiatives and expectations increasingly transcend individual export markets. Many large retailers and foodservice customers operate globally and engage with global commitments and programs. They tend to apply theses global policies, targets and supplier standards consistently across countries.

ESG pressure is market- and channel-specific, with risk concentrated in higher-value EU/UK-linked supply chains. This reinforces the need to prioritise readiness (data, assurance and messaging) for premium programs and EU/UK-facing customers first, rather than pursuing uniform uplift across all markets.

Buyer programs are digging deeper into supply chains and requirements are being standardised by third-party platforms. Customers are identifying that significant risks and opportunities exist at farm level. This includes an expectation of suppliers setting targets and practice expectations (e.g.

supplier requirements for biodiversity improvement plans, human rights and labour due diligence, and animal welfare). These are being standardised into 'one-size-fits-all' questionnaires. This strengthens a popular case for an industry-aligned minimum dataset and evidence pack that can be re-used across platforms (e.g. Sedex/EcoVadis) to reduce burden and improve consistency of responses.

Third-party service providers are actively curating content. Service providers and sustainable supply chain platforms are increasingly curating ESG-related content themselves, shaping the questions asked of suppliers and the evidence required. As part of their business models, such providers reflect the information needs of multiple global initiatives.

Assurance requirements are inconsistent, which creates a practical barrier. Buyers often specify particular frameworks and audit schemes. Australian suppliers may meet the intent but still face difficulties when there isn't a clear way to show that Australian standards are accepted as equivalent. This increases the need for clear mapping (e.g. SSF/LPA to common buyer frameworks) and agreed industry statements so exporters and processors don't need to re-explain the same point each time.

5.1.3 Priority topics

Mandatory reporting aimed at companies is being taken up by key markets and is initially focused on climate change, but nature is next. At this stage, mandatory reporting at some level is required by markets which represent more than 50% of Australia's sheepmeat exports. This is initially focused on climate change which will be felt over the next 3-4 years but guidance or standards on nature-related financial disclosures are expected to be released by the end of 2026. Additional indicators and metrics focused on agriculture and red meat for general use will also be released for this year.

Consensus among food retail and foodservice companies on topics. There is growing consensus among major companies on a core set of ESG-related topics for supplier engagement (typically climate, nature, human rights/labour, animal welfare and business conduct), supporting the case for a possible industry-aligned 'minimum dataset' and common evidence pack.

Nature-related expectations will expand beyond 'biodiversity' and cut across multiple topics. Investor and corporate approaches increasingly frame nature across land, water and broader ecosystem services, which can drive new data asks (e.g. land-use, deforestation-adjacent scrutiny, water stewardship, soil health). This increases the value of building a more integrated, buyer-ready evidence set for nature-related questions, rather than treating each issue as a standalone reporting stream.

The biggest gaps are in measurable proof points, especially climate/emissions, land-use and nature, and traceability, more than in on-farm intent or baseline practice. Labour and human-rights due diligence expectations (including modern slavery) are also becoming more prominent in buyer questionnaires and platforms; however, many requirements are organisation-level and therefore require supplier capability uplift and practical guidance rather than industry-wide standards alone. The priority for investment is consistent, supplier-ready metrics and verifiable datasets (and how they are packaged for buyers/platforms), not only adding new standards.

5.2 Benefits to industry

This project provides the Australian sheepmeat industry with a consolidated view of emerging ESG-related expectations in key export markets, including the role of major retailers and foodservice buyers and the increasing use of third-party supply chain platforms. By clarifying likely near-term requirements and identifying gaps between buyer expectations and existing domestic standards and protocols, the findings support more targeted investment and practical actions to maintain competitiveness and trading opportunities. Specifically, it helps:

- Protect and support market access by helping the sheepmeat supply chain anticipate and respond to emerging ESG-related requirements (especially those flowing through major retailers/foodservice customers and mandatory reporting regimes in markets like the EU/UK/US/Japan).
- Clarify the drivers of ESG-related requirements of large customers in key markets and how these requirements are communicated to industry representatives and suppliers.
- Reduce compliance burden and duplication by clarifying what information buyers are asking for (and why) and highlighting where common platforms (e.g. Sedex/EcoVadis) are shaping questionnaires and evidence requests.
- Improve industry readiness and prioritisation by identifying the most material ESG themes and near-term compliance challenges (3-5 years), so MLA/industry can target R&D, policy, and extension where it will matter most.
- Strengthen market positioning by articulating where Australia's sustainability credentials can be used as a differentiator in existing and emerging markets, supporting relationship-building and customer confidence.
- Inform practical improvements to standards and assurance through the gap analysis - pinpointing where domestic settings may not meet evolving buyer expectations (e.g. emissions data, labour/modern slavery due diligence, animal welfare requirements in UK/EU).

6. Future research and recommendations

Recommendation 1: Sheep Producers Australia and MLA should clarify key concepts and terms and clearly define an agreed language in respect to their own sustainability-related programs and how industry sustainability credentials are communicated.

Rationale: Key terms and concepts in sustainability are not well understood or used consistently by the industry leading to confusion and the risk of miscommunication with key markets and customers which are using an increasingly global language. This includes: 'ESG', 'sustainability', 'sustainable development', 'sustainability report', 'disclosure', 'B2B communication' or 'labelling' when referring to other types of communication on sustainability-related information.

Recommendation 2: Build the capacity of in-country representatives on sustainability-related business-focused initiatives, and foster relationships with regulators, outside of trade and agriculture, and large customers in those markets to better understand emerging requirements and how they might translate into the ongoing development of sustainability credentials for Australian producers. Continue to maintain MLA's close in-market resourcing and systematise insight sharing back to Australian industry (e.g. regular briefs) so producers and suppliers can respond early and consistently. This includes following closely the ongoing development of known instruments for their indirect impacts and potential for expansion to sheepmeat (e.g. EU Deforestation Regulation, EU and UK Carbon Border Adjustment Mechanisms) as well as engaging directly with standard setting organisations involved in sustainability-related reporting, locally and in key markets (e.g. AASB and IFRS and specifically SASB and the work of the IFRS on nature-related disclosures).

Rationale: There are two separate conversations regarding sustainability and ESG-related topics. The work of industry bodies and government representatives in key markets has historically and understandably focused on relationships with traditional trade-related regulators in government-to-government discussions. Local producers in those markets are likely to continue to influence those negotiations so this core capacity should continue. However, engagement with global sustainability-related initiatives and exposure to new reporting regulations by large customers is resulting in more direct business-to-business communication with Australian suppliers on industry credentials and these are less familiar. Standard setting bodies in sustainability-related reporting are undertaking further consultation regarding industry metrics and nature-related disclosures in 2026.

Recommendation 3: Support the capacity of major Australian suppliers to respond to the most significant and material information requests from large customers (e.g. demonstrating responsible business conduct). Work with large, key suppliers to understand the information requirements and functionality of the most common sustainable supply chain platforms. Engage with the most common sustainable supply chain platforms, and affiliates in Australia, on their information needs and consider greater alignment of industry sustainability credentials.

Rationale: Buyer programs are digging deeper into supply chains and requirements are being standardised by third-party platforms. Customers are identifying that significant risks and opportunities exist at farm level, and these are being standardised into questionnaires to reflect the information needs of multiple global initiatives.

Recommendation 4: Review the content of the Sheep Sustainability Framework (SSF) against the requirements of the standards and frameworks commonly used by large customers. Consider the applicability of other livestock standards to reflect the consensus topics and how they might be progressed. This might inform the case for a possible industry-aligned 'minimum dataset' and common evidence pack at producer level[5].

Rationale: There is a consensus among food retail and foodservice companies on key topics. The SSF currently covers a greater scope of the consensus topics than the livestock standards reviewed but may not be covering those topics in sufficient depth or using the common methodologies and standards required.

[5] It is important to note that many programs referred to in this study have different purposes, origins and audiences and can use different methodologies even when referring to measuring the same topic (e.g. Entity-based reporting using the GHG Protocol is used for corporate reporting of a business while product footprinting focuses on cradle-to-grave analysis, leading to different emissions results and for different purposes). Any 'minimum dataset' needs to consider the purpose of standards and frameworks before incorporating indicators or metrics from those sources into any dataset. Shallow mapping exercises should be avoided.

7. References

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8. Appendix

8.1 Example ESG and sustainability-related information flows in food retail - program descriptions

Pledges and commitments	
Accountability Framework	Accountability Framework is a roadmap for achieving ethical supply chains that protect forests, natural ecosystems, and human rights
OECD Guidelines	The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (2023 edition) are government-backed recommendations for responsible business conduct. They provide voluntary principles for multinational enterprises to ensure operations align with sustainable development, human rights, labour rights, and environmental standards
SBTN	Science-based Targets Network is a global coalition of over 45 organisations that develops methods and guidance for companies and cities to set science-based targets (SBTs) for nature
UNGC	United Nations Global Compacts is the world's largest voluntary corporate sustainability initiative, encouraging businesses to adopt sustainable and responsible policies across human rights, labour, environment, and anti-corruption
UNGP	The UN Guiding Principles on Business and Human Rights (UNGPs) are a set of principles endorsed by the UN Human Rights Council, establishing the global standard for preventing and addressing business-related human rights abuses
UN SDGs	The UN Sustainable Development Goals (SDGs) are 17 global goals adopted in 2015 as part of the 2030 Agenda, designed to create a blueprint for peace, prosperity, and sustainability for people and the planet
WBCSD	World Business Council for Sustainable Development is a global network of 250+ leading companies driving sustainability as a key driver of competitiveness
Measurement and methodologies	
FLW Protocol	The Food Loss and Waste Protocol is a multistakeholder partnership which developed the Food Loss and Waste Accounting and Reporting Standard
GHG Protocol	The GHG Protocol is the world's most widely used greenhouse gas accounting standard
ISO Standards	The International Standards Organisation offers standards with a sustainability focus ranging from environmental management (ISO14001), energy efficiency (ISO50001), social responsibility (ISO 26000) and Life cycle assessment (ISO 14040/44)
Product Environmental Footprint	The EU's standardised, life-cycle based method used to measure the environmental impacts of goods or services across 16 categories.
SBTi	The Science Based Targets initiative (SBTi) is a global body enabling businesses to set emissions reduction targets in line with climate science, specifically aiming to limit global warming.
Reporting standards	
GRI	The Global Reporting Initiative is an independent international nonprofit organisation that sets the global standards for sustainability reporting,

	enabling organisations to be transparent about their environmental, social, and economic impacts.
IFRS/ISSB	The International Financial Reporting Standards are a globally recognized set of accounting rules designed to make financial statements consistent, transparent, and comparable across140+ countries. The International Sustainability Standards Board is a global body established under the IFRS Foundation in 2021 to develop a unified, high-quality set of standards for sustainability-related financial disclosures.
SASB	The Sustainability Accounting Standards Board (SASB) is a non-profit organisation that provides industry-specific standards for companies to disclose financially material sustainability information to investors. Now part of the IFRS Foundation
TNFD	The Taskforce on Nature-related Financial Disclosures is a global, market-led initiative providing a framework for organisations to report and act on evolving nature-related dependencies, impacts, risks, and opportunities
Benchmarks	
BBFAW	The Business Benchmark on Farm Animal Welfare is the leading global indicator assessing how 150+ major food companies manage and report on farm animal welfare
FAIRR	The FAIRR Initiative (Farm Animal Investment Risk and Return) is a collaborative investor network that raises awareness of the material ESG-related risks and opportunities in intensive livestock production
WBA	The World Benchmarking Alliance is a non-profit organisation that assesses 2,000 of the world's most influential companies on their contribution to sustainable development and ranks companies to drive accountability, encourage sustainable business practices, and accelerate progress toward a better future
Certifications	
Global G.A.P	Global develops and implements multiple farm assurance standards based on good agricultural practices across multiple commodities
ISCC	The International Sustainability and Carbon Certification is a voluntary, auditable system designed to certify a suite of commodities
RFA	The Rainforest Alliance develops and implements certification and labelling programs for specific commodities (e.g. coffee) based on protecting nature, improving farmer livelihoods and combating climate change.
RSPO	The Roundtable on Sustainable Palm Oil develops and implements certifiable environmental and social standards for sustainable palm oil production.
RTRS	The Round Table on Responsible Soy develops and implements certifiable environmental and social standards for soy production.
Supply Chain Platforms	
EcoVadis	EcoVadis provides a sustainability-related scorecard which helps businesses manage their ESG risks and improve sustainability in their supply chains. The focus on a scoring methodology means that EcoVadis is also one of the most significant providers of information on ESG Ratings and is, therefore, also listed below.
SEDEX	The Supplier Ethical Data Exchange (SEDEX) is a membership based, auditable platform which helps businesses manage and assess sustainability practices in supply chains
ESG Ratings	

CDP Scores	The Carbon Disclosure Project specializes in environmental disclosure quality by businesses, specifically for climate change, water, and forests.
EcoVadis	See above
MSCI ESG Ratings	Measures a company's resilience to long-term, financially relevant ESG risks and issuing ratings from AAA to CCC.
Refinitv ESG Scores	Refinitv ESG scores (now under the London Stock Exchange) provides standardized scores based on over 600 metrics, designed to measure a company's relative ESG performance.
S&P Global ESG Scores	S&P Global ESG Scores provides data-driven sustainability assessments to measure a company's performance on material ESG risks and opportunities compared to industry peers. It is based on the Corporate Sustainability Assessment (CSA) which evaluates over 1,000 data points.
SustainAlytics (Morningstar)	The SustainAlytics ESG rating focuses on identifying financially material ESG risks and rate businesses on their level of exposure and how well they are managing those risks.