HESTA

An Industry SuperFund

Super with impact

FY24 Responsible Investment Report

Contents

About this report

HESTA's Responsible Investment Report outlines activity in support of our responsible investment program of work as part of our Super with impact™ purpose.

Covering the period 1 July 2023 to 30 June 2024, the report discloses progress on HESTA's responsible investment thematics, evidenced by case studies, engagement and voting metrics over the reporting period, and reports capital allocation in alignment with the Sustainable Development Goals according to the SDI AOP Taxonomy.

We encourage you to read this report alongside HESTA's FY24 Annual Report, and our climate-related disclosures available at **hesta.com.au/climate-action**

HESTA acknowledges the Traditional Owners of Country throughout Australia and recognises the continuing connection to lands, waters and communities.

We pay our respects to Aboriginal and Torres Strait Islander cultures; and to Elders past and present.

Message from our Chair and CEO

HESTA invests in and for people who make our world better. We use our expertise and influence to deliver strong, long-term returns while accelerating our contribution to a more sustainable world. We call this Super with impact™ and it is central to delivering on our purpose for our more than one million members who trust HESTA to look after their retirement savings.

Responsible investment is in our DNA. From our first renewable energy investment in 2006, to leading action that is prioritising gender balance in the executive teams of Australia's largest companies, and advocating for stronger laws that protect First Nations rights and cultural heritage, we seek to demonstrate our belief that members' best financial interests are served by a deep commitment to responsible investment.

We are pleased to present you with HESTA's inaugural Responsible Investment Report, which provides insights into our management of risks and opportunities related to HESTA's priority responsible investment themes. Through our responsible investment approach, we aim to protect and enhance the value of our investments, and ultimately the long term returns we deliver to members.

We are proud of the difference that HESTA has made for members through delivering investment excellence with impact, one of the three pillars of our Super with impact™ purpose. This includes actively engaging with large-emitters to develop more ambitious climate change plans and holding companies accountable on poor governance.

But we know there is more to do, and we encourage Australia's businesses to intensify their efforts in the areas of gender equality, climate change, nature and biodiversity loss and decent work to help build the retirement savings of HESTA members.

Aligned with our priority UN Sustainable Development Goals, these themes remain material issues for HESTA given the financial risks they present to companies, shareholders and the global economy; due to their systemic nature, they cannot be mitigated through diversification. You will find more in this report about our FY2024 progress on managing the risks, and opportunities, related to these themes and the outcomes we seek for our members.

HESTA takes great pride in helping our members to face the future with confidence, and we trust this report provides you with confidence that we are delivering on our responsible investment commitment and Super with impact™ purpose.

Hon Nicola Roxon, Chair
Debby Blakey, CEO

Super with impact™

At HESTA, our purpose is to invest in and for people who make our world better.

We bring our purpose to life by supporting members to face the future with confidence, being a gutsy advocate for a fair and healthy community and delivering investment excellence with impact. That's Super with impact™.

Why responsible investment matters

Central to our vision of Super with impact™ is our commitment to deliver investment excellence with impact. We recognise the importance of pursuing a growing, sustainable and inclusive economy to deliver strong long-term returns for members.

As long-term investors, we believe that members' best financial interests are served by a deep commitment to responsible investment. Responsible investment is an approach to investing that incorporates the consideration of environmental, social and governance (ESG) risks and opportunities into investment decision making to deliver strong long-term returns.

HESTA is a diversified super fund with global investments and is exposed to risks related to some of the world's biggest issues. These issues have the potential to affect the performance of our investment portfolio, and ultimately, the returns we can deliver to members. Therefore, as active owners, we seek to influence the management of responsible investment factors to protect and enhance long-term returns, which is aligned with our members' best financial interests.

Our approach to responsible investment

HESTA's responsible investment approach focuses on managing systemic risks, integrating responsible investment factors and catalysing innovative investments, to deliver strong, long-term returns to our members and help accelerate progress to a more sustainable world.

Our responsible investment program of work focuses on six areas of systemic risk and opportunity linked to our priority UN Sustainable Development Goals (SDGs). We seek to address these risks and opportunities through capital allocation and active ownership. Systemic risks are those that threaten the functioning of the economy and cannot be mitigated through diversification or divestment. Factors like gender equality, decent work and good health support strong and stable markets and economic growth that drive member returns, while risks such as climate change and biodiversity loss can threaten them.

The key components to our responsible investment approach include:

Capital allocation	Active ownership	
	Engagement and voting	Advocacy
Through responsible investment integration, exclusions and thematic investments we seek to manage risks and capture opportunities.	Through engagement and voting we seek to influence management of responsible investment issues that can impact long-term returns at the asset level, portfolio level and at the market level to protect and enhance long-term investment value.	We seek to use our voice to advocate on systemic issues that are at odds with maintaining and building a growing, sustainable, and inclusive economy, and delivering strong long-term performance.

We adopt a total portfolio approach (TPA) to capital allocation that gives us a deep understanding of forward-looking opportunities and risks across global asset classes. We develop this understanding through harnessing insights across our teams and a broad global expert network. We leverage these insights to inform our active ownership approach and priorities, as we seek to influence the management of responsible investment factors that protect and enhance shareholder value, supporting investment decisions that can improve retirement outcomes for our members over the long term.

This approach to responsible investment is both a core part of acting in members' best financial interests and supports HESTA in its contribution to a more sustainable world.

You can read our *Responsible Investment Policy* at **hesta.com.au/responsible**

Responsible Super Fund Leader 2023

HESTA was recognised as a Responsible Super Fund Leader 2023 by the Responsible Investment Association Australasia (RIAA). This acknowledges our commitment to good governance and accountability; implementation and measurement of responsible investment approaches through activities such as engagement and voting and ESG integration; proper measurement of outcomes; and high degrees of transparency.

riaa Responsible Investment Association Australasia

Responsible Super Fund Leader 2023

The SDGs and why they matter

To address systemic risks and identify areas of opportunity that can lead to improved long-term outcomes for our members, we endorse the ambitions of the United Nations' Sustainable Development Goals (SDGs). Our responsible investment program prioritises eight SDGs.

As the focus of government policy and initiatives, the SDGs can indicate areas of investment opportunity and potential emerging risks.

Gender equality

5 GENDER EQUALITY

Climate change

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

Natural capital and biodiversity

14 LIFE BELOW WATER

15 LIFE ON LAND

Decent work

8 DECENT WORK AND ECONOMIC GROWTH

Good health and wellbeing

3 GOOD HEALTH AND WELL-BEING

Sustainable cities and communities

11 SUSTAINABLE CITIES AND COMMUNITIES

Measuring our capital alignment to the SDGs

To track the progress of our capital allocation in support of the SDGs, we subscribe to the Sustainable Development Investments Asset Owner Platform (SDI AOP)[1].

Based on the SDI AOP taxonomy[1], at 30 June 2024, HESTA had $13bn identified as sustainable development investments representing approximately 14.9% of HESTA's total assets under management aligned with priority and other SDGs.

The platform identifies the percentage of a company's revenue aligned to underlying SDG targets, according to an agreed taxonomy and allows us to measure the level of SDG alignment of the investment portfolio. This methodology only includes revenues directly linked to SDGs, hence it provides a conservative estimate of alignment.

Sustainable Development Goal	% of total fund
Good health and wellbeing	6.90%
Sustainable cities*	4.73%
Affordable and clean energy	2.13%
Climate action	0.28%
Industry, innovation and infrastructure	0.22%
Responsible consumption	0.20%
Life on land	0.18%
Clean water	0.10%
Quality education	0.08%
No poverty	0.06%
Zero hunger	0.05%
Life below water	0.01%

*SDG 11.6 – sustainable property – contributes towards HESTA's target to have 10% of the portfolio invested in climate solutions by 2030. You can read more on page 23.

HESTA is a founding member of the Australian Sustainable Finance Institute (ASFI) and joined the ASFI Board in 2021. HESTA is also represented as a member in the Australian Sustainable Finance Taxonomy Technical Expert Group. This allows HESTA to contribute to, and hear valuable insights, in shaping taxonomy usability, credibility, interoperability, prioritisation and impact.

Supporting the development of an Australian sustainable finance taxonomy is a demonstration of our commitment to delivering strong long-term returns, while contributing to a more sustainable world.

Australian Sustainable Finance Institute

1 Information on the taxonomy can be found at https://www.sdi-aop.org/sdi-classification/

How we use active ownership

Active ownership is an important part of how we manage risks. As a long-term investor that expects to own an asset for many years, we see active ownership as especially important in serving the best financial interests of our members.

HESTA's active ownership program focuses on addressing systemic issues. When addressing these issues, we consider whether companies are suitably managing risk and creating or enhancing value, and whether this is done in a way that promotes broader economic resilience for the benefit of our members. We assess the materiality of systemic risks on both our investments and the broader community and select the combination of active ownership levers that we believe can most effectively manage the risk and deliver long term shareholder value. HESTA pursues active ownership through the tools of:

You can find out more about how we use active ownership in this video at **hesta.com.au/responsible**

Engagement

By engaging with our investment managers and the companies we're invested in, we can seek to protect and enhance the value of those investments and the returns we can deliver to members.

Engagement takes shape in many forms.

Engagement can be:

- writing to companies
- meeting with industry partners and community groups
- meeting directly with companies on key issues
- meeting indirectly through our investment managers, and
- meeting indirectly with other investors through service providers and collaborative groups. For example, we engage with companies through the Australian Council of Superannuation Investors (ACSI) and Climate Action 100+[2].

Collaborating with other investors enables us to amplify our voice and drive action while using our resources efficiently.

Voting

We also use our shareholder rights to vote across thousands of company holdings each year.

Voting is a key part of our active ownership and an important link in the chain of accountability between a company and its shareholders.

When deciding how we'll vote, we assess how companies are managing risk and if they're doing so in a way that protects the best financial interests of our members.

Advocacy

As a significant asset owner and representative for our membership, we can play a leading role in the industry to influence meaningful change on responsible investment issues.

We may use our voice, both independently and collectively, to address systemic issues that are at odds with maintaining and building a growing, sustainable and inclusive economy and generating strong long-term performance.

2 A list of the collaborative initiatives in which HESTA is involved can be found on our website at **hesta.com.au/responsible**

Key highlights from FY2024

$5.8bn

invested in climate solutions, such as renewable energy and sustainable property.*

1,664

company meetings either directly by HESTA or indirectly through specialist engagement service providers.

14.9%

of HESTA's portfolio invested in alignment with the UN Sustainable Development Goals.*

27%

of ASX300 companies have achieved 40:40:20 gender balance in executive leadership as at 30 June 2024, supported by programs such as 40:40 Vision.

VOTE

41,334

votes cast at the AGMs of Australian and globally listed companies in FY24.

95 / 100

HESTA's average score for each assessed module in the 2023 PRI survey, demonstrating strong responsible investment integration.

Assessed as 5 stars by the PRI

HESTA has been a signatory to the UN-supported Principles for Responsible Investment (PRI) since 2006.

In January 2024, HESTA received its PRI Assessment Report relating to the 2023 survey. Our results were extremely strong, achieving 5 stars (>90%) across every PRI module applicable to HESTA's portfolio and an average module score of 95.

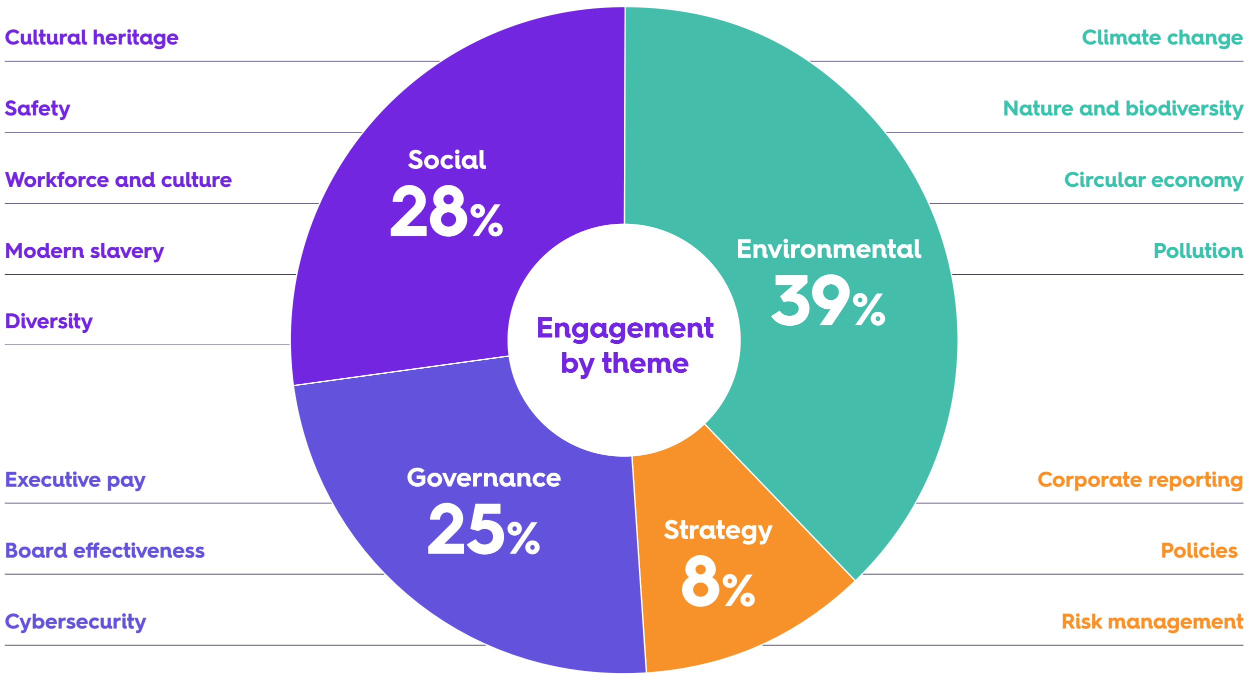
You can find both the 2023 Transparency and Assessment Reports on our website at **hesta.com.au/responsible**.

* As at 30 June 2024. Alignment measured using the SDI AOP Taxonomy. We measure progress towards our climate solutions target aligned with SDGs 7, 11.6 and 13 according to the SDI AOP Taxonomy. More information available at https://www.sdi-aop.org/sdi-classification

Active ownership outcomes for FY2024

Engagement outcomes

In FY24, we held in 1,664 meetings with portfolio companies. This included direct meetings attended by HESTA, participation in collaborative initiatives and indirect meetings conducted by our specialist engagement service providers, the Australian Council of Superannuation Investors (ACSI) and EOS at Federated Hermes Limited, and external investment managers.



3 HESTA's Active Ownership Priorities are available in the Responsible Investment Policy.

Voting outcomes

Exercising our voting rights in listed and unlisted markets is a key element of our active ownership approach and an important link in the chain of accountability between a company and its shareholders.

We aim to execute our voting rights for all shares in listed public companies that are held directly and disclose our voting decisions on our website. We may notify portfolio companies of our voting intentions ahead of company meetings. Voting on holdings in unlisted markets is different to listed market voting, with voting usually only required on an ad hoc rather than annual basis. Voting resolutions typically relate to governance matters such as a proposed change to fund structure, with voting undertaken alongside other significant investors.

Decisions on voting are made by HESTA based on what we believe is in the best financial interests of our members, taking into account our Active Ownership Priorities[3] and often following dialogue with companies and consultation with our investment managers, proxy advisors, engagement service providers and other relevant stakeholders.

Australian share voting

The following summarises HESTA's Australian listed shares voting during FY24.

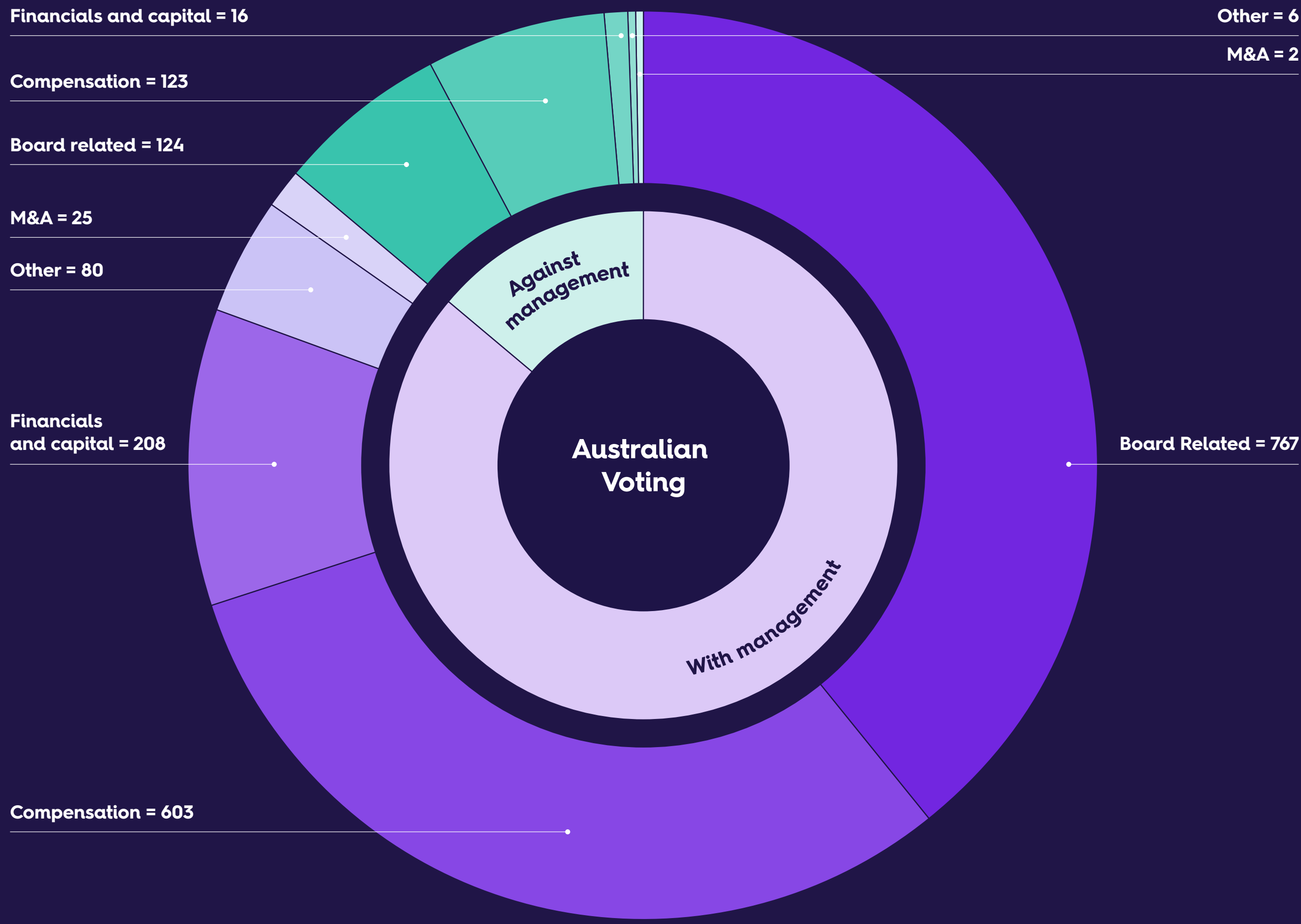
In FY24, HESTA voted on 1,954 resolutions held at Australian portfolio listed company meetings.* Board-related topics such as director re/elections comprised nearly 50% of resolutions voted, followed by compensation and executive pay which comprised 37% of resolutions. The high number of votes related to both these areas indicates the importance and influence of shareholder voting in contributing to the sound governance of companies by Board and Management.

You can read about examples of where we have used our shareholder rights and votes to encourage greater action by companies on page 13.

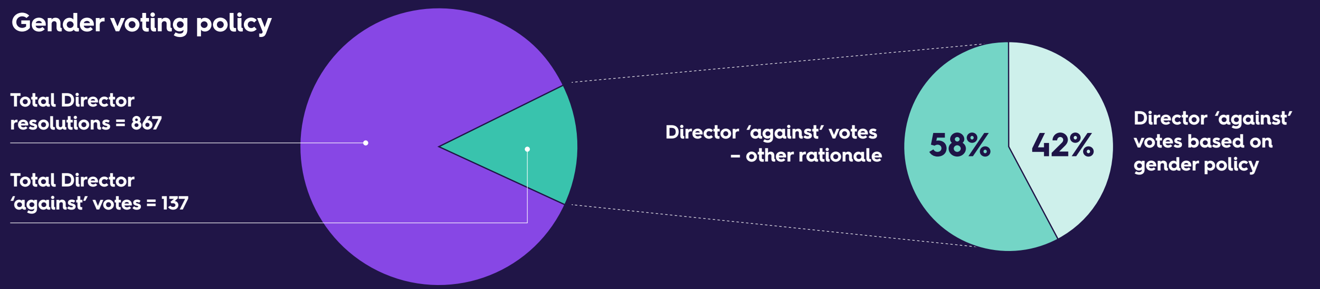
Australian share voting – gender voting policy

Since 2017, HESTA's voting policy has sought to vote, in most instances, against select directors at ASX300 companies where the Board has no female representation. In 2023, we strengthened our gender voting policy to vote against select director re/elections where the board has less than 30% female representation and against the chairs of companies employing single gender executive teams.

In FY24, of the total number of 'against' management votes on director re/elections, 42% of votes were a result of the strengthened gender voting policy. This is aligned with our focus on improving outcomes related to gender equality and contributing to the reduction of Australia's gender pay gap[4]. You can read more about our gender focused active ownership objectives on page 19.



Gender voting policy



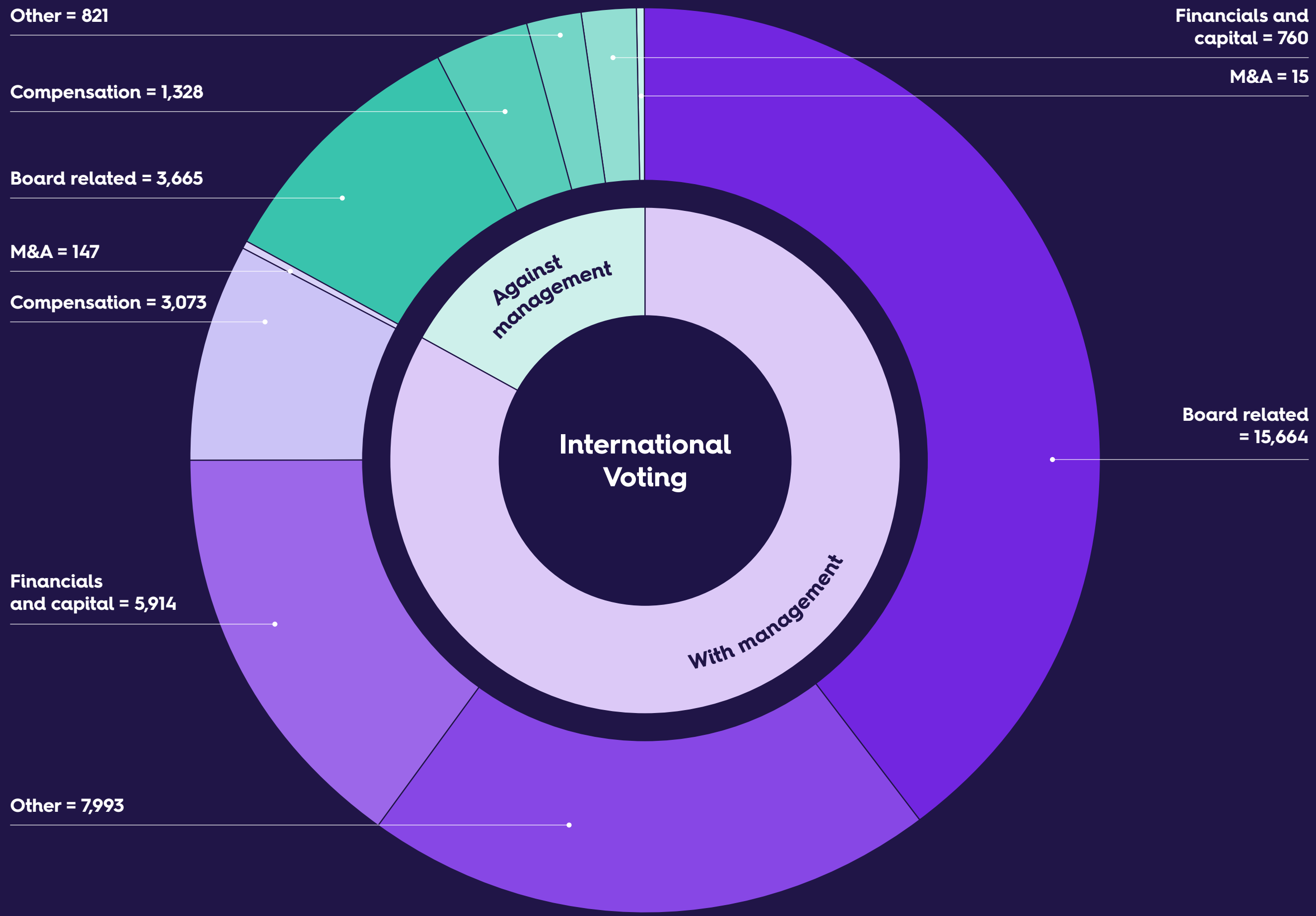
* Not including shareholder proposals. You can find more information on shareholder proposals on page 13.

4 https://www.wgea.gov.au/data-statistics/ABS-gender-pay-gap-data

International share voting

The following summarises HESTA's international listed shares voting during FY24.*

As with Australian shares, voting on board-related resolutions accounted for 50% of votes at HESTA's international portfolio company meetings. Given the breadth of HESTA's portfolio across global listed share markets, we voted on almost 40,000 resolutions through our international service provider, Federated Hermes EOS.



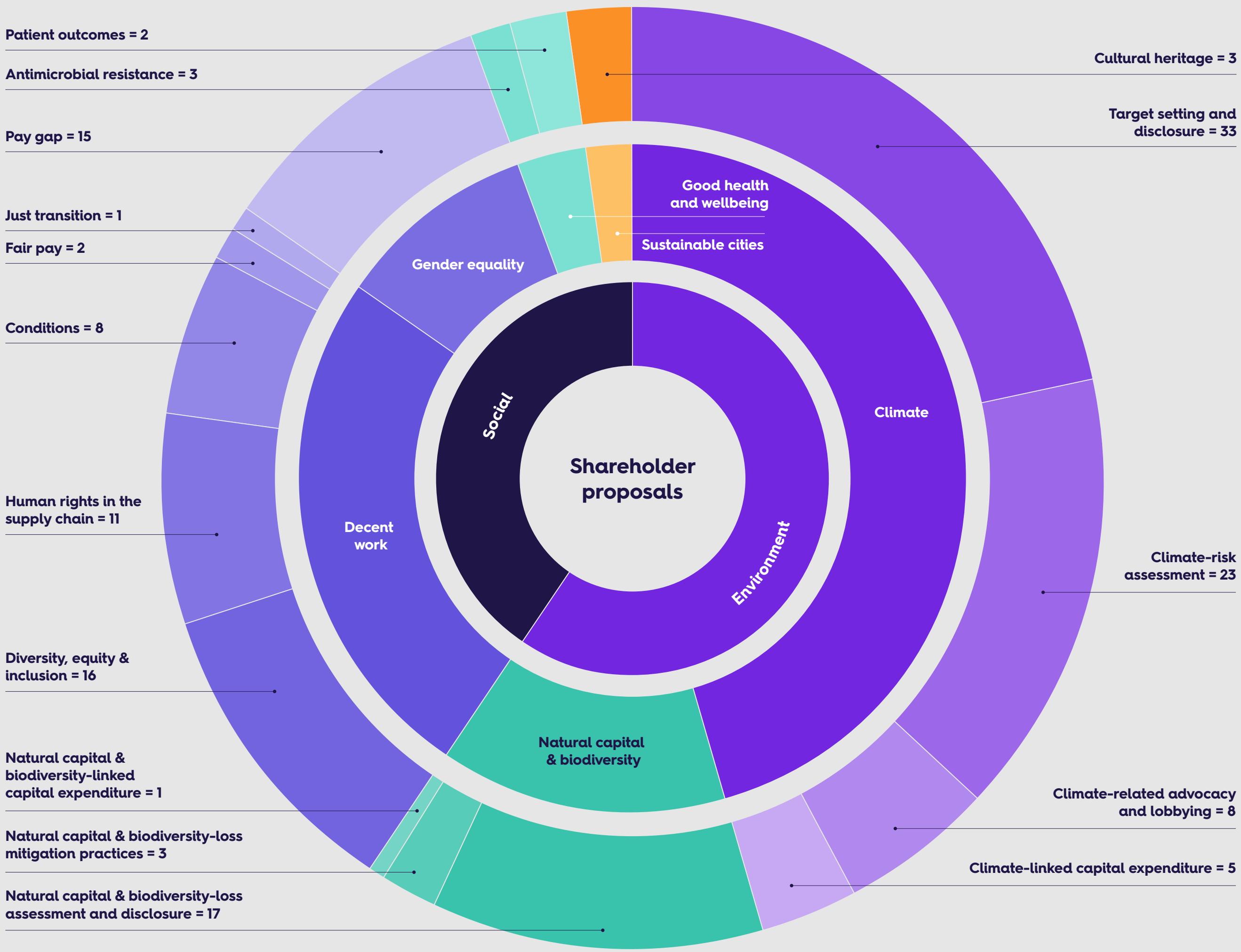
* Not including shareholder proposals. You can find more information on shareholder proposals on page 13.

Shareholder proposals

Voting resolutions put forward for consideration by investors are, in most instances, proposed by boards and management. However, shareholder proposals are an avenue whereby shareholders can file resolutions at company meetings. In recent years, shareholder proposals have been an avenue for shareholders to raise concerns related to environmental and social issues, such as human rights, climate change, cyber and data security, diversity and equality, and public health[5].

HESTA has co-filed resolutions at global companies on antimicrobial resistance for the past four years seeking disclosure on the overuse and misuse of antibiotics in food producing animals, and greater compliance with World Health Organisation (WHO) guidelines on the use of medically important antimicrobials in food producing supply chains. You can read more about antimicrobial resistance in our program of work on page 46.

In FY24, HESTA voted on 151 shareholder proposals related to environmental or social issues, with nearly 50% related to climate change. Of these, 22% of resolutions called for target setting and enhanced disclosure by companies. Natural capital and biodiversity was also an area of focus from shareholders, with 28 nature-related shareholder proposals filed over the past year, of which 75% were supported by HESTA. Within this theme, resolutions focused on risk assessment, disclosure and mitigation. An example of HESTA's voting on nature-related risks is our support of a shareholder proposal at Tyson Foods, a US-based food production company, which called on the company to accelerate efforts to eliminate deforestation from its supply chain.



5 https://corpgov.law.harvard.edu/2024/04/16/what-do-shareholders-propose/

Gender Equality

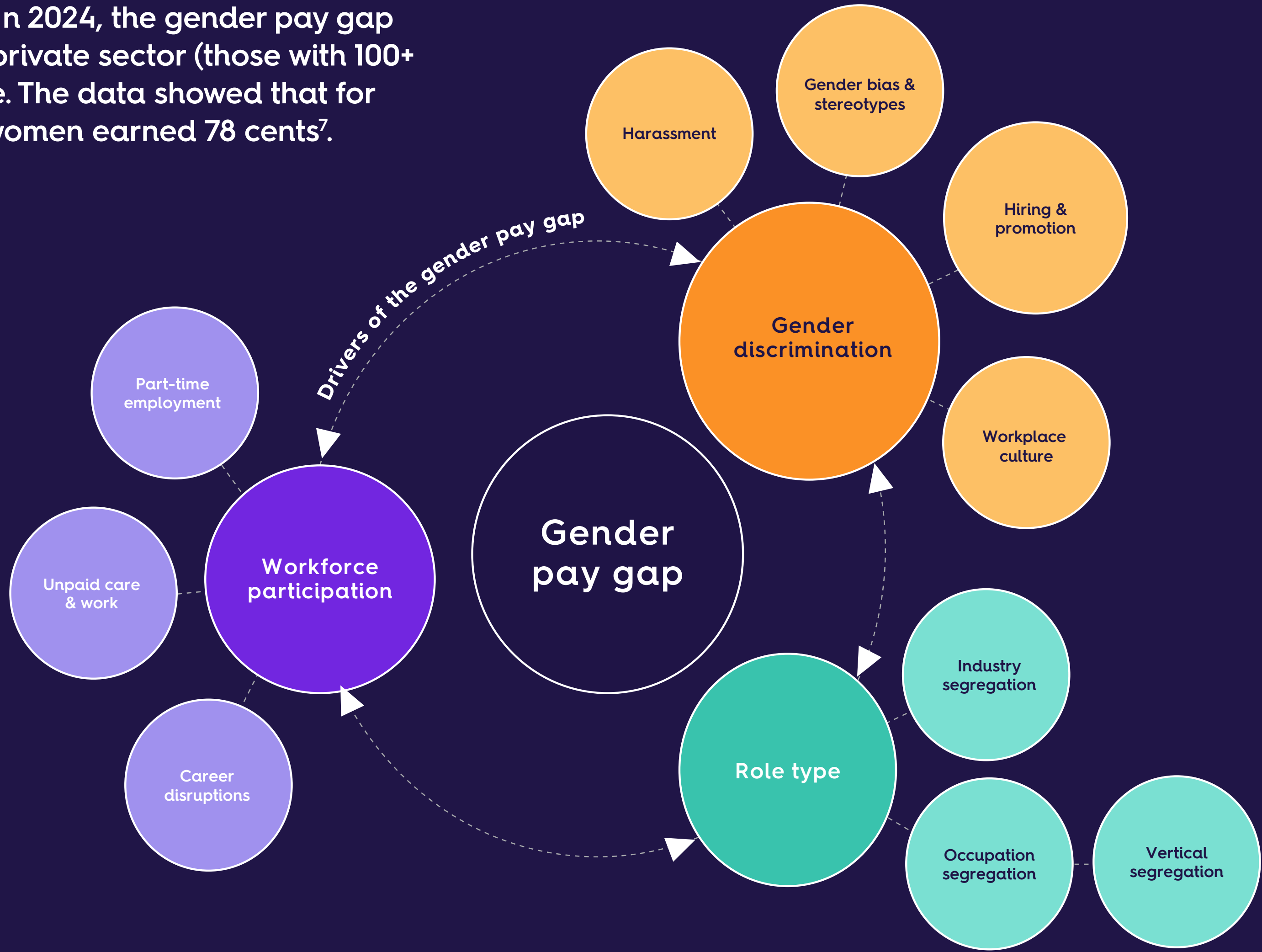
Why it matters

Gender equality is an enabler of a growing, sustainable, and inclusive economy. Conversely, gender inequality has direct and indirect impacts on the economy, the investment portfolio, and on the retirement outcomes of HESTA members, around 80% of whom are women.

A lack of gender equality is reflected by the gender pay gap and its drivers include gender discrimination, role segregation (by seniority, role and sector) and workforce participation[6]. In 2024, the gender pay gap of Australian companies operating in the private sector (those with 100+ employees) was published for the first time. The data showed that for every dollar on average earned by men, women earned 78 cents[7].

Women also face a range of barriers to equal economic participation throughout their working lives, which results in women retiring with less superannuation than men on average[8].

HESTA believes that championing gender equality and diversity is an important part of helping our members achieve a better retirement. Adding a gender lens to our investment activities can also support strong economic growth, greater investment returns and positive financial outcomes for members.



6 https://kpmg.com/au/en/home/insights/2022/07/shes-priced-less-gender-pay-gap-economics.html#:~:text=About%20this%20report&text=This%20report%20tracks%20changes%20in,of%20industry%20and%20occupation%20segregation
7 https://www.wgea.gov.au/data-statistics/data-explorer
8 https://www.wgea.gov.au/sites/default/files/documents/Women%27s_economic_security_in_retirement.pdf

Driving improvement in gender equality is not only fairer but also smarter business:

For individuals – when economic systems and workplaces work for women, women are better able to participate and thrive, and in turn maximise their retirement outcomes.

For companies – research has demonstrated the benefits of gender diversity on company performance (return on assets, return on equity and profit margins)[9] and investment returns (share price)[10].

For the economy – research has shown that removing Australia's gender norms would boost GDP by $128 billion annually[11].

9 2022 Beyond Lip Service by RQI Investors showed gender diverse companies are typically 'higher quality firms' and gender diversity in leadership is positively correlated to return on assets, return on equity and profit margins.

10 Gender Equity Insights 2020: Delivering the Business Outcomes by the Workplace Gender Equality Agency (WGEA) and Bankwest Curtin Economics Centre showed that an increase in female 'top-tier' managers by 10 percentage points or more led to a 6.6% increase in the market value of ASX-listed companies, worth around the equivalent of AUD$104.7 million.

11 https://www.deloitte.com/au/en/services/economics/blogs/remaking-norm.html

Our journey so far

HESTA has advocated for improved gender equality for three decades. Yet, private sector pay gap data published in 2024[12], shows that every industry in Australia has a pay gap that favours men. This shows that gender inequality and commensurate retirement inequality is clearly still impacting working women, including our members, and further action is urgently needed.

1994

Founding member of Women in Super (WIS), a national advocacy and networking group that works to improve women's retirement.

1998

Founding supporter of the Mother's Day Classic, the national walk/run fundraiser for breast cancer research.

2010

HESTA achieves gender balance on its Board.

2011

Begins advocating to the government to pay super on the Commonwealth Parental Leave Pay scheme, giving women's retirement savings a boost, and helping to close the gender pay gap.

2014

Campaigned for the government to reverse its decision to scrap the low-income superannuation contribution (LISC) on behalf of 2 million impacted working women.

2015

Launches first internal Gender Equality strategy.

HESTA receives Workplace Gender Equality Agency (WGEA) Employer of Choice citation.

HESTA supports ACSI gender diversity target for women to occupy 30% of board positions at ASX companies.

2016

HESTA CEO, Debby Blakey, becomes a WGEA Pay Equity Ambassador.

HESTA becomes an investor signatory to the 30% Club Australian Chapter.

2017

HESTA adopts SDG5: Gender Equality as a priority SDG.

CEO Debby Blakey writes to HESTA ASX200 portfolio companies encouraging greater gender diversity at Board and Senior management level as well as targets to achieve it.

Implements gender voting position of recommending votes against the election of directors in companies with poor gender diversity.
HESTA supports ACSI gender diversity target for women to occupy 30% of board positions at ASX companies.

2018

Initiated development of HESTA's Climate Change Transition Plan including recognition of the intersection of gender equality and climate.

Launched biennial survey with Investment Managers/Partners to understand gender diversity in its investment value chain.

Pledged support to Future IM/Pact, an initiative aimed at attracting and retaining diverse talent in the investment management industry.

2019

Became signatory to the Investor Statement in support of the UN Women's Empowerment Principles (developed by UN Women and UN Global Compact in 2010).

2020

Ahead of AGM season, the CEO wrote to Chairs and CEOs of all ASX200 companies outlining engagement priorities with gender -related themes a key focus.

HESTA led 40:40 Vision launched.

2021

Joined Chief Executive Women Census Working Group as investor partner.

Announced collaboration with social enterprise 'Girls of Impact' encouraging more young women to explore careers in financial services.

2022

Completed engagement series with mining companies to address workplace sexual harassment, produced engagement report of findings.

HESTA set a fund wide internal employee target of 40:40:20 as part of a 3-year Gender Equity Plan.

2023

Joined ACSI's Diversity, Equity and Inclusion Working Group to develop an introductory policy on diversity beyond gender.

Developed ASX engagement plan focused on contributing to a reduction of the gender pay gap.

HESTA strengthened voting policy to vote against single gender executive teams as well as Boards with less than 30% female representation.

HESTA released research with The McKell Institute on the costs of unpaid care.

2024

40:40 Vision releases its first progress report showing that companies with 40:40:20 targets achieve gender balanced executive teams faster compared with the ASX.

Begins second engagement series with mining companies to understand progress on reducing workplace sexual harassment.

12 https://www.wgea.gov.au/sites/default/files/documents/Employer%20Gender%20Pay%20Gaps%20Snapshot_FINAL_1.pdf

Accelerating gender equality through active ownership

The Workforce Gender Equality Agency (WGEA) publishes data on Australia's total remuneration average pay gap. In 2024, the gender pay gap was 21.7%. Drawing on newly released company-level pay disclosure data, in the first half of FY 2024, HESTA refined its gender equality active ownership plan to identify actions that could support reduction of the gender pay gap in Australia by addressing the drivers of discrimination, role segregation and workforce participation.

	FY24 actions and progress	Thematic objective	Economy change sought to manage risk*
System engagement	Submission to the ASX Corporate Governance Principles and Recommendations Fifth Edition.	In May 2024, HESTA provided its recommendations to the ASX consultation. We proposed the gender diversity objective for women in ASX300 directorships be increased from 30% to 40%. To capture the benefit of diverse boards, we recommended a reasonable target timeframe should be included for the achievement of the objective. We also recommended ASX300 companies implement a gender diversity target for their Executive Leadership Team (ELT) and broader workforce and introduce a target timeframe. Aligned with our own targets, our recommendation is an objective of 40:40. You can read more in the submission available at **hesta.com.au/advocacy**	Achieve investor and corporate consensus on the need to achieve gender balance in ASX leadership
	Continued leadership of 40:40 Vision	HESTA continues to lead 40:40 Vision, through the coordination of investor activities like engagement and education seminars for existing and prospective ASX signatory companies. You can find more information at **hesta.com.au/4040vision** and in our case study on page 19.	
Company engagement and voting	**Workplace culture** We engaged with 15 Australian mining companies on workplace culture. Following this engagement, we have determined 60% of companies to have a satisfactory plan in place.	One of the most significant contributors to the gender pay gap is gender discrimination. Our interim objective is to enhance the prevention and management of culture risk and promote safe and respectful workplace environments, specifically within the Australian mining sector.	Through action on the drivers of the gender pay gap (e.g. gender segregation in leadership and workplace discrimination), make a positive contribution to the reduction of Australia's gender pay gap.
	Women in ASX ELT Votes 'against' chair elections where company has single gender executive leadership teams in the period ending CY23. The number of single gender executive teams has reduced from 28 ASX300 companies at 30 June 2023, down to 20 ASX300 companies at 30 June 2024. Increase in gender balanced ELT from 23% to 27%	Our objective is to achieve gender balance (40:40) in the executive leadership teams of all ASX300 companies. Interim objectives include: • The increase of gender balanced (40:40) ELT in ASX300 companies. • The elimination of single gender executive teams. • The increase of 40:40 target setting across ASX300 companies. HESTA's voting policy is aligned to its 40:40 goal to include votes against select director re/elections at ASX300 companies where the board has less than 30% female representation and against chairs of companies employing single gender executive teams.	
	Women on ASX300 Boards We voted 'against' director elections where company has <30% women on Board. In the period ending FY24, the number of companies with <30% female directors reduced from 95 to 83.	• Increase gender balance (40:40) on ASX300 boards.	

* Economy level change can assist the management of system-level risks faced by the investment portfolio. These changes cannot be achieved by any one organisation but rather require action by a range of market participants, including investors, companies and governments.

Case study

How 40:40 Vision and voting is driving change

40:40 Vision is an investor-led initiative, founded by HESTA, and supported by a range of Australian and international investors and industry partners. The initiative seeks to achieve gender balance in executive leadership across ASX300 companies by 2030. Gender balance is defined as 40:40:20 – 40% identifying as women, 40% identifying as men and 20% any gender.

In early 2024, 40:40 Vision published its inaugural progress report. The report found that 40:40 Vision signatory companies are more likely to have gender balanced Executive Leadership Teams compared with the ASX.

You can read the report at **hesta.com.au/4040vision**

These companies share the beliefs that greater gender diversity improves an organisation's ability to attract and retain talent, supporting strategic needs as well as improving team performance, business results and company reputation.

As the report highlighted, progress is headed in the right direction with 27% of ASX300 companies having *gender balanced executive teams* in 2024, up from 23% in 2023. 40% of ASX companies have set a target to achieve 40:40 by 2030, up from 39% in 2023. It was also positive to note that companies supporting 40:40 Vision have adopted complementary strategies such as challenge of bias in recruitment and innovative work leave and policies, in their efforts to achieve 40:40:20.

In 2023, HESTA identified 28 listed Australian portfolio companies as having a *single gender executive team*. After engaging with companies on this objective for several years, it is pleasing to see this number decrease to 20 companies in 2024.

Advocating for super on paid parental leave

We welcomed the Federal Government's 2024 announcement that super will be paid on the Commonwealth Parental Leave Pay Scheme, which will boost women's retirement savings and help close the gender superannuation gap.

For more than 13 years, HESTA – along with many other sector voices – tirelessly advocated for this important equity measure. Women take 88% of paid primary carer's leave[13], disadvantaging their financial security in retirement. This is a key cause of why women retire on average with one-third less super than men.

Paying super on paid parental leave is a key equity measure that will help our members add much-needed dollars to their retirement savings and help make Australia's super system fairer for everyone.

13 https://www.wgea.gov.au/parental-leave

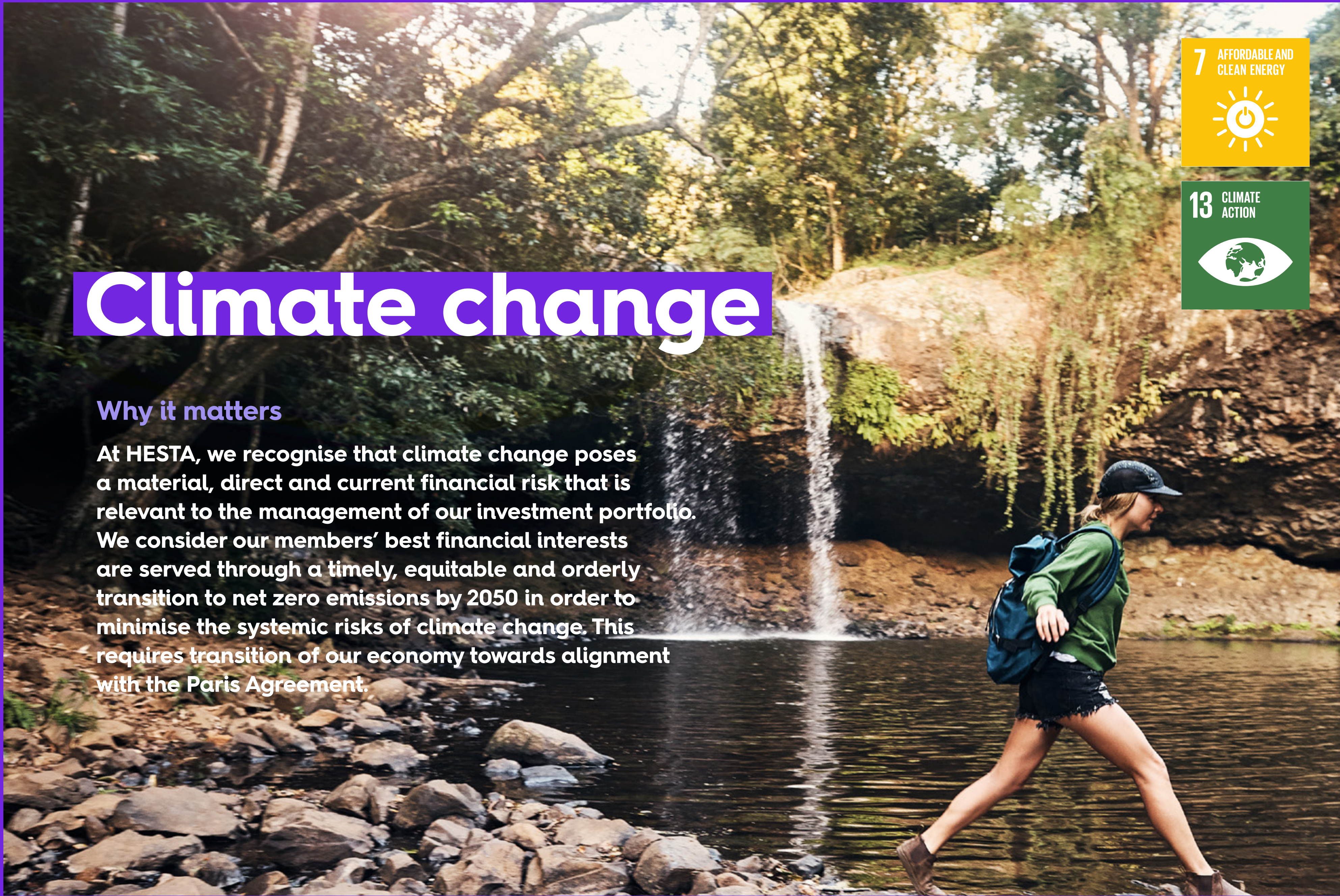
14 https://citywire.com/Publications/WEB_Resources/alpha-female/alpha-female-2024-sterling.pdf

Gender diversity in investment management

Since 2018, HESTA has been biennially surveying its Australian and international investment managers about their workforce gender diversity as part of a broader program to track diversity across HESTA's investment value chain.

Women are under-represented in the investment management industry and research estimates that if the current rate of change is maintained, women won't achieve gender parity at the Portfolio Manager level until the year 2171[14].

A highlight from our most recent survey and subsequent engagement was that a global specialist currency manager – traditionally a niche, male dominated sector within financial services – adopted a '40:40 by 2030' target which led to the addition of diversity in their team and changes to their recruitment processes and workplace policies.



Climate change

Why it matters

At HESTA, we recognise that climate change poses a material, direct and current financial risk that is relevant to the management of our investment portfolio. We consider our members' best financial interests are served through a timely, equitable and orderly transition to net zero emissions by 2050 in order to minimise the systemic risks of climate change. This requires transition of our economy towards alignment with the Paris Agreement.

Driving climate action is critical because of the benefits for individuals, companies, and the broader economy:

For individuals – mitigating climate change can help safeguard society's most basic health needs, including clean air and water, lower rates of infectious disease and access to nutrient dense food, allowing humans to lead longer, healthier lives. The risks related to climate change also affect our members who are at the frontline dealing with the health and societal impacts of climate change. As health and community services workers, our members are looking after the physical and mental health of Australians impacted by natural disasters like bushfires and floods and as early childhood educators, they support our youngest Australians to learn about climate change.

For companies – companies that are taking action to mitigate climate-related transition and physical risks and strategically considering opportunities in a low carbon economy are more likely to maintain and enhance long-term shareholder value.

For the economy – unless the world can shift to a net zero pathway, the Network for Greening the Financial Sector conservatively estimates that global GDP may be 7% lower annually by 2050[15]. Conversely, the Australian economy stands to add up to $65bn in GDP by 2050 through investment in renewables, critical minerals, green iron ore and steel and other technologies[16].

15 https://www.ngfs.net/sites/default/files/medias/documents/ngfs_climate_scenarios_for_central_banks_and_supervisors_phase_iv.pdf

16 https://www.ey.com/en_au/sustainability/the-energy-superpower-opportunity

HESTA has an important role to play in the transition to a low-carbon economy. We believe the transition creates important investment opportunities that will help deliver long-term value for HESTA members.

Reflecting both the science and regulatory guidance, HESTA incorporates climate change into its investment process. You can read more information about our approach to climate-related risks and opportunities in our climate change disclosure available at **hesta.com.au/climate-action**.

In 2020, HESTA declared its ambition to reach net zero carbon emissions across our investment portfolio by 2050. This is supported by an interim target to achieve 50% reduction in normalised measured emissions[17] below the 2020 baseline, by 2030. We have also set a target to have 10% of the portfolio invested in climate solutions, such a renewable energy and sustainable property, by 2030[18].

We manage progress towards these targets through active ownership with companies that have high emissions footprints. We believe engagement and voting is the most effective tool for influencing these companies to contribute to emissions reduction in the real economy.

At 30 June 2024, HESTA had **AU$5.8bn** or **6.7%** of the portfolio invested in climate solutions.[18]

You can read more about these investments in our 2024 climate change update available at **hesta.com.au/climate-action**

17 Normalised emissions refer to the scope 1 and 2 carbon-equivalent emissions intensity of our portfolio per $AUD million invested.
18 We measure progress towards our target aligned with SDGs 7, 11.6 and 13 according to the SDI AOP Taxonomy. https://www.sdi-aop.org/sdi-classification/

Our journey so far

For over two decades, we've worked hard to manage climate-related risks and capitalise on opportunities in our portfolio.

LEGEND

- Denotes HESTA climate related actions
- Denotes external market events

2001

Launched the HESTA Eco Pool (evolved into what is now Sustainable Growth) investment option, an early adopter of fossil fuel exclusions

IPCC Third Assessment Report finds human-induced emissions of greenhouse gases are the main cause of global warming

2005

Became a founding member of Investor Group on Climate Change (IGCC), including being represented on the Management Committee

Kyoto Protocol enters into force, committing 30+ industrialised nations to limit greenhouse gas (GHG) emissions

2006

One of the world's first pension funds to become a signatory of the Principles for Responsible Investment (PRI)

Became a signatory of the Carbon Disclosure Project (CDP)

First renewable energy investment through IFM Investors

The Principles of Responsible Investment (PRI) launches attracting 190 signatories worth USD9trn within 12 months

2007

The Climate Disclosures Standards Board (CDSB) is founded

2008

Represented the Australian industry funds on the P8 initiative[1].

Committed to the Poznan Communique on Climate Change

2009

Signed the Global Investor Statement on the Urgent Need for a Global Agreement on Climate Change

Undertook a climate change risk review

2010

Participated in the Australian Institute of Superannuation Trustees project to calculate the carbon footprint of HESTA's equities investments

Appointed Federated Hermes EOS to undertake engagement with international equities companies including on climate change

2011

Signed the Global Investor Statement on Climate Change

Surveyed our investment managers on the impact of the price on carbon

2012

HESTA's Board approved a Climate Change Policy

Introduced the first iteration of a low carbon equities portfolio

Australia's Clean Energy Finance Corporation launched to increase flows of finance into the clean energy sector ($10bn in first decade)

2013

Launched a Climate Change Policy Implementation Guide

The daily average concentration of CO_2 (carbon dioxide) in the atmosphere surpasses 400 parts per million (ppm) for the first time

2014

Restricted investment in unlisted and newly listed (from listing onwards) companies deriving 15% or more revenue from new or expanded thermal coal production across the HESTA portfolio

The Montreal Carbon Pledge mobilises 120 investors to measure, disclose and reduce their portfolio carbon footprints

2015

Committed to the Montreal Carbon Pledge

Introduced a low carbon international equities portfolio

Committed to the Paris Pledge for Action

The Paris Agreement is adopted by 196 parties at COP21

United Nations released the 2030 Agenda for Sustainable Development with 17 Sustainable Development Goals (SDGs)

SBTi established to enable companies to set emission reduction targets in line with leading climate science

2016

Reported the carbon footprint of our listed equities

Developed a climate change video for member education

2017

Reported the carbon footprint of our property investments

Introduced an exclusion of companies deriving any revenue from the mining of thermal coal for the HESTA Sustainable Growth investment option

Joined the Climate Action 100+ initiative

Adopted priority SDGs including SDG7 Affordable and Clean Energy and SDG13 Climate Action

Task Force for Climate-related Financial Disclosures (TCFD) recommendations announced

Victoria becomes the first state in Australia to legislate a net zero emission target[2]

Climate Action 100+ launched to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change, with HESTA a signatory

2018

Initiated development of HESTA's Climate Change Transition Plan

Signed on as a supporter of the Task Force for Climate-related Financial Disclosures

IPCC released special report calling for urgent climate action

1. The P8 initiative brings together senior leaders from some of the world's largest pension funds to discuss global issues, including climate change.
2. https://www.legislation.vic.gov.au/in-force/acts/climate-change-act-2017/005

2019

Certified carbon neutral by the Australian Federal Government (Trustee operations only)

Joined a working group for the Australian Sustainable Finance Institute (ASFI)

The European Commission commits to 'no net emissions of GHG by 2050' for the EU

2020

Pledged support for the Transition Pathway Initiative (TPI)

Announced emissions reduction target of 33% by 2030 and net zero by 2050

Solar PV becomes the cheapest source of energy in history[3]

The COVID-19 pandemic highlights the interconnections between health, poverty and climate change and the stability of the global financial system[4]

49% of global GDP covered by intended or legislated Net Zero commitments[5]

2021

Became a signatory of the Paris Aligned Investment Initiative (PAII)

Released HESTA's first climate report, Our Path to Net Zero

Signed the Institutional Investor Roundtable (IRR) letter to G7 leaders in support of the establishment of the International Sustainability Standards Board (ISSB)

Australia's Federal government announced a policy target of net zero emissions by 2050, with an interim target of 26-28% reductions by 2030[6]

2022

Strengthened our interim normalised emissions reduction target from 33% to 50% by 2030 (against a 2020 baseline)

Committed to investing 10% of the investment portfolio in climate solutions, such as renewable energy or green property, by 2030

Joined the Board of the Australian Sustainable Finance Institute (ASFI)

Strengthened fossil fuel exclusions, both portfolio wide and for the Sustainable Growth option

Australia's new Federal parliament legislates an emissions reduction target of 43% by 2030 and net zero by 2050

81% of global GDP covered by intended or legislated Net Zero commitments[7]

2023

Released the FY2022 Climate change report, providing progress in applying the Climate Change Transition Plan (CCTP) from FY2020.

Became the first Australian super fund to join the Advisory Group for the Australian pilot of the Collaborative Sovereign Engagement on climate change, established by the UNPRI.

Provided submissions in support of the Australian Treasury's consultation on proposed mandatory climate-related financial disclosures.

Contributed to the development of the IGCC 'Net Zero Standard for Diversified Mining', a global framework for investors.

Representative of HESTA presented with the IGCC Climate Award for 'Contribution to Investor Practice', paving the way for meaningful discussions on investor practice.

Conducted the second real-asset physical risk review to identify high risk locations to water scarcity, flooding, hurricanes, wildfire, drought and heat-stress.

2023

The Australian Federal government redesigns the Capacity Investment Scheme[8] *to support additional clean energy generation.*

Renewable energy provided 32% of Australia's electricity generation in 2022, doubling in 7 years from 14% in 2015[9]*.*

The Safeguard Mechanism is revised[10]*, requiring Australia's highest GHG emitting facilities to reduce its emissions aligned with Australia's emissions reduction targets*

Following the ban in the ACT, the Victorian state government announces the ban on natural gas connections for new buildings[11]*.*

COP28 agreement recognised the need to transition away from fossil fuels in energy systems so as to achieve net zero by 2050 in keeping with the science

2024

Released the FY23 Climate change update, capturing progress toward climate targets between FY22 to FY23 and is complementary to the FY22 climate report.

The Albanese government introduces legislation to establish the Net Zero Economy Authority, a new government agency proposed to help support the economy-wide net zero transformation.

3. https://iea.blob.core.windows.net/assets/a72d8abf-de08-4385-8711-b8a062d6124a/WEO2020.pdf (page 18)
4. Carol A. Adams, Subhash Abhayawansa, Connecting the COVID-19 pandemic, environmental, social and governance (ESG) investing and calls for 'harmonisation' of sustainability reporting, Critical Perspectives on Accounting, Volume 82, 2022,
5. https://eciu.net/media/press-releases/2020/almost-half-of-global-gdp-under-actual-or-intended-net-zero-emissions-targets
6. https://www.theguardian.com/environment/2021/nov/02/scott-morrison-tells-cop26-australia-will-exceed-2030-target-in-bid-to-fend-off-criticism
7. As per publicly sourced information available on https://zerotracker.net/. As at 29 September 2022.
8. https://www.dcceew.gov.au/energy/renewable/capacity-investment-scheme
9. https://www.climatechangeauthority.gov.au/sites/default/files/documents/2023-11/2023%20AnnualProgressReport_0.pdf
10. https://cer.gov.au/schemes/safeguard-mechanism#:~:text=Covered%20emissions,-Covered%20emissions%20are&text=from%20legacy%20waste%20(waste%20deposited,2016)%20at%20a%20landfill%20facility
11. https://www.premier.vic.gov.au/new-victorian-homes-go-all-electric-2024

Progressing climate action through active ownership

Our approach is dynamic and multi-faceted and is centred on the belief that active ownership to influence investee companies to participate in the transition to a net zero economy is in our members' best financial interests.

HESTA seeks to take active ownership and advocacy actions that support an orderly reduction of greenhouse gas emissions in the real economy as part of managing systemic risk. While Australia's greenhouse gas emissions have reduced 29% from 2005 levels (Department of Climate Change, Energy, the Environment and Water (DEECCW 2024)) and are progressing toward the government's commitment of a 43% reduction by 2030, it is imperative that progress continues to gather momentum, in particular through the government adopting the highest ambition in setting its 2035 Nationally Determined Contribution (NDC).

	FY24 actions and progress	Thematic objective	Economy change sought to manage risk*
System engagement	Through our collaborative relationship with the Investor Group on Climate Change (IGCC), we have shared investor perspectives on the importance of Australia's 2035 NDC.	Australia is due to submit its next NDC for 2035 under the Paris Agreement in 2025. The current NDC targets 43% emissions reduction by 2030 (below 2005 levels), in support of net zero by 2050. We advocate for an ambitious Australian 2035 NDC consistent with the goals of the Paris Agreement	Policy settings in Australia support orderly reduction in GHG emissions across the economy consistent with Australia's commitment to the Paris agreement.
	We have been an investor lead in the Principles for Responsible Investment (PRI) Sub-Sovereign Engagement Pilot, which seeks to support Australia state governments in climate policy development. You can read more in the case study on page 27.	Seek the implementation of a meaningful contribution to decarbonisation by Australian states.	
Company engagement and voting	**Woodside** Through engagement we have sought greater ambition from Woodside for capital investment in 'new energy' technologies. A climate-related priority has been to seek the addition of directors with 'new energy' and transformation experience. This priority has also shaped our voting decisions. You can read more about voting on page 28.	Our interim goal is for fossil fuel companies to strategically shift their capital expenditure away from coal, oil & gas and towards 'new energy' technologies.	Our ultimate goal is for absolute real-world reduction in greenhouse gas (GHG) emissions of material companies within the Australian economy aligned with the goals of the Paris agreement.
	Santos We have sought greater ambition for capital investment in 'new energy' technologies from Santos.		
	AGL We have engaged with AGL over a number of years to allocate greater capital to renewables and other innovative climate solutions. Therefore, engagement has focused on progress in investment in renewables and storage. As it transitions its business we have sought disclosure of plans to support the workforce transition at coal-fired power stations.	Our objective is for utilities companies to commit to closure of coal-fired power stations and invest in renewables and storage to support electrification and grid decarbonisation, in a way that is consistent with a timely, equitable and orderly transition.	
	South32 In FY23, South32 announced a goal to achieve Net Zero Scope 3 emissions by 2050. As lead investor through Climate action 100+, we have sought implementation detail on this Scope 3 goal.	Decarbonisation of hard to abate sectors will require a combination of approaches, including renewable energy and energy efficiency[19]. We'd like to see companies work on the commercialisation of decarbonisation technologies for smelting and hard to abate sectors.	

* Economy level change can assist the management of system-level risks faced by the investment portfolio. These changes cannot be achieved by any one organisation but rather require action by a range of market participants, including investors, companies and governments.

19 https://www.irena.org/Publications/2024/Apr/Decarbonising-hard-to-abate-sectors-with-renewables-Perspectives-for-the-G7

Case study

PRI-Coordinated Collaborative Sovereign Engagement on Climate Change – Australian pilot

In 2022, HESTA was the first Australian super fund to join the Advisory Group for the *Australian pilot of the Collaborative Sovereign Engagement on Climate Change* established by the PRI. The group aims to support governments in their transition towards alignment with the goals of the Paris Agreement. As a resources rich nation, Australia's significant emissions profile and an existing active program of investor engagement, led to its selection for a pilot program.

HESTA co-leads engagement for the state government workstream, one of three streams of work that also includes engagement with regulators and the Federal Government. Engagement has involved dialogue with the Western Australian, Queensland, Victorian and New South Wales state governments to share investor insights and to understand the strategies of policy makers that will help guide Australian companies to achieve important systemic change.

The pilot has provided the foundation for ongoing engagement between sovereign entities and investors, with FY24 engagement objectives focused on policy, disclosure, emissions reduction goals, and Australia's next Nationally Determined Contribution (NDC) to the Paris Agreement, due in 2025. You can read more in the PRI Australian Progress Report available **here**.

PRI Principles for Responsible Investment

Case study

Voting at Woodside and Santos AGMs

In 2022, HESTA placed companies including Woodside and Santos on its watchlist. Both companies remain on the watchlist, with more information available in our most recent climate change report. The annual general meetings of both companies were held in April 2024.

Last year we built on direct engagement with Santos regarding climate change to communicate our expectations regarding Board skills, company strategy, First Nations engagement and management of social license. Based on a lack of engagement with, and response to, our concerns, we voted against the Chair of Santos, Keith Spence. We also voted against the remuneration package reflecting concern regarding progress on First Nations relations and the expansion of their low carbon business. We did, however, support new directors and one incumbent who we believe contribute valuable Board skills.

HESTA's engagement in the months leading up to the Woodside AGM focussed on board skills and composition to demonstrate preparedness for the low-carbon transition, and investment in switching to low-carbon energy products through aligned capital expenditure. This engagement led to our decision to vote 'for' the re-election of Woodside Chair, Richard Goyder, based upon the constructive and ongoing nature of direct engagement regarding board composition, and that we had seen positive progress toward adding relevant board skills. At the AGM, we also voted in support of a new director with technology and energy transition experience. In relation to Woodside's Climate Transition Action Plan, we voted against, as we did in FY23, reflecting our belief that there remains a significant gap between the plan, and a 1.5C transition pathway. Our vote against the remuneration plan also reflected these concerns.

Engagement continues, with a series of upcoming direct, collaborative and service provider meetings with both companies. We will continue to consider a range of escalation tools as outlined in our engagement escalation framework.

Mandatory climate disclosure

HESTA welcomes the introduction of climate reporting standards in 2025. Leading up to the legislation's introduction, we made several submissions to government consultation on proposed standards, with all submissions reflecting HESTA's role as a large and diversified asset owner and our view as a shareholder that additional corporate disclosures could support enhanced company assessment and investment decision making.

As the breadth of this reporting is expanded, we will be assessing how company transition plans identify and respond to climate-related risks and opportunities.

We have also published regular disclosure detailing HESTA's progress towards its portfolio climate targets. You can find our climate-related disclosure at **hesta.com.au/climate-action**

Natural capital and biodiversity

Why it matters

Nature underpins the global economy and provides services that are critical to individuals and businesses.

Nature and biodiversity loss is therefore not only a threat to the environment and communities that depend on it, but also presents a material financial risk to companies, shareholders, and the global economy[20].

20 https://www.pwc.com/gx/en/news-room/press-releases/2023/pwcboosts-global-nature-and-biodiversity-capabilities.html

For individuals – natural capital supports human health and healthy communities through clean air, fresh water, medicines and food security[21].

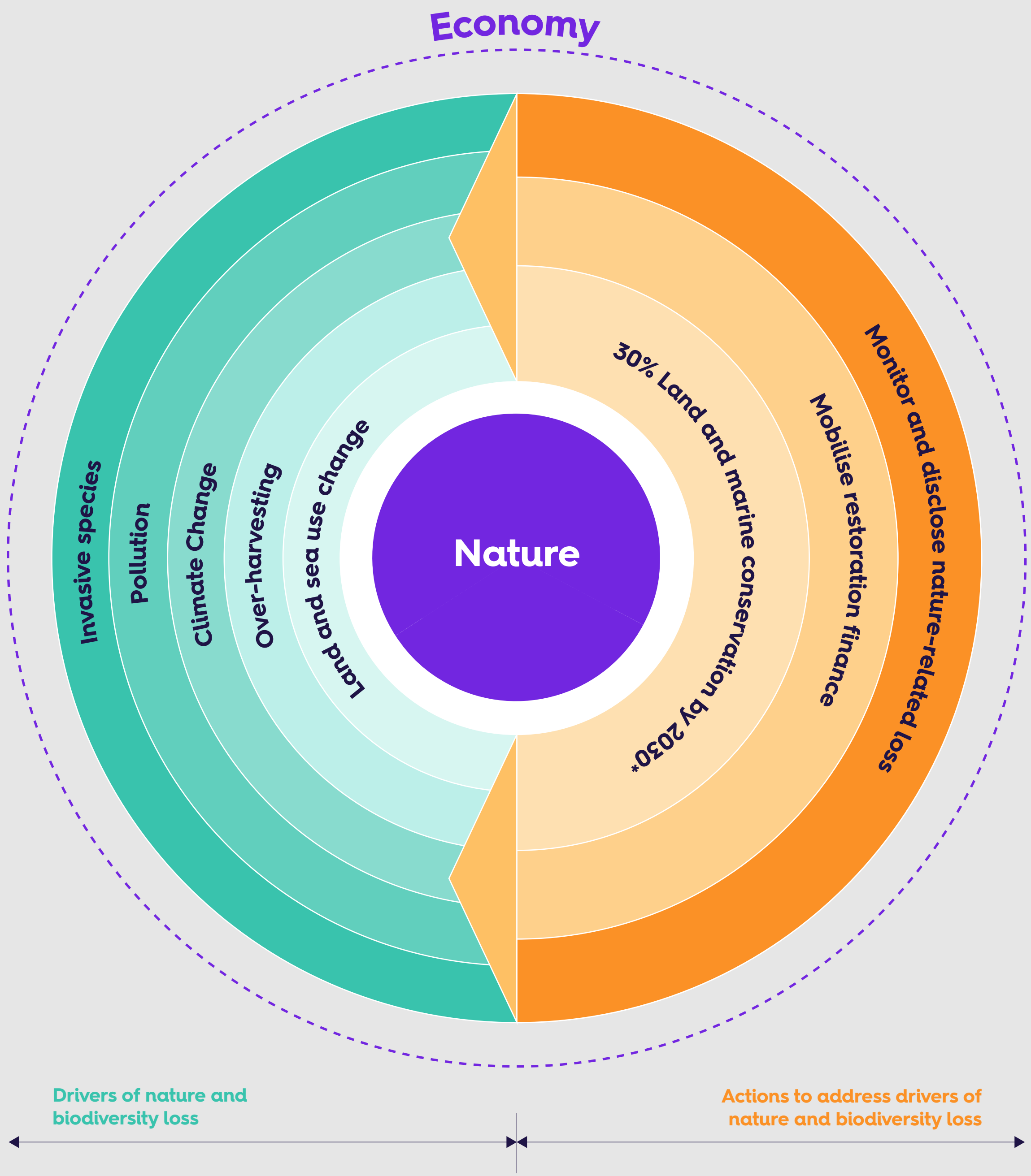
For companies – when companies understand their impact and dependencies on natural capital, they can manage nature-related risks to contribute to halting and reversing nature loss throughout their value chain, critical for protecting and enhancing shareholder value.

For the economy – nature provides services to the global economy estimated at US$125 trillion per year[22], with more than half of the world's GDP moderately or highly dependent on nature and its services. This role is reflected by the Australian governments growing commitment to be nature positive by 2030[23].

21 https://www.who.int/news-room/fact-sheets/detail/biodiversity-and-health#:~:text=Biodiversity%20loss%20can%20have%20significant,cause%20or%20exacerbate%20political%20conflict.
22 https://www.sciencedirect.com/science/article/abs/pii/S0959378014000685
23 https://www.dcceew.gov.au/sites/default/files/documents/nature-positive-plan.pdf

We believe that investors have an important role in safeguarding the planet's biodiversity and by doing so, supporting the long-term investment performance and the retirement savings of our one million+ members.

Nature and biodiversity loss has five key drivers – changing use of sea and land, direct exploitation of organisms, climate change, pollution and invasive non-native species[24]. In Australia, land use change, through habitat clearing and deforestation, is one of the largest drivers of natural capital and biodiversity loss.



* www.dcceew.gov.au/environment/land/achieving-30-by-30

24 https://www.unep.org/news-and-stories/story/five-drivers-nature-crisis

Progress so far

HESTA has completed an assessment of nature-related risks and opportunities impacting the investment portfolio and developed a roadmap to inform our active ownership priorities with key sectors and portfolio companies, as we seek to protect and enhance the value of our members' investments through halting nature loss.

October 2020

HESTA releases a Sustainable Water Statement, highlighting the consideration of water-related issues in our investment decision making to seek to improve long-term investment returns for members.

February 2022

SDG14: Life below Water and SDG15: Life on Land, added as a strategic focus to enable work in the area of biodiversity which has emerged as a key systemic risk.

14 LIFE BELOW WATER

15 LIFE ON LAND

March 2022

HESTA joins RIAA's Nature Working Group for impactful collaboration to support the preservation and restoration of nature and a shift in financial flows toward nature-positive outcomes.

August 2022

HESTA joins the Taskforce on Nature-related Financial Disclosures (TNFD) Forum.

September 2022

HESTA writes a letter to all ASX300 companies raising the risks and opportunities of nature and biodiversity loss and encouraging companies to assess their operations and supply chains.

December 2022

HESTA releases its FY2022 Modern Slavery Statement, and includes a case study on the intersection of addressing human rights and modern slavery issues with nature and biodiversity loss.

February 2023

HESTA completes materiality assessment, identifying the social cost associated with natural capital and biodiversity loss.

HESTA conducts a Locate-Evaluate-Assess-Prepare (LEAP) assessment using the TNFD beta framework to identify priority sectors within the portfolio.

March 2023

HESTA creates a *natural capital and biodiversity roadmap*, identifying the systemic risk of nature loss and nature dependency. Roadmap includes intersections with other HESTA priority thematics alongside engagement and advocacy plans.

April 2023

HESTA participates in a pilot program with EY and major ASX companies to test and provide feedback on the TNFD framework to TNFD and to the Department of Climate Change, Energy, Environment and Water (DCCEEW).

June 2023

HESTA releases its second Climate Change Report highlighting the intersection of climate and nature as a twin-crisis.

HESTA publicly provides feedback to the TNFD on the TNFD beta framework, emphasising the approach to materiality that comprehensively captures disclosure of risk for asset owners.

August 2023

HESTA collaboratively provided feedback to the International Sustainability Standards Board (ISSB) on nature-related disclosures to be included in future disclosure standards.

September 2023

HESTA is the first major Australian super fund to join Nature Action 100 (NA100) as a founding member. NA100 is a global investor engagement initiative focused on driving greater corporate ambition and action to reduce nature and biodiversity loss.

HESTA, along with NA100 participants, sends letters to all 100 priority companies to introduce investor expectations for the collaborative engagement initiative.

HESTA writes a letter to all ASX300 companies with natural capital and biodiversity loss as a priority engagement thematic. Companies within the mining, agriculture, food retailing and financial sectors receive additional asks as key contributors to nature-related portfolio risk.

March 2024

HESTA, alongside NA100 investors, formerly begins engagement with priority companies within mining and food retail sectors as identified in our materiality assessments.

May 2024

HESTA makes submission to the EPBC Act reform consultation, providing views on Australia's environmental law reform as part of the government's Nature Positive Plan.

Protecting nature through active ownership

HESTA has assessed nature related risks across its portfolio using the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD). You can find more detail about the TNFD below. This assessment enabled us to determine the sectors presenting the most material risk to investment performance and our delivery of returns to members. It revealed that mining, agriculture and supermarket supply chains are the most material due to their impacts and dependencies on nature. This analysis helps us to prioritise engagement with key companies within these sectors. HESTA has initially chosen to focus its active ownership activities on land use and land use change.

	FY24 actions and progress	Thematic objective	Economy change sought to manage risk*
System engagement	Environment Protection and Biodiversity Conservation Act Submission. You can read more at: **https://www.hesta.com.au/content/dam/hesta/HESTA-Submission-to-Nature-Positive-Plan.pdf**	Advocate for the establishment of robust Australian laws to deliver environmental protection with a focus on halting nature loss.	Establishment of mechanisms in Australia that align with the objectives of the Kunming-Montreal Global Biodiversity Framework[25]. The framework supports the achievement of the Sustainable Development Goals and sets out an ambitious pathway to reach the global vision of a world living in harmony with nature by 2050.
	Taskforce on Nature-related Financial Disclosures Submission	Support for the release of a globally recognised risk management and disclosure framework for nature-related risks and opportunities.	Improve the flow of information within the financial system through mandatory nature-related disclosure for material sectors.
Company engagement and voting	**Mining sector** Through our collaboration with Nature Action 100, we engaged with companies in the mining sector to encourage the assessment and disclosure of impacts and dependencies across their material value chain. Supporting this objective, we recommended the uptake of the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD). We also engaged with the same companies on the application of a mitigation hierarchy to manage identified material impacts and dependencies.	Our objective is for ASX priority companies to increase their assessment and disclosure of nature-related risks and opportunities within sectors with material nature-loss risk.	Through active ownership, we seek to increase corporate ambition to halt and reverse nature loss in line with the Global Biodiversity Framework across key-stone actors in material sectors.
	Food and agriculture value chain Directly, and collaboratively through Nation Action 100, we engaged with Australian supermarkets to seek the assessment and disclosure of impacts and dependencies across their material value chain, with particular focus on understanding their value chain contribution to deforestation, as a large consumer of agricultural goods.		
	Financials value chain The same engagement objective was applied to Australian banks, to seek the assessment and disclosure of impacts and dependencies across material value chain.		

* Economy level change can assist the management of system-level risks faced by the investment portfolio. These changes cannot be achieved by any one organisation but rather require action by a range of market participants, including investors, companies and governments.

25 https://www.cbd.int/gbf

Case study

Nature Action 100

Nature Action 100 (NA100) is an investor lead collaboration, seeking greater corporate ambition and action to protect and restore nature and ecosystems. Similar to Climate Action 100+, NA100 represents more than 200 global investors who together manage over $28 trillion in funds under management or advice, who have a common goal of halting and reversing nature and biodiversity loss to mitigate financial risks and protect long-term shareholder value. HESTA was the first major Australian super fund to join the collaborative initiative as a founding member in 2023.

NA100 has developed benchmark indicators to help assess company progress aligned with the six 'NA100 investor expectations of companies' which were established when the collaboration began. The expectations relate to ambition, assessment, mitigation and implementation relevant to an organisations' material nature-related value chain. The NA100 investor expectations provide the foundation for HESTA's nature-related engagement priorities.

Company progress against benchmark indicators will be updated annually to support investors in assessing the effectiveness of investor engagement approaches. The first company benchmark assessment is due to be released in 2024 and you can read more at **https://www.natureaction100.org/media/2024/04/Nature-Action-100-Benchmark-Indicators-2024-1.pdf**.

What is the TNFD?

The **Taskforce on Nature-related Financial Disclosures** (TNFD) is a set of disclosure recommendations and guidance that encourage organisations to assess, report, and act on their nature-related dependencies, impacts, risks and opportunities. Released in September 2023, the recommendations are modelled on the 2015 Task Force on Climate-related Financial Disclosures and will enable businesses to integrate nature-related risks and opportunities in business decision making.

HESTA was invited to participate in a TNFD Pilot program alongside other major ASX companies to test and provide feedback on the TNFD Framework. The pilot program was sponsored by the Department of Climate Change, Energy, the Environment and Water (DCCEEW) and facilitated by EY. This experience provided us the knowledge to give informed feedback in response to the TNFD beta framework consultation. You can read our submission **here**.

HESTA's approach towards alignment with the recommendations of the TNFD

The following table summarises progress of HESTA's natural capital and biodiversity approach towards alignment with the recommendations of the TNFD. This is HESTA's first disclosure giving regard to the TNFD and our disclosures will develop over time as the theme continues to mature. For asset owners such as HESTA whose portfolios are comprised of a broad range of assets, progressing towards nature and biodiversity-related objectives requires analysis and disclosure by portfolio companies. We therefore strongly encourage portfolio companies to assess nature-related impacts and dependencies throughout their supply chains and to take urgent action to halt and reverse nature loss.

Governance

The principles and commitments that direct our approach to natural capital and biodiversity are outlined in our Responsible Investment Policy. This policy forms a component of the Fund's Investment Governance Framework.

HESTA takes a fund-wide integrated approach to managing nature-related financial risks. Nature-related risks are captured together with other responsible investment risks as part of HESTA's Enterprise Risk Profile and our approach to these risks is outlined in our Responsible Investment Policy. HESTA has implemented the following controls and processes to manage the impact of nature-related financial risks:

- Nature-related risks, as part of a broader range of responsible investment risks, are overseen by the Investment Committee (a sub-committee of the Board) which receives regular reporting on responsible investment risk management.
- Management of nature-related risks (together with other responsible investment risks) is delegated to relevant executives, and roles and responsibilities have been defined for the investment management team.

Strategy

As part of a portfolio-wide materiality assessment and informed by leading research related to the thematic, HESTA estimated the economic cost associated with natural capital and biodiversity loss. Based on this assessment we determined that nature and biodiversity is material to economic growth and underpins strong long-term returns for our members. We therefore believe that it is consistent with members best financial interests that we take steps to address nature and biodiversity loss.

To focus our program of work, we then conducted sector level analysis to identify sectors that materially contribute to nature loss within the five drivers of nature loss[26]. In conducting this assessment, we considered system level as well as portfolio level risk and intersection with other systemic issues, such as climate change, modern slavery and First Nations rights and relations. This analysis led to development of a roadmap that will guide our actions through FY2025 and beyond, with a focus on seeking to halt and reverse nature and biodiversity loss.

Our roadmap relies significantly on the use of active ownership since we have determined this approach to be the most effective for managing nature-related risks and opportunities. We have identified priority companies with whom we will engage directly, indirectly through service providers and investment managers and through collaborative initiatives such as our membership of Nature Action 100 (NA100).

26 https://www.ipbes.net/global-assessment

Risk and impact management

HESTA invests globally across a range of asset classes, both directly through internal investment teams and indirectly through external investment managers.

We seek to partner with external investment managers that are aligned with our beliefs and corporate values including our commitment to responsible investment, as outlined in the **HESTA Partnership Principles**.

Our investment manager and asset selection process includes a review of responsible investment (RI) factors, one of which is natural capital and biodiversity risk management and how these factors are integrated into investment analysis and portfolio management. While all managers are expected to allocate appropriate resources to identify and respond to material RI factors, the way and extent to which the managers incorporate RI factors into investment analysis and decision making and the standards used to assess investments will differ across the portfolio and are dependent on the relevance of a factor to each asset class and the style of the investment strategy (and subject to HESTA's exclusions).

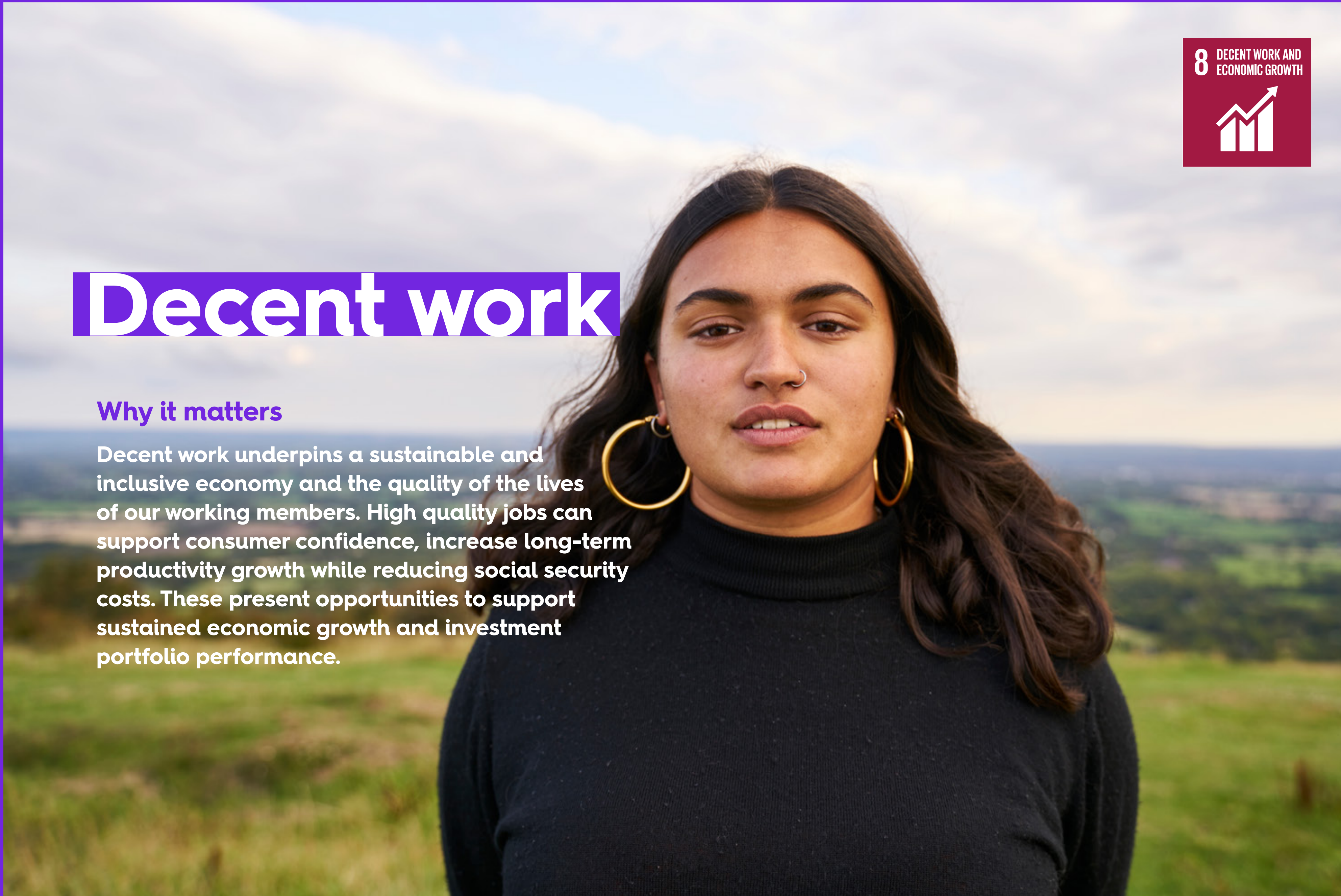
Our annual responsible investment monitoring includes questions to identify how our external investment managers are approaching natural capital and biodiversity. As outlined above, we have also assessed the portfolio independent of our managers to determine the most material nature-related risks.

Metrics and targets

While we have not yet set targets, HESTA's natural capital and biodiversity roadmap, and supporting active ownership objectives are aligned with the Global Biodiversity Framework.

Through engagement and advocacy, we are encouraging disclosure of nature-related risks, which will enable us to analyse the extent of a company's impact and dependencies on nature and their approach to halting and reversing further nature loss. As the depth and availability of this information improves, we can further assess risks and opportunities, enabling us to develop specific and measurable goals that are in the best financial interests of our members.

As highlighted above, through our foundational assessment we have identified mining, agricultural and food retailing supply chains as the most material sectors and have commenced a program of work focused on these which will evolve with the maturity of the thematic. We anticipate that the introduction of mandatory disclosure related to sustainability themes will improve the accessibility of data related to nature and biodiversity and the outcomes we can create as a result.



8 DECENT WORK AND ECONOMIC GROWTH

Decent work

Why it matters

Decent work underpins a sustainable and inclusive economy and the quality of the lives of our working members. High quality jobs can support consumer confidence, increase long-term productivity growth while reducing social security costs. These present opportunities to support sustained economic growth and investment portfolio performance.

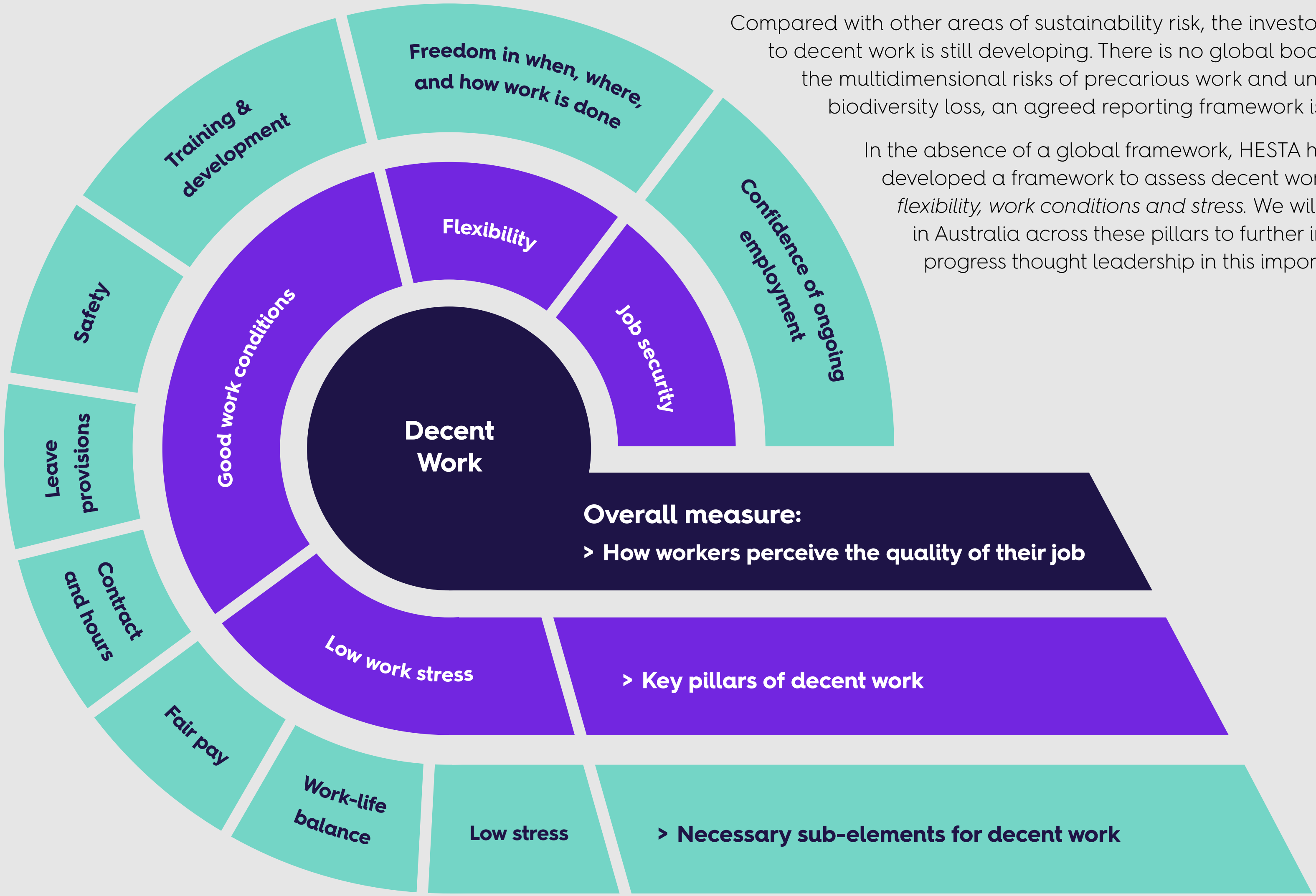
At HESTA, our advocacy seeks to address systemic issues, such as decent work, that pose a risk to the retirement security of our members. We have a history of advocating for issues related to decent work such as removing the $450 monthly wages threshold[27] and introducing protections for workers in 'employee-like' arrangements. Data shows that for every dollar on average earned by men, women earned 78 cents[28]. Addressing the drivers of financial disadvantage, such as those associated with decent work and gender equality, can make a significant contribution to improving the retirement outcomes for our members.

For individuals – decent work matters for individuals because it affects all aspects of their lives. People working irregular shifts are often unable to find suitable childcare, prioritise healthcare, regularly join activities and overall exchange with the community. People with casual contracts and irregular working hours find it difficult to access traditional financial services such as loans and mortgages. Inflexible work arrangements make it difficult for individuals to meet their family and carer's responsibilities.

For companies – improved security, lower levels of stress, strong safety and good conditions, and higher levels of flexibility either individually or combined can have a direct impact on a company's financial performance by improving productivity, strengthening capability, increasing innovation and mitigating risks associated regulatory or reputational risks.

For the economy – decent work has systemic benefits including supporting economic demand and productivity, reducing reliance on social security and alleviating pressure on public health systems.

27 https://www.hesta.com.au/about-us/media-centre/hesta-welcomes-scrapping-of-450-super-threshold
28 https://www.wgea.gov.au/data-statistics/data-explorer



Compared with other areas of sustainability risk, the investor understanding of risks related to decent work is still developing. There is no global body of research that clearly sets out the multidimensional risks of precarious work and unlike issues of climate change and biodiversity loss, an agreed reporting framework is yet to be developed.

In the absence of a global framework, HESTA has commissioned research and developed a framework to assess decent work across four pillars – *job security, flexibility, work conditions and stress.* We will use this research to measure jobs in Australia across these pillars to further inform our work program and help progress thought leadership in this important area.

Our journey so far

Companies that respect basic rights, promote job security, provide freedom from discrimination and fair and equal wages are likely to perform better over the long-term and therefore support our ability to deliver strong, long-term returns to members. This is why decent work has been a focus area for HESTA for a number of years.

2015
8 DECENT WORK AND ECONOMIC GROWTH
The HESTA board endorses SDG 8 as a priority goal

2019
HESTA develops Modern Slavery Policy

2020
HESTA publishes first Modern Slavery Statement

2020
HESTA joins RIAA's Human Rights Working Group

2021
Joined Investors Against Slavery and Trafficking Asia Pacific (IAST APAC) as lead for two healthcare sector companies.

2022
Completed engagement series on workplace culture, focusing on sexual harassment in the mining sector

2022
Senate select committee on Care and Work submission

2023
Employee-like Forms of Work Consultation submission to the Department of Employment and Workplace Relations.

2023
HESTA joins ACSI's 'S' and 'DEI' working groups with a focus on workforce and governance risks and opportunities.

2023
Inclusion of 'decent work' thematic in annual HESTA CEO letter to ASX300 companies.

2023
Development of a framework for assessing 'decent work' in investment portfolios, enabling development of an active ownership program of work.

2024
Commissioned research with the Bankwest Curtin Economic Centre on 'Dimensions and Prevalence of Decent Work'.

Championing decent work through active ownership

Our decent work program focuses on strengthening decent work, enhancing safety and managing modern slavery risk. Priority companies for engagement regarding decent work were identified by analysing risks and opportunities according to sector, the value of our investment and workforce size.[29]

	FY24 actions and progress	Thematic objective	Economy change sought to manage risk*
System engagement	Partnered with Bankwest Curtin Economics Centre (BCEC) on research that provides insights into dimensions and prevalence of decent work in Australia over time. You can read more in our case study on page 42.	Support updated research on the status of job quality in Australia using a framework which can be applied to all sectors.	Achieve consensus on a way to measure job quality that can be applied from the company to national level and can be measured over time.
Company engagement and voting	**Retail sector** Our priority in FY24 has been to undertake direct engagement with companies with large workforces on the opportunity to uplift disclosure about job quality.	We want companies to consider innovative ways to enhance workplace disclosure that allows investors to understand multiple dimensions of the quality of jobs within the workforce.	Improve how workers perceive their job satisfaction, as measured through Australia's Measuring What Matters Framework.
	Safety reporting In FY24, we engaged with 3 different companies across industrial, transportation and resources sectors seeking an uplift of their corporate safety disclosure. One of these companies has made significant progress with this objective, while engagement continues with the remaining two.	Seeking commitment to uplift occupational health safety reporting.	
	Wage underpayments We have commenced engagement with priority companies to address wage underpayment. We will disclose progress in future reports.	Seeking commitment to remediate, address the cause and prevent future instances of wage underpayments.	
	Modern slavery As lead investor through Investors Against Slavery and Trafficking Asia Pacific (IAST APAC), we lead engagement with two companies, operating in the healthcare sector, and act as support on an additional two. Engagement plans are established for these companies to guide progress towards objectives, with progress reported twice yearly to the IAST APAC Secretariat. Engagement progress is captured in the IAST APAC annual report available at **https://www.iastapac.org/tools-resources**	Seeking the adoption by companies of a series of 'Find it, fix it, prevent it' objectives such as: • Improved supply chain mapping • Demonstration of due diligence of company-specific business line risks • Plans beyond compliance such as commitment to living wage.	Find, fix and prevent Modern Slavery in operations and supply chains.

* Economy level change can assist the management of system-level risks faced by the investment portfolio. These changes cannot be achieved by any one organisation but rather require action by a range of market participants, including investors, companies and governments.

29 Sectoral job quality measured by BCEC Report Dimensions and Prevalence of Decent work in Australia

Why Decent Work matters

To support HESTA's decent work-related program of work, in FY24 HESTA commissioned Bankwest Curtin Economics Centre (BCEC) to undertake research into the trends of decent work in Australia over time, how dimensions of decent work have contributed to these trends, and how decent work varies by demographics and industry.

We have co-published the findings of this research to assist the investment community in better understanding how the dimensions of decent work can benefit companies and investors alike. The report finds that while the overall trend in recent years has been toward improved job quality – more secure work with better conditions and flexibility, there is increased work-related stress. Further, the benefits of decent work have not been experienced equally with the youngest and oldest cohorts of workers, people with lower levels of education, and women, all reporting experiencing poorer job quality than comparative groups.

You can read the report at **hesta.com.au/decent-work**

Advocacy through IAST APAC

HESTA is a member and active participant of Investors Against Slavery & Trafficking APAC (IAST APAC).

In late 2023, HESTA collaborated with select IAST APAC investors to advocate to Australia's Attorney General for the establishment of a national compensation scheme for victims of modern slavery. You can read the letter here: **https://www.iastapac.org/2024/01/31/iast-apac-letter-to-australian-government-on-national-victims-compensation-scheme/**

3 GOOD HEALTH AND WELL-BEING

Good health and wellbeing

Why it matters

Good health and wellbeing are fundamental to HESTA members working predominantly in the health and community services sector. Good health enables economic growth by improving productivity, raising incomes and reducing economic costs caused by illness, contributing to market stability that supports long-term investment returns.

For those working in the health and community services sector, they are at the frontline, experiencing firsthand the impacts of global issues such as those related to inequality and poor health. As a long-term investor we prioritise addressing systemic issues, like the interaction between public health and company profits, encouraging portfolio companies to consider the broader impacts of issues on the economy and health system where many of our members work.

We consider good health and wellbeing in our investment decision making to improve investment performance and positively impact the world in which our members live, work and retire.

For individuals – living longer and healthier lives enables our members to earn and save more for a full and active retirement.

For companies – the health and wellbeing of a company's workforce, its customers and the broader community is paramount for shareholder value creation. An unhealthy workforce creates cost and disruptions for companies and the broader economy.

For the economy – a strong and sustainable economy is built upon the wellbeing of the people within it. Good health and wellbeing are indicators of sustainable development. Poor health threatens economic stability, limits opportunities and increases poverty within communities. Long-term sustainability relies on everyone living healthier and more productive lives.

At 30 June 2024, HESTA had **$6bn** or **6.9%** of the portfolio invested in alignment with SDG3: Good health and wellbeing.

You can read more about these investments in our 2024 Annual Report available **hesta.com.au/reports**

Our journey so far

HESTA is an investor in early-stage biotechnology and life sciences companies that are exploring new ways of addressing or preventing health problems. We partner with investment managers investing in innovations that are likely to play an important role in improving health and wellbeing, as well as reducing the costs of healthcare.

We also provide capital for healthcare infrastructure such as private hospitals, medical precincts and aged care communities. Additionally, we have sought opportunities to invest in disability and affordable housing which is fundamental for ensuring health and wellbeing of vulnerable groups.

In 2013 we divested our portfolio of tobacco and are proud to be a pledge stamp member of Tobacco Free Portfolios.

2007
HESTA begins long-term relationship with Brandon Capital.

2011
HESTA Sustainable Capital Investment Trust is established with Stafford Capital Partners, providing exposure sustainable private equity investments, including healthcare.

2013
Introduced the total portfolio exclusion for investment in companies that produce and/or manufacture tobacco and tobacco-related products.

2015
The HESTA Board endorsed SDG3

3 GOOD HEALTH AND WELL-BEING

2019
TOBACCO FREE Portfolios

HESTA signs the Tobacco Free Finance Pledge

2020
HESTA joins FAIRR, a global collaboration helping investors identify and prioritise ESG risks within intensive animal production

2021
HESTA pledged its support to equitable access to COVID-19 vaccines worldwide by signing the Access to Medicines Foundation investor statement.

2021
Co-filed first shareholder resolution at Hormel Foods, calling for a study into the public health costs from the use of antibiotics in Hormel's food supply chain

2022
Co-filed shareholder resolutions at Hormel Foods, Tyson Foods and McDonalds calling for alignment of company policies with WHO guidelines on Use of Medically Important Antimicrobials in Food-Producing Animals throughout supply chains.

2022
HESTA joins the Cambridge University Ownership Initiative seeking to address the risks of systemic issues like AMR.

2023
Co-filed the same 2022 shareholder resolution seeking WHO compliant policies at Yum Brands.

2024
HESTA signed up to Investor Action on AMR Policy Statement: Seven asks of policymakers to address AMR as a system problem.

Taking action on anti-microbial resistance through active ownership

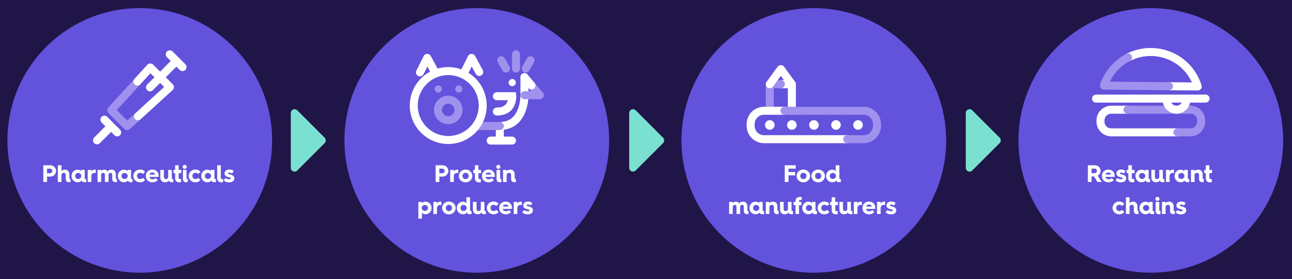
We have prioritised our health-related active ownership on managing risks related to antimicrobial resistance to protect the value of our members' investments and help limit the burden on the healthcare sector where many of our members work.

Antimicrobial resistance occurs when bacteria change over time, and no longer respond to medicines that were designed to treat them. Compromising the efficacy of life saving drugs can impact public health as well as the strength of the global economy. Current data estimates that almost 5 million deaths are associated with resistant bacterial infections each year and under a worse-case scenario, the WHO estimates antimicrobial resistance could result in US$1trillion additional healthcare costs by 2050[30].

In the absence of robust, aligned and comprehensively enforced global regulation, we believe there is a role for investors to mitigate risks related to antimicrobial resistance[31].

Through collaboration with Farm Animal Investment Risk and Return (FAIRR) and The Shareholder Commons, we identified that our ability to influence management of antimicrobial resistance risk is greatest through pharmaceutical and food production companies held through the international shares portfolio. You can read more about our collaboration with these groups in the case studies on page 48 and about our active ownership actions below.

Figure 1. Key sectors in the animal protein value chain crucial for supporting responsible antibiotic use



30 https://www.who.int/teams/immunization-vaccines-and-biologicals/product-and-delivery-research/anti-microbial-resistance
31 https://www.fairr.org/resources/reports/antibiotic-stewardship-in-the-animal-pharmaceutical-and-quick-service-restaurant-sectors-progress-report

Taking action on anti-microbial resistance through active ownership

	FY24 actions and progress	Thematic objective	Economy change sought to manage risk*
System engagement	HESTA led the antimicrobial resistance (AMR) working group of the Cambridge Universal Owner Initiative (CUOI), a collaboration of global asset owners with academics from Cambridge University focused on addressing systemic risks material to long-term sustainable returns.	Collaborate with other international asset owners to raise awareness of AMR as a material financial risk to investment portfolios.	Reduce global use of medically important antimicrobials to safe levels.
	Signed Investor Action on AMR statement to policymakers.	We are calling for the development of a global framework on AMR with a science-based approach to reducing antibiotic usage and developing alternatives.	
Company engagement and voting	**Animal pharmaceuticals** Through FAIRR, we indirectly engaged with companies, with the aim of seeking to restrict marketing of antibiotics for growth promotion. Through this collaboration, we also indirectly engaged companies to encourage responsible manufacturing that seeks to ensure antimicrobials do not enter the environment.	In 2022, FAIRR launched a collaborative investor engagement focused on seven of the largest animal pharmaceutical companies, with the aim of driving improved disclosures and clarity on the effectiveness of corporate practices in supporting responsible manufacturing and use of antibiotics in animal agriculture.	Reduce the use of antibiotics in food supply chains to safe levels by seeking global compliance with WHO guidelines on the use of medically important antimicrobials in food-producing animals
	Restaurants Through FAIRR, we indirectly engaged with companies seeking more comprehensive policies restricting the use of medically important antibiotics.	FAIRR relaunched its Restaurant Antibiotics engagement in 2023 to encourage 12 North America-based Quick-Service Restaurant companies to comprehensively address the risks associated with routine antibiotic use in their animal protein supply chains.	
	HESTA co-filed shareholder resolutions at material holdings calling for alignment with WHO Guidelines.		

* Economy level change can assist the management of system-level risks faced by the investment portfolio. These changes cannot be achieved by any one organisation but rather require action by a range of market participants, including investors, companies and governments.

Case studies

Engagement through FAIRR

HESTA is a member of FAIRR, a global collaborative network with over 400 members representing $75trn in assets under management. FAIRR helps investors identify and prioritise risks linked to intensive animal production to integrate these factors and quantify their impact within their portfolio analysis. It also facilitates collaborative investor engagements with global companies to improve performance on issues in global food value chains.

FAIRR has identified seven companies for engagement which represent 34% of animal pharmaceutical production globally. HESTA holds shares in two of these companies involved in the animal pharmaceutical sector through our international shares portfolio. While the companies' have significant further progress to make in addressing AMR risk, it was pleasing to see an uplift in company disclosure of revenue from food-producing animal antibiotics in the 2023 calendar year.

Voting

HESTA has co-filed shareholder resolutions over the past three years at food producing companies calling for *greater compliance with the World Health Organisation's guidelines on Use of Medically Important Antimicrobials in Food-Producing Animals throughout their supply chains.* While there has been some company progress in reducing antibiotics in their relevant protein supply chains, it falls short of the WHO Guidelines, which apply to all food-producing animals in all markets. Filing shareholder resolutions in support of these asks, is helping build investor awareness of AMR and its potential effect on portfolio value.

2022
Hormel Foods
14%
*excludes management votes, with management owning approx. 47% of Hormel

2023
Hormel Foods
13%
*excludes management votes

2023
Tyson Foods
20%
*excludes management votes

2023
McDonalds
18%

2024
Yum Brands
12%

Sustainable cities and communities

In relation to sustainable cities and communities, HESTA focuses on housing affordability, First Nations Peoples and the protection of cultural heritage.

Why it matters

HESTA manages the retirement savings of more than 1 million members working primarily in the health and community services sectors. Almost 80 per cent of our members are women and most are on low-to-middle incomes. Our members are essential workers who deliver critical, life-changing services, and whose work generally requires their physical presence. Unfortunately, they are increasingly struggling to afford housing near where they work[32], and housing costs are a key determinant of their financial security in retirement.

Australia's housing crisis presents risks and opportunities for investors like HESTA. While housing shortages reduce productivity across the economy, they also provide the opportunity for investment innovation to deliver our members appropriate risk-adjusted investment returns by improving housing supply.

For individuals – basic human needs start with air, food, water, and *shelter*. Research shows that a safe and stable home improves physical and mental health, connectedness through personal relationships and quality of family life, education and employment outcomes[33].

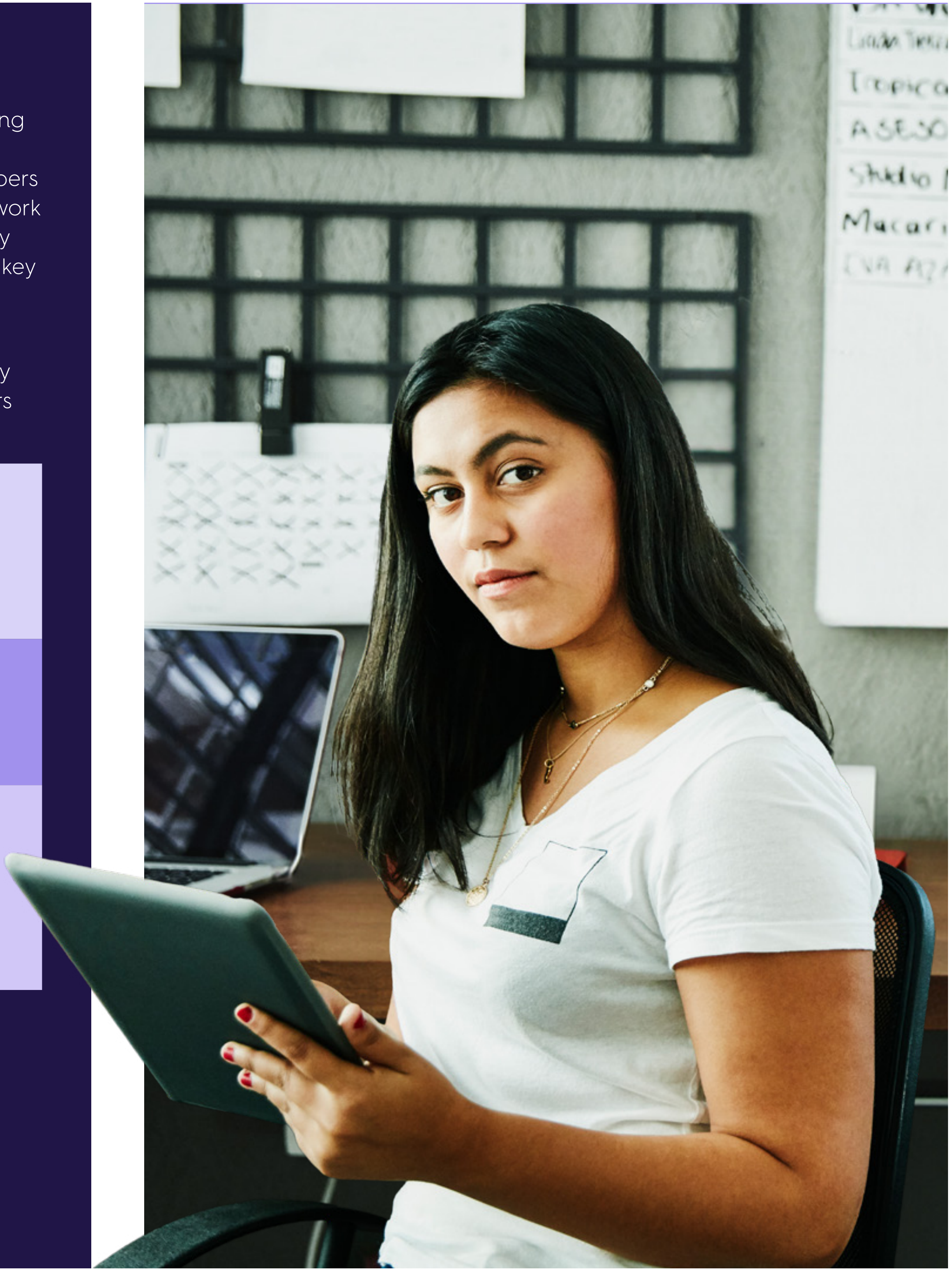
For companies – increasing the availability of affordable housing in inner city and regional locations, will help to reduce the shortage of essential workers in these areas, enabling companies to attract and retain key workers.

For the economy – research shows that the provision of 250,000 social dwellings can deliver $5-11 billion in savings to the government through reduced costs to the social security system in just over 10 years. This is in addition to the creation of 46,000 jobs per annum, and an $40bn contribution in GDP to the Australian economy[34].

32 https://www.anglicare.asn.au/publications/2023-rental-affordability-snapshot/

33 https://aifs.gov.au/sites/default/files/fm91e_0.pdf, https://www.aihw.gov.au/reports/australias-welfare/understanding-welfare-and-wellbeing

34 https://believehousing.org.au/news/how-housing-benefits-people-economies/



Our journey so far

For nearly two decades, HESTA has invested in housing opportunities that align with the best financial interests of members' while seeking to contribute positively to the broader community.

2004 and 2006

Invests in rental housing via a value-add fund that invested in US multifamily assets.

December 2015

Made a loan to Horizon Housing, a community housing provider operating in Queensland, which helped to develop 60 new social and affordable properties.

2017

HESTA commits to two US core funds with 20+% allocations to the multifamily sector.

March 2017

Invests in Australia's first homelessness-focused social impact bond.

July 2017

Invests $19m to finance Glenview Korongee Dementia Village in Tasmania.

July 2019

Commits $20m to Nightingale Housing, to build affordable homes for vulnerable and low-income tenants and key workers.

April 2020

Invests in Synergis Fund, an investment primarily in Specialist Disability Accommodation.

2020

Invests in the National Housing Finance and Investment Corporation (NHFIC)'s first Sustainability Bond.

2020

Additional investment in NHFIC's Social Bond issuance, helping low income and vulnerable Australians access affordable housing.

2020

Partners with Assemble, to develop a scalable product with a focus on affordable build-to-rent strategy, culminating in the formation of Super Housing Partnerships Housing platform.

2021

Participates in the Victorian Government Build-to-Rent roundtable.

Nov 2021

Commits to $80m to a Dublin build-to-rent development with 10% of the project affordable housing.

Nov 2022

Super Housing Partnerships Housing platform and Housing Fund 1 established. HESTA allocates $240m to Housing Fund 1 projects subject to a veto right over each project.

January 2023

Provides submission to consultation on key elements of the Government's housing legislative package, focusing on areas of the package that HESTA believes will facilitate investment at scale.

July 2023

HESTA approves and allocates $101m of the $240m under Housing Fund 1 to the Kensington BTR project, the first Housing Fund 1 mixed-tenure housing project comprising more than 360 units in Kensington, Melbourne.

October 2023

Provides submission to the National Housing and Homelessness Plan

July 2024

Assemble merges with Super Housing Partnerships, to form Assemble. HESTA and AustralianSuper take a majority ownership stake in Assemble, with Assemble now positioned to further unlock institutional capital into a portfolio of housing assets by way of its end-to-end investment model.

Contributing to sustainable cities and communities through investment and advocacy

Affordable housing

For long-term investors like HESTA, there is an opportunity to develop innovative solutions that seek to break down barriers to large-scale investment in housing and aim to deliver strong and stable long-term returns for members while helping to address one of our nation's biggest challenges.

	FY24 actions and progress	Interim objective	Economy change sought to manage risk*
System engagement	Approved and allocated $101m of the $240m to the first Housing Fund 1 mixed-tenure housing project in Kensington, Melbourne. HESTA participated in state and federal housing working groups to provide feedback on models to scale investment in housing supply.	Contribution of capital that aims to scale up a platform to deliver affordable housing in Australia.	Institutional capital, where prudent, to deliver on housing supply at scale in a system that is driven by clear and consistent policy.

First Nations and cultural heritage

We're managing investment risks and advancing our commitment to reconciliation through our focus on the protection of cultural heritage in our portfolio. HESTA has focused efforts on collaboration with peers and First Nations peak bodies to develop First Nations-led best practice guidelines for investors. Our direct active ownership activities have focused on Australian resources companies for whom First Nations rights and relations are material, supported by a broader collaborative engagement program by ACSI on the topic.

	FY24 actions and progress	Interim objective	Economy change sought to manage risk*
System engagement	Contribution to Dhawura Ngilan Business and Investor Initiative (DNBII) Guides	Creation of business and investor guides that offer comprehensive guidelines and resources for businesses and investors in promoting respectful partnerships with First Nations People	Meaningful interaction between private sector and institutional capital with First Nations cultural heritage, guided by principles and standards led by First Nations views.
Company engagement and voting	**Santos** We have engaged with Santos on their approach to gaining social license and consent from First Nations community on key projects.		

* Economy level change can assist the management of system-level risks faced by the investment portfolio. These changes cannot be achieved by any one organisation but rather require action by a range of market participants, including investors, companies and governments.

Case studies

Super Housing Partnerships/Assemble

HESTA has partnered with Assemble to further facilitate increased institutional investment in housing assets at scale. Following on from our partnership with Super Housing Partnerships in 2022, Assemble and Super Housing Partnerships have merged to provide a single innovative platform that can support our goal of delivering strong and stable long-term returns for members while helping address Australia's housing shortage.

The merger is the latest milestone in HESTA's involvement in affordable housing investment. While much needed progress remains, we've invested in apartment projects in Brunswick and Ballarat, and a build-to-rent apartment project in Kensington that's set to deliver 362 mixed-tenure dwellings blending social, affordable, market-rate and specialist disability housing.

Australia's housing gap is a challenge needing collaboration across all stakeholders, and a significant allocation of private capital. Assemble will continue to develop investment opportunities for HESTA and other investor partners.

Dhawura Ngilan

HESTA has undertaken significant work on the topic of First Nations rights and the protection of cultural heritage. Through this work, HESTA has become a prominent voice on the importance of this topic for institutional investors and why managing related risk is in the best financial interests of members.

HESTA is a founding supporter of the Dhawura Ngilan Business and Investor Initiative (DNBII) and a key contributor to the DNBII Guides launched in March 2024. The business and investor guides offer comprehensive guidelines and resources for businesses and investors in promoting respectful partnerships with First Nations Peoples.

Improving business practices related to First Nations rights and cultural heritage has the potential to reduce the reputational, operational, and legal risks faced by businesses. We believe early, genuine and ongoing consultation with First Nations peoples on issues that affect them is the best way for companies to approach their work, resulting in the protection of shareholder value, and better return outcomes for investors.

Please visit **https://culturalheritage.org.au/business-investor-guides/** for more information.

Super with impact

"Strategic transformation doesn't happen overnight; it won't happen with one conversation, one company engagement, or with a single vote at one AGM. Our ambition is bigger than just one company. Championing a growing, sustainable and inclusive economy is essential to creating long-term value for our members, while supporting a healthier economy, planet and society for our members to live, work and retire in."

Debby Blakey, HESTA CEO

hesta.com.au/impact

Document date: 21 October 2024